

## Need to implement Sarkaria panel report: CM

By Our Special Correspondent

CHENNAI, MAY 20. Expeditious solutions to inter-State water disputes can be found, if the Sarkaria Commission's recommendations in this regard are accepted and given effect to by amending the Inter-State Water Disputes Act, 1956, the Chief Minister, Mr. M. Karunanidhi, said today.

He came out with this suggestion at the sixth Inter-State Council meeting chaired by the Prime Minister, Mr. A. B. Vajpayee, in Delhi while focussing on inter-State water disputes.

Referring to the reservation of the Ministry of Water Resources over one of the Sarkaria Commission's recommendations relating to implementation of Tribunal's award, Mr.

Karunanidhi felt absence of specific time-frame in Section 6 of the Act for the implementation of an award after its notification was taken advantage of by some States to delay the implementation of the award.

If there were any genuine problems in the implementation of an award within two years, there was a saving provision as decided by the Inter-State Council that the Union Government might extend the period suitably beyond two years for implementation of the award, Mr. Karunanidhi said and suggested nationalisation of all rivers and linking of rivers on a priority basis.

Demanding the deletion of Article 356 and omission of Article 363 from the Constitution, Mr. Karunanidhi said the recommendations of the Rajamannar

Committee merited consideration by both Inter-State Council and Constitution Review Committee.

In his view, some Constitutional provisions went against the spirit of federalism and they had hampered Centre-State relations.

Touching on the power of the Governor to reserve Bills for Presidential consideration, the Chief Minister said a time-frame for giving assent to Bills passed by the Legislature — one month for the Governor and four months for the President — needed to be incorporated in the Constitution.

"We are also confident that in the process of improving our Constitution, the basic features like judiciary, judicial review, fundamental rights, federalism, secularism will in no way get diluted".

TAMIL NADU

21 MAY 2000

# Make the Union more federal: CMs

By Harish Khare

NEW DELHI, MAY 20. The sixth meeting of the Inter-State Council here today witnessed differences between the Centre and the states over the administrative and financial contents of the federal structure. While the Prime Minister, Mr. A.B. Vajpayee, sought to impress upon the States the need for fiscal discipline, the Chief Ministers stated their contrary points of view assertively, reflecting the political reality of a Union Government dependent upon regional parties.

The States were able to extract a decision out of the Inter-State Council meeting that the Constitution would be appropriately amended so as to force the Governors and the President to give within a prescribed time limit assents to bills passed by legislatures. It has been decided that the timeframe should be one month for Governors and four months for the President, after the lapse of which, a bill so reserved for assent would be assumed to have received the requisite assent.

However, the Union Home Minister, Mr. L.K. Advani, later clarified that it did not mean that the constitutional heads were constrained to give assent to a bill; they could return the bill, without giving reasons.

Similarly, there were sharp differences on the question of Articles 256, 257 and 365, which the



The Union Minister for Consumer Affairs and Public Distribution, Mr. Prem Kumar Dhumal, the Chief Minister of Himachal Pradesh, Prof. Sampat Singh, the Jammu and Kashmir Chief Minister, Dr. Farooq Abdullah, and the Union Finance Minister, Mr. Yashwant Sinha, at the sixth meeting of the Inter-State Council in New Delhi on Saturday.

Prime Minister described as "important for the unity of the country". While the Chief Ministers

belonging to regional parties were vociferous in demanding the scrapping of these three and Arti-

cle 356, the Congress(I) Chief Ministers of Madhya Pradesh and Rajasthan warned the Centre that these "wholesome" provisions had to be used wisely and sparingly.

The matter was referred to the George Fernandes Sub-committee, which is already deliberating on the future of Article 356. The Committee includes Chief Ministers of Andhra Pradesh, Madhya Pradesh, Punjab, Tamil Nadu and the Finance Minister of West Bengal.

After the meeting, though Mr. Advani sought to pat himself on the back for recognising the importance of the ISC as an instrument for "strengthening the contents of federalism", the ruling party's ally, the Akali Dal Chief Minister, Mr. Parkash Singh Badal, warned that "it would be dangerous to leave the future of federalism to the whims and fancies of individuals or parties at the Centre at a particular time".

Tamil Nadu, too, favoured the deletion of Article 356 and Article 365.

**Share the burden, says PM: Page 11**

MAY 2000

✓  
Give Governors one month and Centre four'

# States want law to speed up Bills

SI-11 21/5

STATESMAN NEWS SERVICE

NEW DELHI, May 20. — The sixth Inter-State Council today suggested the Constitution be amended to stop the Centre and state Governors from sitting on Bills passed by Assemblies, Mr LK Advani has said.

The Governor should have one month to act on the legislations; the Centre should have four months, the states said.

Mr Advani said almost all the states expressed concern over their inability to implement legislations adopted by their Assemblies. Such stalled legislations number at least 100, Mr Advani said.

**Finances:** Earlier, the Prime Minister in his inaugural address said the Centre and states were going through severe financial stress. He urged states to act quickly and set their finances in order. The Prime Minister felt the areas where immediate action is necessary are power, irrigation and PSUs.

He said reform of the power sector has become critical. The commercial losses of the SEBs now account for over half the revenue deficits of the states.

Mr Vajpayee felt the irrigation systems are being allowed to deteriorate for want of funds.

He said a "more rational policy needs to be evolved in respect of the PSUs". He men-

tioned that "those that are loss-making and cannot be rehabilitated need a realistic approach".

**Terrorism:** To review internal security following the growth of terrorism and subversive activities within the country, the Prime Minister has summoned a meeting of chief ministers on 7 August.

Many states said they couldn't deal with internal security on their own.

**Centre-state relations:** The states differed on Articles 256 and 257 of the Constitution which relate to Union-state coordination and the Centre's authority to give directions to states for effective implementation of union laws and national policies. They also differed on the application of Article 356 in the event of non-compliance.

Some said these are "wholesome provisions", other felt these are "repugnant to the principle of federalism". The meeting decided the issue may be referred to the sub-committee which, under the convenorship of the defence minister, is already deliberating on amendments to Article 356. The other members of the sub-committee are the chief ministers of Andhra Pradesh, West Bengal, Madhya Pradesh, Punjab and Tamil Nadu, and the finance minister of West Bengal.

The Tamil Nadu government today demanded the scrapping of Articles 356 and 365 of the

Constitution, which empower the Centre to dismiss elected state governments and determine whether the states are governed in accordance with the provisions of the Constitution, adds UNI.

Speaking at the meeting, the chief minister, Mr M Karunanidhi, said that though the Supreme Court ruling in the Bommai case could be treated as a benchmark decision, it was not a permanent check on the abuse of power by the Centre.

"We do not consider that the decision in the Bommai case is the ultimate, we are for deletion of Article 356 itself," he said.

Making a plea for scrapping Article 365 of the Constitution, the chief minister said that with this executive power the Centre would play havoc with states since it provided scope for determining whether a state administration is carried out in accordance with the provisions of the Constitution.

Mr Karunanidhi also demanded that Inter-State Council's recommendation stipulating a two-year timetable for implementing decisions of inter-state water dispute tribunal should be considered by the Centre. The absence of a specific timetable in Section 6 of the inter state water dispute Act was being taken advantage of by some states to delay the implementation of tribunal awards.

THE STATESMAN

21 MAY 2000

# Inter-State Council to review Centre's power under Art. 356

HT Correspondent  
New Delhi, May 20

THE INTER-STATE Council today decided on a review of the Centre's power under Article 356 of the Constitution to dismiss a State Government for non-compliance of its directives.

Following objection from several States to the constitutional provision, a decision was taken to refer the issue to a sub-committee headed by Defence Minister George Fernandes which is already considering amendments in Article 356.

While some of the States backed the proposal, many others were of the view that it was against the principle of federalism. In the absence of consensus, the matter was referred to the sub-committee that will give its report in three months.

Under Articles 256 and 257 of the Constitution, the Centre has powers to give directions to the States for effective implementation of Union laws and national policies. In the event of non-compliance on the part of the States, the Centre can resort to sanctions under Article 356 whereby President's rule may be imposed on grounds of breakdown of constitutional machinery in the State.

The Council also took a unanimous decision at the meeting that suitable amendments should be made in the Constitution to ensure time-bound clearance of State Bills by the Governors and the Centre.

It was decided that a time limit of one month for the Governor and four months for the President should be fixed in which their assent must be given to the Bills put up for their consideration. If the assent is not given in the stipu-

lated time period, their assent would be considered to have been given.

Briefing newsmen at the conclusion of the meeting, Home Minister LK Advani said the Centre agreed to bring the necessary constitutional amendments in this regard. The constitutional heads would still have the right to withhold their assent but they would be asked to specify reasons for the decision, he stated.

A proposal on this issue was moved by Madhya Pradesh Chief Minister Digvijay Singh and backed by Chief Ministers of several other States like Andhra Pradesh, Uttar Pradesh, Kerala, Tamil Nadu, Orissa and Punjab.

During the meeting, the State Governments also highlighted the problems faced by them on account of the increasing financial burden and the scarcity of resources. Many of them demanded a further increase up to 33 per cent in their share in Central taxes which has recently been raised to 29 per cent.

Finance Minister Yashwant Sinha told them that any increase in tax share beyond 29 per cent would be decided only on the recommendations of the 11th Finance Commission whose report is expected in June this year. He said he would shortly convene a meeting of State finance ministers to sort out all tax-related issues.

The other prominent financial demands raised by the States related to increasing the overdraft limit of the State Governments from the Reserve Bank of India and the sharing of the additional burden imposed on them by implementation of the Fifth Pay Commission report.

THE HINDUSTAN TIMES

21 MAY 2000

# Jaswant urges states to join Centre's fiscal prudence efforts

Our Political Bureau

NEW DELHI 27 APRIL

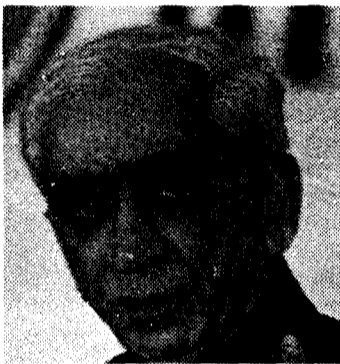
THE CENTRE, on Thursday, sought the cooperation of state governments in its efforts to reform the vulnerable fiscal situation, cut flab and make more funds available for the infrastructure and social sectors.

Mr Jaswant Singh, who was replying to a motion of thanks in the Rajya Sabha in the absence of the Prime Minister, said the Centre and state governments needed to apply urgent and serious correctives to the growing trend of fiscal imprudence.

Expedient downsizing of the government was one of the key factors that could alleviate the crisis, the minister said, stating: "Unless the central and state governments apply serious correctives, we will be perpetrating a grave economic wrong for the future."

In his address, Mr Singh warned that the prevailing expenditure situation, more serious in states than at the Centre, was completely "unsustainable." The country was going against all the early warning signals. He said the government had set up an expenditure commission, which was to start its work soon.

Emphasising that urgent measures to implement fiscal prudence was one of the key issues concerning the government today, the minister pointed out that the financial situation in the states was extremely worrisome, given a collective deficit of nearly Rs



Jaswant: Cutting flab

75,000 crore. While the responsibility for the burgeoning deficit at the state level could not be pinned on any one agency alone, the Central government could only improve its own financial health. State governments should prioritise

expenses and kept their finances in good health, the minister said. In other words, it was time political parties shelved their populist slogans.

Referring to downsizing operations, Mr Singh voiced the heightened concern of the government over the fact that the Centre alone employed a staff of 40 lakh per-

sons with an attendant salary bill of Rs 40,000 crore per annum. "This is unsustainable," he stressed, pointing out that the Centre had accepted the recommendations of the Tenth Finance Commission in toto and that the 11th panel's recommendations were due soon.

Worse, some states spent around 70 per cent of their yearly income on meeting managerial and administrative expenses alone. "This has created an impression that the administration exists more for the government staff than for the welfare of the people," Mr Singh rued.

The minister's focus on the downsizing issue, particularly at the state level, has to be viewed against some crucial facts: Between 1991 and 1998, according to the latest Economic Survey, the central government employee strength fell by 1.75 lakh.

The Economic Times

28 MAY 2001

## TN to move SC on dam row, House told

TAMIL NADU will urge the Supreme Court to direct Kerala to allow the immediate storage of 145 feet of water in the Mullaiperiyar Dam, the Tamil Nadu Assembly was informed today.

In a statement, State PWD Minister Durai Murugan said that though the Central Water Commission had cleared the storage position to be hiked from its present 136 to 145 feet, Kerala had adopted an adamant posture refusing to raise the level beyond 136 feet. Kerala, he observed, did not concede the fervent request by Tamil Nadu Chief Minister M. Karunanidhi for the 145 feet level

during his talks with his Kerala counterpart on Wednesday.

Under the circumstances, Tamil Nadu would have to seek a judicial redress from the Supreme Court, he told the Assembly.

Tamil Nadu has been wanting the full storage level of 152 feet having spent more than Rs.12 crore in strengthening and modifying the dam.

HTC, Chennai

THE HINDUSTAN TIMES

27 APR 2009

# A STATES' FORUM

## 598 Revive The Inter-State Council 19/4

By AG NOORANI

THE National Democratic Alliance government, which draws support from major regional parties like the DMK and the TDP, is highly qualified to revive the inter-state council, envisaged by Article 263 of the Constitution, and give it a new lease on life. Its fate in the last decade, since it was set up by the National Front government led by V P Singh on 25 May 1990, is depressing.

It had been prescribed for decades as a cure for Centre-state and inter-state tensions. As ever, we thought institutions are all we need to solve political problems. The latest victim of this delusion is the National Security Council. The Inter-State Council Order, 1990 adopted the provisions of Article 263 as the council's terms of reference with significant changes. But it ensured, while defining its procedure (para 5), that it was reduced to an instrument of the Centre. It comprised the PM as the chairman, all the CMs and six Union ministers.

### ARTICLE 263

In order to appreciate the extent and nature of the deformation, the order of 1990 must be read with Article 263. This provision reads: "If at any time it appears to the President that the public interests would be served by the establishment of a Council charged with the duty of: (a) inquiring into and advising upon disputes which may have arisen between states; (b) investigating and discussing subjects in which some or all of the states, or the Union and one or more of the states, have a common interest; or (c) making recommendations upon any such subject and, in particular, recommendations for the better coordination of policy and action with respect to that subject, it shall be lawful for the President by order to establish such a council, and to define the nature of the duties to be performed by it and its organisation and procedure."

Article 263, thus, specifies three duties explicitly. It also

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empowers the President "to define the nature of the duties to be performed by it". The order of 1990 omitted the first remit completely; namely, inter-state disputes. The second — inquiries into and discussion of matters of "common interest" between the states — was qualified thus: "as may be brought up before it". By whom? The Union or the

ity of the states could not raise an issue on which they felt that the Centre was being unfair, unless it deigned to accord its consent.

The Narasimha Rao government had no use for the council. It met for the second time only in 1996 after its inaugural meeting in 1990. Reconstituted by the present government on 28 October 1998, it held its fifth meeting on 22 January 1999. Also reconstituted was the standing committee which the council had set up. Its progress on issues such as imposition of the President's rule in the states and the recommendations of the Sarkaria Report has been none too impressive. The committee's seventh meeting, on 4 April, was as inconclusive. There was no consensus even on Article 356 (President's Rule)

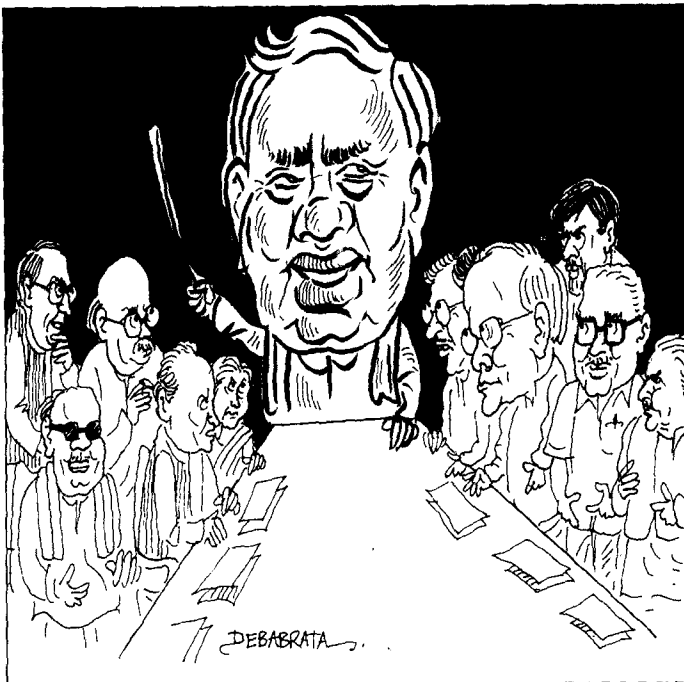
Unless the inter-state council is overhauled, it will only with-

er on the vine. Little thought has been expended on its *raison d'être*. The Constituent Assembly adopted Article 263 not only without any debate, on 13 June 1949, but also without any exposition by Dr BR Ambedkar.

### ROUND TABLE

It is a replica of Section 135 of the Government of India Act, 1935. Jurists like Tej Bahadur Sapru, who toiled on the federal structure committee set up by the round table conference in London 70 years ago, had a clear idea about its true worth. The committee's report as also that of the Joint Parliamentary Committee on Constitutional Reform (1934) envisaged the council as a deliberative body which, regardless of the federal division of power, would act as a forum for "coordinating policy" and for "resolving disputes".

The inter-state council will make sense only if it wins the confidence of the states. Nothing will be lost, but a lot will be gained, by conceding to the states an unimpeded right to raise issues and to ask for a meeting of the council, if a given number of states so wish, on any matter that troubles them. To repeat, this is only an advisory body which meets *in camera*, a national summit conference.



states? The council could make recommendations upon any "such subject". The last term of reference was: "deliberating upon such other matters of general interest to the States as may be referred by the Chairman to the Council", ie. the PM.

Para 5 of the order laid down the basics of the council's procedure. It was enjoined to "adopt guidelines for identifying and selecting issues to be brought up before it". The Centre's dominance is writ large in the remit.

### ADVISORY

"All questions which may come up for consideration of the Council at a meeting shall be decided by consensus and the decision of the Chairman as to consensus shall be final." Further, "the Council shall, in the conduct of its business, observe such other procedure as it may, with the approval of the Central Government, lay down from time to time".

Remember, the council is a purely advisory body which meets *in camera*. It is not the Union but the states which were crying themselves hoarse for such a body in which their voice could be heard. The order of 1990 robbed them of this right. The initiative was lodged in the Centre, exclusively. Even a combination or a major-

THE STATESMAN

14 APR 2000

## CMs meet to discuss fiscal scenario likely

By P. Sunderarajan 15/4

**NEW DELHI, APRIL 14.** With most State Governments facing a deteriorating fiscal scenario, the Prime Minister, Mr. A.B. Vajpayee, is likely to convene an informal meeting of all the Chief Ministers to discuss remedial measures.

Disclosing this to *The Hindu* here today, the Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu, said the meeting was essential and there was need for collective thinking on tackling the crisis. J. Venkateswari Naidu

The objective of the meeting, which had been suggested by Mr. Naidu to the Prime Minister, is to bring all the States together irrespective of the political party in power, so that a national consensus could be evolved. Mr. Naidu said the meeting might be held some time later this month.

Mr. Naidu was here today for a meeting of the global commission recently set up by the World Health Organisation (WHO) to establish the link between health and macro-economics. At the WHO meeting, Mr. Naidu made an audio-visual presentation on the steps being taken by his Government to integrate health into the State's development agenda.

~~PREVIOUS~~

THE HINDU

15 APR 2001



# DAMNED DAM

## Kerala Twits Tamil Nadu

By SAM RAJAPPA

**A**FTER the Cauvery water dispute with Karnataka and the Krishna kerfuffle with Andhra Pradesh, Tamil Nadu has been taken for a big ride by Kerala over the Periyar. At the first ever chief minister-level talks between them held in Thiruvananthapuram on the occasion of Ugadi on 5 April, Earampala Krishnan Nayanar virtually told Muthuvel Karunanidhi to forget about restoring the storage level of the Mullaperiyar dam to its original 152 ft. Nayanar's intransigent attitude has led the ruling DMK in Tamil Nadu

to pass a strongly worded resolution condemning the CPI-M-led Left Democratic Front in Kerala and hold protest meetings in the southern districts of Theni, Dindigul, Madurai, Sivaganga and Ramanathapuram on 15 and 16 April. In the next phase, the DMK will involve the constituent parties of the NDA in similar rallies, threatening to sour relations between the two neighbouring states.

Farmers in these districts, who had already lost Rs 150 crores in crops as a result of reduced supply of water from the Mullaperiyar dam subsequent to reducing its storage level from 152 ft to 136 ft as a "temporary" measure, have become restive and threatened to launch an agitation till a solution was found. "We have waited long enough. We want the politicians in Tamil Nadu to take up the issue seriously with as much vigour as the Kerala politicians who have been ignoring official agreements with impunity and are ever ready to raise fresh problems," they said in a statement.

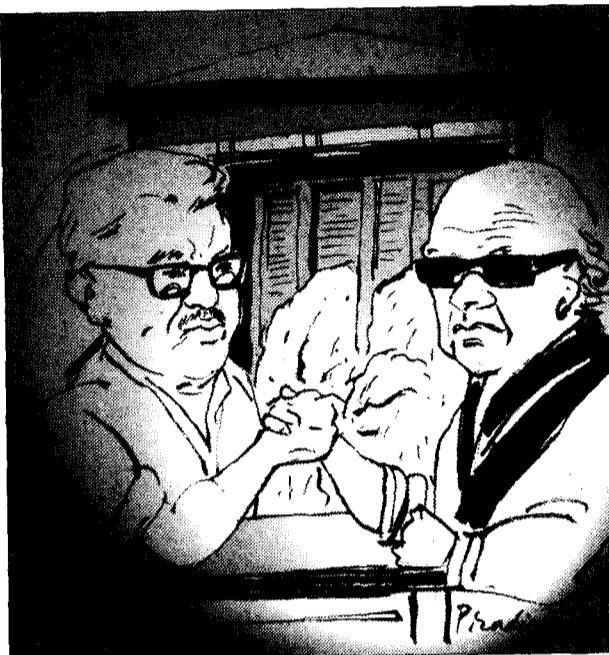
### BILATERAL TALKS

The state had also lost Rs 90 crores by reduced power generation. It took Karunanidhi almost three years to bring Nayanar to the conference table. He wrote to the Kerala chief minister six times — on 2 August 1997, 28 November 1997, 16 December 1997, 24 February 1998, 10 March 1998 and 9 May 1998 seeking an appointment. Only after the Supreme Court intervened, advising the two states to sort out the issue bilaterally by its order dated 13 December, 1999, did Nayanar consent to the 5 April meeting. He virtually told Karunanidhi that raising the Mullaperiyar water level was out of the question, claiming the 105-year-old dam had outlived its life.

The Kerala assembly, meanwhile, passed an unanimous resolution against any move to restore the storage level in the Mullaperiyar dam to 152 ft. Appealing to Karunanidhi not to persist with the demand, Nayanar said: "Any structural failure of the dam would lead to cascading damage to our downstream dam structures at Idukki, Cheruthoni and Kulamavu, resulting in inundation of the districts of Idukki, Kottayam and Ernakulam. You will surely agree that we cannot even remotely consider any such measure which might result in such a major catastro-

phe. Such raising of the water level may also lead to partial submergence of the Periyar tiger reserve."

There was no submergence of the tiger reserve when the storage level was maintained at 152 ft till 1979. The 1,440 ft long and 158 ft high Mullaperiyar dam was completed in 1895 following a 999-year lease agreement between Sri Mulam Thirunal Ramavarma, the cricket-playing maharaja of the erstwhile princely state of Travancore,



and Lord Connemara, the Governor of the Madras Presidency, on 27 October 1886, to divert the west-flowing Periyar eastwards to provide drinking water supply and to irrigate about four lakh acres of land in the rain-shadow region of southern Tamil Nadu. The dam was also intended to save the northern parts of Travancore and Ernakulam district of Kochi from devastating floods caused by the Periyar, which had become an annual feature. The storage level was pegged at 152 ft to provide about 30 tmcft water to Tamil Nadu. Travancore state had set apart 8,000 acres of land in Pirmed and Deviculam taluks for the project for which Madras Presidency was to pay an annual levy of Rs 40,000 at Rs 5 an acre.

Constructed under the supervision of British Army engineers, the Mullaperiyar masonry dam is as strong as the Dowleswaram barrage across the Godavari and the Krishna barrage across the Krishna in Andhra Pradesh, built by the legendary Arthur Cotton, about the same period, and has stood the test of time. A three km long rock cut canal and 1.5 km long tunnel divert the Periyar waters to the Tamil Nadu side. In accordance with the lease agreement, the dam site and the reservoir area were brought under the administrative control of the erstwhile Madras Presidency and after independence, the Tamil Nadu government.

### KAMARAJ STALL

At the time of states reorganisation on linguistic lines, the Fazal Ali commission found more than 75 per cent of the people of Devikulam and Pirmed taluks, then part of the bilingual Travancore state and comprising today's Idukki district, were Tamils and suggested the Tamil Nadu assembly pass a resolution seeking their inclusion in the state. K Kamaraj, then chief minister, reflecting Nehru's distaste for drawing up state boundaries based on linguistic lines, rejected the proposal. He consigned to the wastepaper basket a

memorandum submitted by a delegation of the Travancore Tamil Congress led by PS Mani. If only Kamaraj had the foresight to grasp the significance of the two taluks where the headwaters of the Mullaperiyar dam are located, Tamil Nadu would not have had to approach Kerala with a begging bowl today.

The Kerala government took up the Idukki hydro-electric project in the sixties by constructing an arch dam across the Periyar downstream of Mullaperiyar dam with a capacity to impound 71 tmcft of water. When the dam was completed in 1976, the expected flow of water was not there. There had been massive destruction of forests between the time the Idukki project was conceived and executed. The demographic profile of the district had also undergone a sea-change with mass migration of people from central Travancore to the thickly forested high ranges. The only way to ensure optimum storage level in the Idukki dam was by reducing the level of the Mullaperiyar dam.

K Karunakaran, who was then the Kerala chief minister, unleashed a propaganda blitzkrieg that the Mullaperiyar dam was in danger of bursting and that entire districts of Idukki, Kottayam and Ernakulam were in danger of being submerged. MG Ramachandran of the AIADMK, a Keralite who made it to the chief ministership of Tamil Nadu, surrounded by Malayalee bureaucrats in Fort St George, went along with Karunakaran's ploy.

### REMEDIES

An expert team of Central Water Commission, under the leadership of Dr KT Thomas, inspected the dam and suggested certain remedial measures to strengthen it, pending which to reduce the storage level to 136 ft. MGR readily agreed. Once the reservoir level was reduced, the waterspread area of the Mullaperiyar reservoir receded from 8,436 acres to 7,080 acres.

The Kerala government sponsored colonisation of the reclaimed land measuring 1,356 acres where pucca buildings and permanent human habitations had come up since 1979. The AIADMK government of MGR and his successor, Jayalalitha, who hails from Mandya in Karnataka, failed to protect the interests of Tamil Nadu. The DMK government of Karunanidhi has decided to take up the issue with the Supreme Court where a public interest litigation is pending. There is no guarantee that the Kerala government will abide by its ruling if it went in favour of Tamil Nadu.

It could always hold out the threat of the Mullaperiyar dam being in danger of bursting even though Tamil Nadu had implemented the recommendations of the CWC to the satisfaction of the engineers of both Kerala and the CWC.

The Mullaperiyar dam is as safe as any of the major dams in the country. River waters are the nation's wealth and the Union government should evolve a policy to put it to the best use without regard to language — an irrelevant issue.

The author, a veteran journalist who retired from The Statesman, is based in Chennai.

THE STATESMAN

10 APR 2000

## Inter-State Council reconstituted

NEW DELHI, FEB. 7. The standing committee of the Inter-State Council was reconstituted formally today with the Home Minister, Mr. L. K. Advani, as the chairman. Besides the chairman, the committee has 13 members — five Union Ministers and eight Chief Ministers.

The Union Ministers are Mr. George Fernandes (Defence), Mr. Yashwant Sinha (Finance), Mr. Jaswant Singh (External), Mr. Murasoli Maran (Commerce and Industry) and Mr. Suresh Prabhu (Chemicals and Fertilizers).

The other members are the Chief Ministers, Mr. Jyoti Basu (West Bengal), Mr. N. Chandrababu Naidu (Andhra Pradesh), Mr. M. Karunanidhi (Tamil Nadu), Mr. Digvijay Singh (Madhya Pradesh), Mr. Farooq Abdullah (Jammu and Kashmir), Mr. S. M. Krishna (Karnataka), Mr. P. K. Mahanta (Assam) and Mr. Prakash Singh Badal (Punjab). — UNI

**THE HINDU**  
**- 8 FEB 2000**

# Tax-sharing Bill to be tabled with changes

STATESMAN NEWS SERVICE

NEW DELHI, Feb. 8. — The Centre today decided to re-introduce the Constitution (85th Amendment) Bill to implement a proposal for devolution of 29 per cent of Central taxes to states.

Announcing the Cabinet decision, parliamentary affairs minister, Mr Pramod Mahajan, said the Bill will be re-introduced in Parliament's Budget session with "minor modifications."

The Bill was introduced in July 1998 after the Standing Committee on Finance approved it. But the 12th Lok Sabha was dissolved before it could be passed. The Bill has since lapsed, and hence the need for re-introduction, Mr Mahajan said.

The minister said the modification proposed in the Bill was to change the terminology from "gross proceeds" to "net proceeds" because the Constitution talks about 'net' and not 'gross', proceeds.

The second modification is that the percentage share of vertical devolution is to be reviewed by successive Finance Commissions instead of being frozen — as suggested by the 10th Finance Commission — for 15 years.

The third modification, Mr Mahajan said, will be to replace the word 'tax' with the words 'tax or duty' in the re-

## SUGAR, ONION

NEW DELHI, Feb. 8. — The Cabinet today approved a proposal to increase the import duty on sugar from 40 per cent to 60 per cent to protect domestic producers. It also cleared a proposal to hike onion exports from 100,000 tonnes to 200,000 tonnes to push up sinking market prices in many states. — SNS

introduced Bill.

Changing from "gross proceeds" to "net proceeds" would result in a loss of up to Rs 2,000 crore for the states as far as devolution is concerned, Mr Mahajan said. He pointed out, however, that there was a provision to enhance the total devolution of net proceeds to compensate for the loss.

The 10th Finance Commission recommended 29 per cent of gross proceeds of all Central taxes except stamp duty, excise duty on medicinal and toilet items, Central sales tax, consignment tax and surcharge, will be assigned to the states.

This would be in lieu of existing share of states in income tax and basic and special excise duties, and additional excise duties in lieu of sales tax on tobacco, cotton and sugar and grants in lieu of tax on railway passenger tax. This recommen-

dation will be effective from 1 April 1996 to 31 March 2000, Mr Mahajan said.

The recommendations of the 11th Finance Commission which has been mandated to give its final report by June 30 2000, will cover the five-year period beginning 1 April 2000.

Mr Mahajan said the benefits of the new system of resource sharing will help the states share the aggregate buoyancy of Central taxes. Also, the Centre can now pursue tax reform without the need to consider whether the tax is shareable with states or not, he said, adding that the impact of fluctuations in Central tax revenues will be similar on both the Centre and the states.

The government is also of the view that the progress of reforms will be greatly facilitated if the ambit of tax-sharing arrangement is enlarged by giving greater certainty of resource flows to states. There will also be greater likelihood of taxes mentioned in Article 268 and Art 269 being tapped.

**No decision on Sail:** The Cabinet today discussed the proposal to divest 26 per cent of government equity in Steel Authority of India Limited as well as its financial and business restructuring plans, but could not reach any decision.

■ See TAXES: page 8

## TAXES:

(Continued from page 1)

Sources said the proposed restructuring of Sail would involve waiving loans and advances worth Rs 5,073 crore from the Steel Development Fund, and Rs 381 crore from the Government of India.

Another provision is for a government guarantee (without guarantee fee) with interest subsidy for loan, and interest on it of Rs 1,500 crore to be raised by Sail from the market to finance the reduction in manpower through VRS.

Restructuring will also mean selling off the captive power plant at Durgapur, oxygen plant at Bhilai, the Salem plant, Alloy Steel Plant and Visveswarya Iron and Steel Plant, and waiving a nearly Rs 1,000-crore government loan (with interest) to Indian Iron and Steel Company.

THE STATESMAN

- 9 FEB 2000

# Increase in Central aid to States likely

**Hemendra Singh Bartwal**  
New Delhi, January 19

IN VIEW of the tremendous funds shortage faced by the state governments for the development of cities and provision of basic civic facilities, the Centre is likely to increase its financial assistance to them for the purpose under various identified schemes.

In response to the appeal from many States that their municipal bodies are near defunct and badly need finances to provide essential services to the people, the Urban Development Ministry will hike its grants to them and will utilise the Asian Development Bank (ADB) funding for this purpose.

This was indicated by Urban Development Minister Jagmohan following the conclusion of the State Urban Development Ministers conference here yesterday. His Ministry would also examine the proposal to devise a separate pattern of Central grants for smaller States with lesser resources, he said.

Several small States had expressed their unhappiness over the fact that the governmental lending institutions applied the same terms and interest rates to them as to the bigger and more prosperous States while granting loans for developmental purposes. These states felt that special consideration should be shown to

city administrators, he pointed out. Though the Centre could meet a fraction of their financial requirements, it could not cater to all their needs as its resources too were limited. As such, the administrators had to come up with newer ways to raise more resources for the municipal bodies and local agencies, the Minister stressed.

Among the various measures discussed for augmenting financial resources to improve urban infrastructure were private sector involvement in delivery of civic services, tapping NRI funds, using land as a resource, commercialisation of urban infrastructure projects and lending from financial institutions.

Many of them had also complained that the loans made available to them for financing urban infrastructure carried very high rates of interest and were not viable. Among these were the North-Eastern States, which highlighted their peculiar problems of urban development and the paucity of funds for the purpose.

While holding out the assurance of increased funding to them, the Urban Development Minister also asked them to devise schemes to generate additional resources for financing their civic needs.

Besides the shortage of money, there was also a great shortage of ideas with the urban managers and

# Reforms in the States — I

By Nirupam Bajpai and Jeffrey D. Sachs

INDIA EMBARKED on a process of economic policy reforms in mid-1991 in response to a fiscal and balance of payments crisis. While the Centre has undertaken a series of reform measures in fiscal policy, trade and exchange rate policy, industrial policy, foreign investment policy and so on, the State Governments have yet to implement a wide array of reform measures in order to attain high rates of State Domestic Product (SDP) growth. The reform process so far has concentrated at the Central level. India has yet to free up its State Governments sufficiently so that they can add much greater dynamism to the reforms. Greater freedom to the States will help to foster greater competition among themselves. The State Governments need to be viewed as potential agents of rapid and salutary change.

While some healthy competition is evident among the three southern States of Andhra Pradesh, Karnataka and Tamil Nadu, most of the rest are yet to begin competing with one another. Brazil, China and Russia are examples where regional governments have taken the lead in pushing reforms and prompting further actions by the Central Government. In Brazil, Sao Paulo and Minas Gerais are the reform leaders at the regional level; in China, the coastal provinces and the provinces farthest from Beijing, are in the lead; in Russia, reform leaders in Nizhny Novgorod and in the far-east have been major spurs to reforms at the Central level.

India's overall growth rate can be substantially stepped up should the Centre decentralise economic policy-making and allow the States to take crucial economic decisions on their own. Crucial fiscal, infrastructure and regulatory decisions on economic management remain at the Central level. Essentially what this centralised system of governance implies is that the States have very little jurisdiction in control over, policy and regulatory decisions which would make them more attractive to prospective foreign investors. A gradual process of decentralisation has begun because regional political parties have been lending support in the formation and running of the Government at the Centre. This is a healthy development.

Greater decentralisation of decision-making will lead to greater competition among the States and therefore to higher efficiency and productivity in these regions. Coalitions made up of regional parties can exercise a great deal of influence in policy-making at the Centre.

Policy-making at the sub-national level is essential for the State Governments to be able to follow development strategies suitable to their socio-economic, cultural and geographic characteristics. Coastal States, for example, can follow a more focused export-led growth strategy, or States with a large pool of trained manpower, such as IT professionals in Tamil Nadu or Karnataka, can lay more emphasis on IT and the service sector.

The reforms at the State level have been rather slow-moving. There are several reasons. First, limited decentralisation of decision-making has meant that the States lack the authority to formulate and implement policies which are under the control of the Centre. Second, unlike the Centre, the State Governments do not have sufficient institutional back-up. Third, due to the short-terms of office that the State Governments have been holding, they are governed by short-term political considerations. Chief Ministers have changed frequently thereby leading to policy discontinuity (since 1967, Chief Ministers, on an average, have been in office for only 2.65 years). For instance, Uttar Pradesh has seen 27 Governments in 44 years. Fourth, populist policies have always been preferred to harsh reform measures. Subsidies on rice, urban transport, water, electricity and so on are persisted with to advance the political interests of the party in power.

A few of the States — Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu — have been more reform-oriented. But Haryana, Kerala, Orissa, Madhya Pradesh, Punjab, Rajasthan and West Bengal have a lot to catch up with.

Bihar and Uttar Pradesh are even further behind. We analyse the situation in 15 major States based on the progress of State-level policy reform. Accordingly, we have divided these 15 States into three categories: reform-oriented States, intermediate reformers and lagging reformers. We then examine their performance in terms of the GDP growth, foreign direct investment, industrial investment proposals and software exports, among other variables. Of course, among the reform-oriented States, Andhra Pradesh and Tamil Nadu have implemented reforms on a wider scale than the others in the category. This classification is purely indicative, and fraught with varying degrees of

**India has yet to free up its State Governments sufficiently so that they can add much greater dynamism to the reforms.**

unsettled questions. Primarily, the idea of this very tentative set of groupings is to indicate which of the States are likely to attain and sustain higher rates of growth in the years ahead.

The States are classified into three categories:

— Reform-oriented States: Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu;

— Intermediate reformers: Haryana, Orissa and West Bengal;

— Lagging reformers: Assam, Bihar, Kerala, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh.

Real annual average growth rates of per capita gross SDP bear testimony to the fact that our group of reform-oriented States is also the fastest growing in the post-reform period. Interestingly enough, amongst the southern States, both in Karnataka and Tamil Nadu, per capita income began to surge and exceed the national average since 1991-92. On the other hand, the lagging reformers, Bihar, Madhya Pradesh and Uttar Pradesh, and to a certain extent, Orissa have lagged far behind the all-India average, as also the growth of SDP per capita of other States.

With the initiation of economic reforms in 1991, the role of private investment has

acquired a great deal of significance. States are now in competition to attract private investment, both domestic and foreign. Within States, the flow of investments tends to be skewed in favour of a few regions.

State-level data on FDI approvals (aggregate FDI approvals between 1991 and 1997) and domestic investment proposals and disbursement of funds for investment (aggregate between August 1991 and December 1996) suggest once again that the relatively fast-moving reformers have tended to attract higher investments, both foreign and domestic. According to the data made available by the Secretariat of Industrial Approvals in the Ministry of Industry, the southern States accounted for more than 34 per cent of the proposals approved in 1998. During January-December 1998, a total of 428 approvals were given for investments in Karnataka, Tamil Nadu, Andhra Pradesh and Kerala. The west, accounting for around 21 per cent of the total approvals throughout the country, follows the southern region. This investment is in Gujarat, Maharashtra and Goa. On the other hand, the States in the north and the east are far behind, except for investments in Delhi.

Gujarat, a small State in terms of population, received over a fifth of private investment proposals, whereas Bihar with a tenth of India's population barely managed a share of five per cent of such proposals. Maharashtra and Gujarat account for 37 per cent of the total investment proposals, while Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh, taken together, were able to attract only 26 per cent of the investment proposals. Over the period from August 1991 to December 1996 the bulk of the investment proposals were concentrated in States with a relatively high level of human development.

(Nirupam Bajpai is Associate, Harvard Institute for International Development (HIID) and Director of HIID's India Program, Harvard University, and Jeffrey D. Sachs is Director, Center for International Development at Harvard University and Galen L. Stone Professor of International Trade in the Department of Economics.)

# Reforms in the States — II

By Nirupam Bajpai and Jeffrey D. Sachs

THE CUMULATIVE share of financial assistance disbursed by national financial institutions in India during 1991-96 indicates a big gulf between the less developed and more developed States. Maharashtra alone received almost as much financial assistance as Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal put together. Bihar and Orissa have shares of financial assistance that are adversely disproportionate to their population shares.

With regard to FDI, Tamil Nadu has attracted several automobile manufacturers, such as Ford, Mitsubishi, and Hyundai. Near Chennai, an auto-ancillary park is coming up that will help enhance the availability of world-class auto components to multinational manufacturers in Tamil Nadu and neighbouring States. Karnataka and Andhra Pradesh have witnessed investments by software giants, such as Microsoft, Oracle, Novell, and Sun Microsystems, as India is increasingly emerging as a major software development centre. These companies are operating in the Indian market either through 100 per cent equity holding, joint ventures with Indian companies, or marketing or technical collaborations. In addition to IT companies, Andhra Pradesh has also been successful in attracting ABB, Rolls Royce, General Electric, Lurmen and U.S. First Boston. Similarly, Gujarat has the presence of AT&T, CIE Plastics, Unilever, Sumitomo, and Siemens. Finally, Maharashtra has Coca-Cola, Enron, Mercedes Benz, Siemens, Proctor & Gamble, Unilever, and Unisys.

In software exports, Karnataka, Maharashtra and Tamil Nadu are in the lead. While Bangalore and Mumbai were traditionally the choice locations of software companies, the last few years have seen the emergence of Chennai, Hyderabad, Pune, and Gurgaon as prominent software centres where both Indian companies and multinationals have located their operations. In addition, several foreign companies have located their back office operations in Bangalore, Chennai, and Pune. Abundant supply of labor, low wages, cheap satellite communications and the internet have been instrumental

in the decision of foreign firms to establish their back office operations in India. These range from billing to payroll handling, from credit appraisal to airline reservations, and from inventory management to answering customer complaints. Data transcription and transmission for hospitals in the U.S. and telemarketing for U.S. and European firms is also being undertaken by Indian companies based in Chennai and other Indian metropolitan cities.

The State-wise distribution of 100 per cent export-oriented units (EOUs) is also seen to be concentrated in the reforming States. Out of a total of 3281 EOUs all over India, as many as 2228 or 68 per cent were located in the five reform-oriented States.

Some of the social indicators for which State-wise data is available also indicate

justhan 7.3 decades, and Bihar 9.7 decades. Universal female literacy, according to Census projections, would be attained in Kerala in 1.3 decades, but it would take 7.3 decades for Madhya Pradesh, 12.4 for Rajasthan, 9.2 for Uttar Pradesh, and 12.1 decades for Bihar.

The Andhra Pradesh Government has taken important measures to improve public finances and sector policies. In particular, it has increased the cost of subsidised rice from Rs. 2 to Rs. 3.5 per Kg, and reduced per-family allocations by 25 per cent. It has also raised power tariffs by 20-60 per cent to non-agricultural consumers, and by 10-25 per cent in the case of agricultural tariffs. Subsequently, facing strong opposition to these measures the Government had to reduce these tariff levels by about 40 per cent. While this was

are being accompanied by significant changes in sector policies — restructuring of the power sector; improvement of service delivery in primary education, primary health and nutrition; strengthening of O&M management in roads and irrigation sectors, and acceleration of user-participation in the management of public canal irrigation networks.

The Gujarat Government is in the process of undertaking policy reform in several key areas of the State economy.

The major components of this reform programme are: a) Reform of State-owned enterprises through privatisation, divestment, closure, merger and restructuring. This component has been designed to reduce and rationalise the State Government's role in a number of areas and to curtail the financial burden of the SOEs on the State Government's Budget and the banking system. b) Fiscal reforms that consist of measures to reduce the State's fiscal deficit, including tax and expenditure reforms. The key objective of this component is to support the fiscal adjustment through design and implementation of tax and expenditure restructuring and upgradation of the Finance Department's Budget policy formulation, planning, management and control systems. c) Creating a policy environment for private sector participation in the development of infrastructure in the State. The primary idea in this segment is to enhance the capacity of the Gujarat Industrial Investment Corporation so as to promote infrastructure development and appraise, mobilise financing for, and supervise the implementation of, infrastructure projects by the private sector, especially in the roads and transport and port and power infrastructure sub-sectors in the state; and d) Development of a core investment program to ensure that sufficient funds flow into key areas of the State's economy, i.e., the social and physical infrastructure sectors. However, the State Government plans to continue with subsidised tariff for agricultural and socially obligatory activities such as supply of drinking water and street lighting and lighting for urban and rural poor.

## The key objective is to achieve fiscal sustainability through a change in the composition of public expenditure.

a significant reform initiative, the revised average tariffs for farmers still covers only 9 per cent of production costs. Other measures include tax increases; the first steps toward the reform of the power sector and significant increases in irrigation charges along with important institutional reforms, such as the creation of a Water User Associations and the devolution of operation and maintenance to them. Additional measures being implemented include containment of the wage bill, further reduction of food subsidies, relaxation of prohibition, privatisation of SOEs, further adjustments of water and power rates, and other revenue enhancement efforts.

The key fiscal objective is to achieve fiscal sustainability through a change in the composition of public expenditure. That is, a significant reduction of rice subsidies and employment in the State Government and a corresponding increase in expenditure in social and infrastructure sectors particularly in primary education and health, nutrition, irrigation and road sectors. Fiscal reforms

# Reforms in the States — III

By Nirupam Bajpai and Jeffrey D. Sachs

THE KARNATAKA Government has been pursuing a progressive industrial policy and provides an attractive package of incentives and concessions. The package was formulated keeping in view the liberalisation of industrial and trade policy initiated by the Government of India in July 1991. Karnataka's policy has been in operation for several years now and has attracted substantial investment flows in the industrial sector. Improvement of transport and communication links, water and power supply, effluent treatment, and development of human resources are some of the key areas of the State Government's focus. Private sector initiative for development of infrastructure in areas such as power generation, express highways, industrial parks and townships, airports and ports is being encouraged.

In Maharashtra, the Government launched the New Industry, Trade and Commerce Policy, 1995. Its guiding principles are the integration of different sectoral development schemes into a cohesive plan for overall development and the evolution of a common and transparent framework of governance. The Government has recognised that for any large development activity to succeed, participation of the private sector is imperative. It is only through private initiative that the necessary financial and technical resources necessary for large-scale development activity can be mobilised. The policy has therefore sought to accentuate the role of the private sector in development and shift the Government's role to providing support to private sector initiatives.

The Government of Tamil Nadu has followed a very liberal and pragmatic industrial policy and hence the State is rapidly attracting large numbers of foreign and domestic firms. The State has moved to

third place in its bid to attract foreign investment. Between August 1991 and January 1997, FDI approvals in Tamil Nadu involved Rs.54.7 billions in 812 projects. And given its favourable industrial climate, Tamil Nadu's importance as an investment destination will continue. The success achieved so far is largely due to the fact that the State Government has been focussing on strengthening its industrial and social infrastructure. Among these are measures to augment power generation, streamline transmission and distribution arrangements, improve road and rail networks, bring in technologically advanced

local body. Acquisition of private land for major industrial projects was fraught with delays before The Acquisition of Land for Industrial Purposes Act of 1997 was passed by the State Legislature. As expected, this has resulted in speedy and effective land acquisition for large projects and rule abiding entrepreneurs have gained in this process. These measures have made Tamil Nadu more investor-friendly and an attractive destination for FDI and domestic private investment.

Building on the State's inherent advantages — large reservoir of IT skills, low cost of living, investor-friendly public policies,

ture and a fair degree of political stability as compared to most other States.

Haryana, Orissa, and West Bengal are in the intermediate-reformer category. While these States have not undertaken wide-ranging reforms, they have implemented a series of measures that have separated them from the others. Power sector reform, for example, is an area where Haryana and Orissa have undertaken numerous steps. In June 1997, the Haryana Assembly approved the Haryana Electricity Reform Bill that lays down the legal basis to establish an independent regulatory commission and to divide the Haryana State Electricity Board (HSEB) into a generating company, a transmission company and a number of distribution companies.

Haryana's power sector reform programme involves the following: First, structural separation of generation, transmission, and distribution into separate services to be provided by separate companies. Second, incorporation of the new companies under the Companies Act. Third, privatisation of the distribution system. Fourth, private sector participation in generation and transmission utilities. Fifth, competitive bidding for new generation. Sixth, development of an autonomous power sector regulatory agency. Seventh, supply and end-use efficiency improvements and enhanced environmental protection. Finally, reform of the electricity tariffs at the bulk power, transmission, and retail levels.

Orissa has been the leader in power sector reforms in India. The State Government enacted an amendment to India's national electricity Acts of 1910 and 1948; the Orissa Electricity Reform Act, which became effective on April 1, 1996. Subsequently it established the Orissa Electricity Regulatory Commission, India's first such.

(Concluded)

## *It is only through private initiative that the financial and technical resources necessary for largescale development activity can be mobilised.*

better-than-average infrastructure — the Tamil Nadu Government has multiplied efforts to attract foreign investment into the local IT industry. In 1998, the State announced a far-reaching, industry-friendly IT policy and set up a State-level IT Task Force to implement it. All these efforts have paid off: software exports have zoomed from nowhere to over \$ 300 millions in 1998. The State's ambitious target for IT hardware alone for the year 2002 is set at \$1.25 billions. If this target is reached, the region's contribution will represent about 30 per cent of the entire Indian hardware production. A 1999 NASSCOM Report rates Chennai as the most favoured destination for IT companies in India. Three major factors have contributed to the emergence of Tamil Nadu as one of the front-runners among Indian States. These are availability of relatively better all-round infrastructure as against other States; a well-established industrial cul-

telecom facilities, open new minor ports and develop existing minor ports, and strengthen the technical training facilities.

The State Government has given the single-window clearance system additional powers by empowering the chief executives of the various industrial complexes, growth centres and industrial estates in the public and private sectors to grant all clearances which an industry would require without the need to go around seeking clearances from various Government departments. Additionally, via a new law, The Industrial Township Area Development Authority Act of 1997, the Government has granted powers of single-window clearance to an authority in case of every industrial township and industrial park. Furthermore, to speed up the process of setting up private industries, the Government has permitted them to go ahead with construction of factories without waiting for the plan approval from the

## SC notice to Karnataka CM

26/1  
By T. Padmanabha Rao

**NEW DELHI, JAN. 25.** The Supreme Court today issued a showcause 'contempt' notice to the Karnataka Chief Minister, Mr. S. M. Krishna, for certain statements attributed to him on "the river Krishna water dispute — Alamatti dam matter" in a news report published on January 24 in an English daily.

The Bench directed Mr. Krishna to be present in the court on February 8.

The Bench said that if the news report was true, it fell foul of the court's "restraint order" on January 19 (in connection with the hearing of the 'Krishna water dispute cases') and it prima facie amounted to contempt of this court.

The Bench, on January 19, di-

rected that none of the concerned parties — Karnataka, Andhra Pradesh, Maharashtra and Union of India — shall go to the Press or take recourse to any other media on the merits of their respective cases during the pendency of the proceedings before the apex court.

Later, when Mr. F. S. Nariman, counsel, pleaded that the court's order be suspended for the time being as it appeared that Mr. Krishna replied to a question on a related issue in a "meet the Press programme", the Bench said it had issued only a showcause notice to him (to appear and explain his stand).

The Bench today began hearing the resumed arguments from Mr. F. S. Nariman, senior counsel for Karnataka, on its original suit which inter alia requested the

court to direct the Centre to notify 'Scheme B' — surplus water — framed by the Krishna Water Dispute Tribunal and make provision for establishment of the Krishna Valley Authority and for implementation of the Tribunal's directions in its 1973 report and 1976 Report, as contemplated under Section 6(A) of the Inter-State Water Disputes Act.

Karnataka's suit urged the court to restrain Andhra Pradesh from executing certain specified projects such as the Telugu Ganga till Scheme B framed by the Tribunal was duly and effectively put into operation.

UNI reports from Bangalore:

Mr. Krishna said he would go by the advise of Mr. F. S. Nariman, counsel, with regard to the showcause notice issued by the Supreme Court.

THE HINDU

26 JAN 2000



# PM to meet Chief Ministers today

By Our Special Correspondent

NEW DELHI, JUNE 20. Tomorrow will be a day of the Chief Ministers. More than half of them are likely to be in the capital, and would be meeting the Prime Minister, Mr. Atal Behari Vajpayee, in different batches with different problems and demands, mostly financial.

In the morning, the Prime Minister is scheduled to receive the Chief Ministers from the north-eastern States. These Chief Ministers are expected to demand that "insurgency" in the region be treated as a "national" issue. Translated into simple language, the demand means that the Centre should pick up the tab for fighting extremist and militant groups in the region. None of the north-eastern States enjoys economic self-sufficiency and each has a claim and demand to be made on the Prime Minister for

more money, grants and loans.

Mr. Vajpayee has agreed to meet another group of Chief Ministers, mostly from the Congress-ruled States, in the evening. These Chief Ministers from Rajasthan, Madhya Pradesh, Karnataka, and Goa, and Finance Ministers from Maharashtra, Goa, Haryana, Punjab and West Bengal are meeting first at the Rajasthan House. Their intention is to agree on a common strategy, for demanding help and understanding, in helping the States meet fiscal crisis. Most States feel that since the Centre is the prime mover of economic reforms regime, the Union Government is obliged to help (with additional resources) the States meet the challenge; most of these States are on the verge of bankruptcy, especially after the implementation of the recommendations of the Fifth Pay Commission.

Though the initiative for the meeting has apparently come from the Rajasthan Chief Minister, Mr. Ashok Gehlot, and has been enthusiastically endorsed by the other Congress Chief Ministers, the non-BJP also share the Gehlot line of argument. The presence of representatives of Haryana and Punjab, the two States ruled by NDA allies, has been noted.

Instead of allowing an atmosphere of confrontation between the Centre and the States, Mr. Vajpayee's advisers were quick to agree to a request from Mr. Gehlot that the Prime Minister meet the Chief Ministers. It is believed that the Union Finance Minister, Mr. Yashwant Sinha, and the Deputy Chairman of the Planning Commission, Mr. K. C. Pant, would also be attending the meeting at the Prime Minister's residence.

THE HINDU

21 JUN 2000

# Centre alone won't fight insurgency in N-E: Vajpayee

STATESMAN NEWS SERVICE

NEW DELHI, June 21. — Mr Atal Behari Vajpayee today turned down a plea by north-eastern states that the Centre should bear the burden of fighting militancy in the region.

It was a national problem, he told them. The states had to share the responsibility.

Chief ministers of five states in the region and finance minis-

ters of two others, who called on the Prime Minister today, were asked to try and cut administrative expenditure so that more money could be spared for development.

The state governments had to strengthen their police set-up to make them more effective in tackling insurgency and improve both training and equipment, the media advisor to Mr Vajpayee, Mr HK Dua, told reporters after the meeting.

But Mr Vajpayee and senior officials present during the two-hour meeting assured them that their request for issue of identity cards was being pursued and the feasibility report of a pilot project was

expected in about a month.

The group had presented a memorandum to the Prime Minister, listing the problems they were facing in fighting insurgency and seeking steps to increase border surveillance, open more trade routes with neighbouring countries and check infiltration.

Urging the Centre to ease the burden on the state governments, they also sought debt relief and requested the Centre

to write off loans worth nearly Rs 12,000 crore. The finance minister, Mr Yashwant Sinha, said this request would be dealt with after the report of the 11th Finance Commission was received.

According to Mr Dua, Mr Vajpayee said the Centre had already taken a number of steps to assist the states concerned. These included schemes for modernisation of police forces, reimbursement of security related expenditure, sanction of a Rs 1,334 crore scheme for fencing off the remaining 2,400 km of the Indo-Bangladesh border, sanction of 14 India Reserve Battalions and deployment of adequate para-military forces.

## ASIM MEETS PM

NEW DELHI, June 21. — The West Bengal finance minister discussed the burden of pay revision on states, debt burden, inadequate devolution of central taxes, limited powers of taxation, unfair central directives and inadequate central provisions with the Prime Minister today. Mr Asim Dasgupta was in Delhi to attend a conclave of chief ministers on financial problems. — SNS

THE STATESMAN

22 JUN 2000

# States demand more funds from Centre

By Our Special Correspondent

*9- Centre State*  
*awr*

**NEW DELHI, JUNE 21.** The Chief Ministers and Finance Ministers of nine States met in the capital today, prior to their meeting with the Prime Minister, Mr. A.B. Vajpayee, to demand additional funds from the Centre.

Basically, the States are demanding that Rs. 11,000 crores included in the current year's budget to be passed on to the States as non-Plan revenue deficit grants, be immediately released. Despite the interim report of the 11th Finance Commission which had made this recommendation, the Centre had not yet released these funds, the West Bengal Finance Minister, Mr. Ashim Dasgupta, told presspersons on behalf of the participating States. The conclave expressed concern over the delay in the presentation of the final report of the 11th Finance Commission, he said.

The meeting stressed that the devolution of funds as per the recommendations of the 10th Finance Commission should be done immediately. The Commission had recommended pooling of all taxed collected by the Centre and sharing of 29 per cent of this with the States. They wanted the share to be increased from 29 per cent to 33 per cent as decided in the third meeting of the Inter-State Council.

Another contentious point was

sharing of the proceeds of the Voluntary Disclosure of Income Scheme (VDIS) between the Centre and the States. This amount had already been passed on to the States and if this was included in the arrears due to the States on account of the 29 per cent formula, the States would actually have to pay back Rs. 526 crores to the Centre. Otherwise, the arrears under the 29 per cent formula add up to Rs 3,500 crores for all the State together. The conclave felt that the release of funds under VDIS should be treated as one-time grant on stand-alone basis and not be adjusted against the entitlement under the 29 per cent formula.

As regards the Central assistance passed on to the States, the conclave took the view that the 70 per cent loan and 30 per cent grant formula governing Central assistance should be altered to 50 per cent loan and 50 per cent grant. The interest on loan from the Centre and all-India level financial institutions should be lowered from the current rate of 12.5 per cent to 10 per cent. It also demanded that the surplus generated on account of small savings should be advanced to the States as grant and not loan.

The meeting demanded that the Centre increase the overdraft time limit for States from the current period of 10 working days to 14 working days as recommended

by the Sarkaria Commission. It also wanted an extension of time for utilisation of some funds provided by the 10th Finance Commission for specific projects since these funds could not be utilised in time.

Other issues the States wanted to be resolved include permission to go in for one additional tranche of market borrowings to finance 50 per cent of the additional burden on account of the pay revision for Government employees. This permission was being sought for one year as revenues were expected to improve in future. Similarly, there was a demand for transfer of Centrally-sponsored schemes to the States with funds as grants and a specific list of services which could be taxed by the States.

The Chief Ministers of Rajasthan, Madhya Pradesh, Haryana, Karnataka and Delhi, the Finance Ministers of Rajasthan, Madhya Pradesh, Punjab, Delhi and West Bengal and the Deputy Chief Minister of Maharashtra, Mr. Chaggan Bhujbal, participated in the meeting.

At the press briefing later, the Punjab Finance Minister, Capt. Kanwaljeet Singh, said no political significance should be attached to the meeting which was convened only to discuss the financial problems being faced by the States.

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JUN 21 1976

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HD-1  
27/6

# Centre shoots down CMs' demand

Centre - News

By Our Special Correspondent

**NEW DELHI, JUNE 21.** The Government today declined to concede any of the demands raised by a conclave of Chief Ministers who sought "urgent intervention" by the Prime Minister, Mr. Atal Behari Vajpayee, in the release of funds for the States. Also, the Finance Ministers of Punjab and Haryana failed to make it to the meeting with the Prime Minister "due to personal problems," although they had attended the conclave earlier in the day.

Consequently, the Chief Ministers of Rajasthan, Madhya Pradesh, Karnataka and Delhi arrived for the meeting with the Prime Minister which had been sought by the Rajasthan Chief Minister, Mr. Ashok Gehlot. Maharashtra was represented by the Deputy Chief Minister and West Bengal by its Finance Minister. "It was basically a Congress show with one Left party representation," said a PMO official.

After a meeting, the West Bengal Finance Minister, Mr. Ashim Dasgupta, told reporters that they had received "assurance" from

the Centre on the demands for release of funds. Mr. Vajpayee had told them that the report of the 11th Finance Commission was expected this month-end and all issues raised by the States would be considered then, he added.

However, the Union Finance Minister, Mr. Yashwant Sinha, who was also present, said Mr. Vajpayee had made it clear that while issues could be discussed today, no decisions would be taken because the right fora for such matters was either the National Development Council or the Inter-State Council. "In the light of these observations, the Chief Ministers and Finance Ministers put forward their views. The Prime Minister listened to them and suggested that decisions on these issues would be taken at the appropriate forum," Mr. Sinha said. Since some issues relate the 11th Finance Commission, the Centre would await its report. On the States' demand for keeping the VDIS out of the purview of the alternative devolution formula, Mr. Dasgupta said the Centre had said "it will get back to us."

More funds sought: Page 13

THE HINDU

22 JUN 2000

# More power to States on profession tax

By Our Special Correspondent

**NEW DELHI, JUNE 22.** A meeting of Chief Ministers and State Finance Ministers convened here today by the Union Finance Minister, Mr. Yashwant Sinha, agreed in principle to give powers to the States to fix limits for imposition of profession tax.

This would, however, entail an amendment of the Constitution since Article 276 provides for taxes on professions and puts a ceiling of Rs. 2,500 per annum on this tax. Today's meeting decided that the matter could be discussed during the monsoon session of Parliament and the Constitution amended if there is a consensus in the two Houses.

Another decision that came out of today's meeting was that any loss of revenue consequent to the reduction in the Central Sales Tax (CST) rate would be compensated by the Centre. However, for any loss of revenue on account of abolition of CST or introduction of the Value Added Tax (VAT)



The Finance Minister, Mr. Yashwant Sinha, with the Kerala Chief Minister, Mr. E.K. Nayanar, at the Chief Ministers' conference in New Delhi on Thursday. The Madhya Pradesh Chief Minister, Mr. Digvijay Singh, looks on. — Photo: V. Sudershan

would be discussed by the Standing Committee of State Finance Ministers and recommendations made accordingly.

Other decisions at the meeting included an extension until July 10 for 100 per cent compliance in case of fixing uniform minimum sales tax rates in the States and

Union Territories. Any non-compliance after that date would immediately mean withholding of 25 per cent of Central Plan assistance to the concerned State or Union Territory.

On the question of implementation of VAT by April 1, 2001, it was decided that the States ready

to do so could go ahead. However, for others, the Standing Committee would prepare milestones and a road map which they would have to follow.

## Pondy seeks more time

Pondicherry has sought some more time for the implementation of the uniform minimum sales tax rates.

The Pondicherry Health Minister, Mr. E. Valsaraj, who participated in the conference later told *The Hindu* that a new Government had assumed office in the Union Territory just about two months back. The change in the sales tax rates would require a political consensus, a discussion and decision by the Cabinet and subsequently passage of legislation in the Assembly. Therefore, more time was required before a decision could be taken in this context, he said.

As of now, Bihar and Pondicherry have not yet complied with the decision, as per the official announcement.

THE HINDU

23 JUN 2001

SATURDAY, JUNE 24, 2000

## FISCAL REFORMS AND DISCIPLINE

29/6  
THE CONCLAVE OF Chief Ministers and Finance Ministers from nine States and their meeting with the Prime Minister, Mr. A. B. Vajpayee, has turned the focus sharply on the management of State finances and the need for the Centre devolving more funds to the States. It will be wrong to give any political colour to this exercise, though there were no BJP Chief Ministers at the conclave. At least two of the BJP's allies were represented. If not for anything else, such a meeting can step up the pressure on the Centre to complete the implementation of the Tenth Finance Commission's recommendations and act on the interim report of the Eleventh Finance Commission (EFC), before its final report is submitted to the Government. Since the Centre has already earmarked Rs. 11,000 crores for non-Plan revenue grants to the States, there is no need to hold back these funds even if they address the problem only marginally when distributed among so many States. The Chief Ministers and Finance Ministers are quite right in demanding that at least 29 per cent of the proceeds of Central taxes and duties - as recommended by the Tenth Finance Commission - be devolved to the States right away before debating the 33 per cent share as suggested at the Inter-State Council meeting.

It is true that many of the State Governments are facing a serious fiscal crisis. There have been instances of Plan funds being diverted to non-plan expenditure and borrowed funds spent in non-productive areas. It became necessary for the Centre to directly transfer resources to panchayat institutions because many State Governments did not pass them down the line when the funds were routed through them. Funds released for Centrally-sponsored schemes were often diverted to other avenues. The time has come for the Centre and States to take a closer look at the management and devolution of finances. Many States

lack fiscal discipline and have a poor record in implementation of projects and utilisation of funds. Largescale surrender of allotted funds in the last quarter of the year makes it impossible to divert them to other States or programmes. That is why some of the better-managed States have been demanding allocations based on performance and capacity to absorb the funds. States like West Bengal have also been advocating a change in the loan-grant mix to a 50-50 level to reduce the burden of debt servicing.

Even as the States demand a higher share in the Centre's revenue pool, they have to follow certain basic norms and fiscal discipline. The Finance Commissions have to focus on restructuring State finances to restore budgetary balance and maintain macro-economic stability. The Chief Ministers must agree to the phasing out of subsidies and populism, if they cannot generate a revenue surplus. The revenue deficit of most States has widened, tax revenues seem to stagnate and non-development expenditure is eating away into the vitals of the States' revenue. The EFC must come up with the contours of a fiscal reforms programme which can be monitored. Its Chairman, Prof. A.M. Khusro, has emphasised the need for such a framework, pointing out the rising deficit of the States, which climbed up to 2.1 per cent of the GDP in 1999-2000. Just as the States have every right to demand a higher share of Central funds and greater financial autonomy, they must accept tougher fiscal discipline and cut down expenditure. The State public sector undertakings and the Electricity Boards must be the starting point of financial reforms. Instead of always clamouring for increased Central assistance and a larger devolution of Central funds, the State Governments must focus on widening their revenue base, winding up sick public sector units and enabling the private sector to step in with major investments in core areas and infrastructure.

THE HINDU

2245 JUN 24 2000

24 JUN 2000

# Govt wants to keep Beas report under wraps

STATESMAN NEWS SERVICE

NEW DELHI, May 6. — The Centre has asked the Ravi-Beas Water Tribunal not to make the government's recommendations public to avoid an "awkward situation" with the five water-sharing state governments.

Sources said the Centre had filed a report in a sealed envelope urging the tribunal not to make it public. "The report is only for the perusal of the tribunal and once it is made public the governments — Centre and states — would have to face an awkward situation."

The sources said the dilly-dallying attitude of the Centre on water sharing issues between these states has crippled the functioning of the tribunal for over a year. Also, a member's post has been vacant since January 1999.

The chairman of the tribunal, Mr Justice V Balakrishna Eradi, refused to comment. "The government has politicised the issue," a source said. The post became vacant after Mr Justice UC Banerjee was appointed Supreme Court judge.

The tribunal, which was formed to go into the distribution of the Jamuna water among UP, Haryana, Himachal Pradesh, Rajasthan and Delhi, had submitted its report to government almost 14 years ago.

"Political parties are not interested in resolving the crisis," a source said. Sources said they have also urged the Prime Minister to call a meeting and sort out the problems. But no initiative has been taken so far.

The commissioner in the water resources ministry, Mr AC Gupta, however, said: "The government is still examining the reports as well as the affidavits filed by various affected states."

Justifying the government's stand, Mr Gupta said, "Despite non-implementation of the report, all the five states are getting water from the Bhakra

Beas Management Board as per the 1981 agreement and there is no water crisis in these states, including Rajasthan."

The tribunal had asked the Centre to furnish details about its stand on the submission by two major sharing states, Punjab and Haryana. It had asked these states to file affidavits before July last year to complete its paperwork.

Meanwhile, seeking the tribunal's interference on additional availability of Jamuna waters to Haryana, the state government had claimed that the memorandum of understanding of 12 May 1994, arrived at between these states regarding allocation of surface flow of the river had altered the basis of the 30 January 1987 decision of the tribunal.

On verification of utilisation, the Punjab government had submitted that "by reducing its utilisation to 3.106 MAF i.e to a figure lower than even its allocated share under the 1981 agreement (4.82 MAF), the tribunal has struck at the very root of the accord, which aimed at protecting the existing utilisation (regardless of its legitimacy) so that contingency of withdrawal of water from already irrigated fields did not arise."

Contrary to Punjab's submission, the Haryana government on 30 March 1998, had submitted that Punjab was taking undue advantage of the indulgence of the tribunal.

The tribunal in its 1987 order had said: "Even if the circumstances change, the order is final and non-reviewable. Haryana was not receiving and utilising the full quantum of water allocated to it under the 1976 Accord and the 1981 agreement because of non-completion of the SYL canal, otherwise the picture would have been different particularly in regard to extension of irrigation in its southern region and drought-prone areas."

THE STATESMAN

- 7 MAY 2000

# Centre ready for talks with J&K groups

PRESS TRUST OF INDIA &  
UNITED NEWS OF INDIA

51-8  
AHGAM, May 7.— The Union home minister, Mr LK Advani, today said the Centre was ready to talk to any group in Jammu and Kashmir that was willing to enter into a dialogue with the government even as he ruled out talks with Pakistan until it stopped sponsoring cross-border terrorism.

"As far as any group in Jammu and Kashmir is concerned, we can talk to anybody who is willing to talk to us," Advani told reporters here.

"But, we are not going to talk to Pakistan until it stops cross-border terrorism," he said after inaugurating a school.

Mr Advani said the release of the Hurriyat Conference leaders was a goodwill gesture on part of the government. But he ducked further questions on the Hurriyat issue.

He said Pakistan was still trying to foment trouble in the state by pushing in infiltrators. "But our forces are alert to defeat the nefarious design of Islamabad," he said.

The Chattisinghpora massacre showed that Pakistan was indulging in cross-border terrorism, Mr Advani said, adding, "International opinion is in favour of India after the Kargil intrusion."

**Foreign militants killed:**

815  
Three militants, suspected to be foreigners were killed in an encounter between security forces and militants in Udhampur district of Jammu and Kashmir early today.

Army troops assisted by the special operation group of the Jammu and Kashmir police conducted a search operation at Mansar village in Udhampur district. During the operation, militants attacked security forces with automatic weapons. The encounter was continuing when reports last came in.

**Militant hideouts smashed:**

Three ultras were among eight people killed in separate incidents in Jammu region where security forces smashed two militant hideouts since last evening.

Troops smashed two militant hideouts in Poonch district and recovered a large quantity of arms and ammunition.

**Security beefed up:** Security in-and-around the civil secretariat, target of rocket and grenade attacks by militants in the past, has been beefed up on the eve of its reopening in Srinagar.

**Widows and orphans:** According to a study conducted by the sociology department of the University of Kashmir conflict in Kashmir had left 10,000 women widowed and an equal number of children orphaned.

THE STATESMAN

8 MAY 2001



# Cauvery water issue hots up, meet deferred

HT Correspondents  
New Delhi/Bangalore, May 18

THE CAUVERY River Authority (CRA) meeting, which was scheduled to be held tomorrow to resolve the dispute between Karnataka and Tamil Nadu, was today called off.

While official sources in New Delhi claimed that the meeting was deferred following a request from the Karnataka Chief Minister SM Krishna, reports from Bangalore indicated that the postponement came when the CM turned down the Prime Minister's invitation to attend the meeting. The meeting will now be rescheduled sometime in June, the sources said.

Mr Krishna was bolstered by an all-party meeting, including the State BJP, in Bangalore criticising the Prime Minister for convening the Cauvery meeting at short notice without giving enough time for Karnataka to prepare itself to counter the claims made by Tamil Nadu on the release of the river water.

Armed with the unanimous decision of all the parties, Mr Krishna dashed off a letter to the Prime Minister asking that the meeting of the CRA be put off to a mutually convenient date after June 6, when *zilla* and *taluk* panchayat elections are scheduled to be held in the State.

The Chief Minister, after the meeting, told reporters that all political parties had taken strong exception to the manner in which the Cauvery meet had been convened at the behest of Tamil Nadu.

The Prime Minister should have given enough notice and taken into

account the schedules of the Chief Ministers concerned before convening the meeting, he said.

The Chief Minister qualified his comments with the assertion that Karnataka had no intention to take the path of confrontation.

The all-party meeting pointed out that it would make sense if the Cauvery monitoring committee meet before the meeting of the CRA. Mr Krishna denied Tamil Nadu's allegation that Karnataka had not honoured the Cauvery Tribunal interim award, which had stipulated a minimum release of 205 TMC feet of water.

According to figures released by Mr Krishna, Karnataka had already released 267 TMC of water this year. Of this, 257 TMC had passed through Mettur reservoir in Tamil Nadu, he said.

However, senior officials in the Water Resources Ministry in New Delhi refuted the Karnataka Chief Minister's charge that the meeting had been convened in haste. They said Mr Krishna had been informed of the date of CRA meeting by Water Resources Secretary Z Hasan a month ago.

Besides the Prime Minister, who was to preside over the meeting as the head of the CRA, it was to be attended by the Chief Ministers of the four riparian states of Karnataka, Tamil Nadu, Kerala and Pondicherry.

Meanwhile, Tamil Nadu Chief Minister M Karunanidhi and his Kerala counterpart E K Nayanar will be in the Capital tomorrow to discuss the Mullaperiyar dam issue with the Water Resources Minister C P Thakur.

THE HINDUSTAN TIMES.

15 MAY 2000

# Meet on Cauvery put off

By Gargi Parsai

1971/5  
ND-1  
NEW DELHI, MAY 18. The meeting of the Cauvery Water Authority convened by the Prime Minister, Mr. Atal Behari Vajpayee, tomorrow has been postponed following the decision of the Karnataka Chief Minister, Mr S.M. Krishna, to stay away. *Centre. Nat.*

This is the second time within eight months that the meeting of the Authority had to be put off on account of Karnataka. Last September, too a scheduled meeting of the Authority to discuss Cauvery water releases was deferred as the then Chief Minister, Mr. J. H. Patel, had reported "sick".

(A PTI report, quoting the Karnataka Major Irrigation Minister, Mr. H.K. Patil, said the State welcomed the Centre's decision to postpone the meeting. "We are happy that our plea has been considered by the Prime Minister," Mr. Patil said.)

The Water Resources Minister, Mr. C. P. Thakur, told *The Hindu* that the meeting now tentatively scheduled for June 20, had to be rescheduled as the quorum would be incomplete without one of the Chief Ministers. The Prime Minister is the Chairman of the Authority with the Chief Ministers of the four Cauvery-basin States — Tamil Nadu, Karnataka, Kerala and Pondicherry — members. Several Chief Ministers have started arriving in the Capital for the Inter-State Council meeting scheduled for Saturday.

Mr. Thakur refuted Karnataka's complaint that enough notice was not given to it for the meeting. He said all necessary formalities had been completed and notice for the meeting sent well in advance. Earlier the meeting was slated for May 23, but due to

preoccupation of the Prime Minister, it was advanced. Apparently, Mr. Krishna has said he was busy with panchayat elections in the State to be able to attend the meeting.

Mr. Thakur said his meeting with the Tamil Nadu Chief Minister, Mr. M. Karunanidhi, and his Kerala counterpart, Mr. E. K. Nayanar, on the Mullaperiyar dam storage level issue would take place as scheduled tomorrow afternoon. However, his one-to-one meeting with Mr Krishna is likely to be off, he said. The latter had sought a meeting with Mr. Thakur before the meeting of the Authority. The agenda of tomorrow's meeting was to discuss the Rules and Regulations of the Authority suggested by a Committee chaired by the Cabinet Secretary, Mr. Prabhat Kumar, and implementation of the interim order of the Cauvery River Water Dispute Tribunal. Under the order, Karnataka has to make stipulated releases of 205 tmcft to Tamil Nadu within a water year.

Last September, a dispute arose when Tamil Nadu had alleged that Karnataka had made short releases and sought the Authority's intervention on that score. A central team headed by the Water Resources Secretary, Mr. Z. Hasan, visited the region and drew a schedule of water releases by Karnataka to Tamil Nadu to save the 'kuruvaai' crop from withering. Karnataka then sought two weeks time to make the releases. An Authority meeting was to have discussed the issue, but Mr. Patel expressed his inability to attend. In the meantime, the monsoon arrived, Karnataka went to the polls and the meeting was deferred.

Karnataka refutes TN charge: Page 13

THE HINDU

MAY 20 1971

40-1  
205

# Central panel to study Mullaperiyar issue

By Our Special Correspondent

**NEW DELHI, MAY 19** The Tamil Nadu Chief Minister, Mr. M. Karunanidhi, met the Prime Minister, Mr. Atal Behari Vajpayee, here today and exchanged views on the political scenario, presumably including the current situation in Sri Lanka, even as Tamil Nadu and Kerala agreed for the constitution of a central committee of experts to work out an amicable solution to the Mullaperiyar dam imbroglio. Later they were joined by the Union Ministers, Mr. L.K. Advani and Mr. T.R. Baalu.

Sources close to Mr. Karunanidhi said his meeting with Mr. Vajpayee was no more than a courtesy call though the Sri Lankan situation could have figured in the course of their free exchange of views. The Tamil Nadu Chief Minister took the opportunity to take up the issue of increased royalty for the Neyveli lignite, hike in the allocation for a feasibility study for the Sethusamudram project and a raise in the State's share of Rs. 46 crores from the diesel cess levied to mobilise additional resources for highways development.

The Union Finance Minister, Mr. Yashwant Sinha, dropped in at the Tamil Nadu House later in the evening and is believed to have discussed with the Chief Minister the issues related to the State's finances Mr. Karunanidhi had broached in his meet-

ing with the Prime Minister. The agreement on forming a committee to go into the Mullaperiyar issue followed a suggestion from the Union Water Resource Development Ministry. Consisting of representatives from Tamil Nadu and Kerala, the panel would study the safety aspect of the dam and suggest a procedure for raising its height in stages.

The agreement was reached after an 80-minute meeting Mr. Karunanidhi and his Kerala counterpart, Mr. E.K. Nayanar, had with the Water Resources Minister, Mr C.P. Thakur.

It was proposed that the committee be headed by an engineer of the Central Water Commission, with technical experts drawn from both the States. The panel is expected to be notified before the onset of monsoon to enable it to study the peak storage position.

During the discussions, Mr. Karunanidhi urged the Centre to impress upon Kerala the need to raise the water level in the Periyar reservoir to 145 feet initially and to 152 feet after strengthening the dam. In response, Mr. Nayanar said this might jeopardise the dam's safety and endanger the settlements downstream. He appealed to his Tamil Nadu counterpart not to press for raising the dam's height.

Mr. Thakur said all views would be considered carefully and the Ministry would convey its further line of action in the light of the Supreme Court decision.

THE HINDU

20 MAY 2000

# Farooq seeks to build consensus over autonomy

1917  
HT Correspondent  
New Delhi, July 18

**A**MID A flurry of political activity, the Centre and the National Conference leadership, including Dr Farooq Abdullah, appeared to be inching towards creating a mechanism to resolve the vexed autonomy issue even as the Chief Minister opened parallel talks today with Opposition parties, including the Congress.

Going by the signals emanating from Dr Abdullah's two rounds of discussions with Prime Minister Atal Behari Vajpayee since yesterday, it appeared almost certain that the proposed dialogue would be held without a specific reference to the report of the State Autonomy Committee.

Reliable sources said the mechanism and the parameters for talks would be firmed up in the evolving congenial atmosphere once the two sides were able to ensure consensus within their ranks and the broad NDA formation of which they are part.

Significantly, Dr Abdullah's other engagements today included separate meetings with former Prime Minister I K Gujral, Congress president Sonia Gandhi and Home Minister L K Advani. He is likely to meet Samajwadi Party leader Mulayam Singh Yadav before leaving for Srinagar tomorrow.

The Chief Minister's discussions with Mrs Gandhi lasted nearly half-an-hour. He was assisted in the parleys by some of his Ministerial colleagues. From the Congress side, CWC members Pranab Mukherjee and Ghulam Nabi Azad were also present.

Mukherjee later told The Hindustan Times that senior leaders of the two parties would meet again to understand each others' position on the NC's demand. As for Dr Abdullah, he linked his meetings with the Opposition leaders to his bid to evolve a consensus

on the autonomy question. He said he also planned to hold similar discussions with TDP leader Chandrababu Naidu and the DMK's M Karunanidhi besides others.

Some of the NC Ministers who were present during Dr Abdullah's talks with Mrs Gandhi had also accompanied him for the follow-up meeting he had with the Premier this morning.

But unlike yesterday, when the Chief Minister's stance appeared relatively flexible, he did sound a trifle cautious today while dwelling on the autonomy report as a possible base document for talks with the Centre.

After his one-to-one meeting with the Prime Minister yesterday, Dr Abdullah had unambiguously emphasised that the autonomy discussions would be all encompassing without reference to any particular cut-off date, be it 1953 or 1975. Sources attributed this significant shift in Dr Farooq's position (or is it mere posturing?) to the pressure mounted on him by known NC hard-liners.

When the Chief Minister briefed his party colleagues on his talks with the Premier, at least two senior State Ministers, who played a major role in the drafting of the controversial autonomy report, drew his attention to the adverse political implications of ignoring the committee's recommendations.

On his part, the Premier is reported to have assured the NC delegation of his Government's resolve to work for "greater devolution of powers" to the troubled State. He is also exhorted them to exercise restraint, given the sensitivity of issues connected with the autonomy demand.

In a related development, the Law Ministry has described the State Assembly's autonomy resolution as violative of the provisions of Indian Constitution. It said acceptance of the report would impinge upon the country's sovereignty.

THE HINDUSTAN TIMES

19 JUL 2000

# Centre for fresh J&K proposals

PRESS TRUST OF INDIA

NEW DELHI, July 19. — The Centre has asked the Jammu and Kashmir government to submit fresh proposals on the autonomy issue even as Dr Farooq Abdullah said today that the NDA government should soon set up a group of ministers to assess the quantum of autonomy for the state.

“Dr Abdullah has been asked to come up with fresh proposals — that this is how we would like re-arrangement of powers between the Centre and state,” the home minister, Mr LK Advani said. “Whether such an arrangement is formal or informal... government would be willing to consider it,” he told Star News.

However, Dr Abdullah said the Centre should announce formation of a GOM soon as such a forum alone could help assess the quantum of autonomy needed for his state. “This could be possibly the only forum where the autonomy

issue could be settled,” Dr Abdullah said here after meeting several political leaders.

“My ministers will hold deliberations with almost all political leaders in the country as the aim of the National Conference is to carry the people along while

looking for a consensus,” Dr Abdullah, who had talks with several leaders of political parties, said. He said he was planning to convene an all-party meeting in Srinagar to discuss the autonomy issue.

The dialogue tonight between J&K government representatives and the Kashmir cell of

AICC remained inconclusive. Mr Pranab Mukherjee told reporters that the three-member NC government team had exhaustively briefed the Congress on the autonomy resolution passed by the state Assembly.

The meeting, however, remained “inconclusive” Mr Mukherjee said, refusing to divulge further details of discussions at the meeting.

## CWC MEET

NEW DELHI, July 19. — The Congress Working Committee will meet on 21 July to discuss Jammu and Kashmir affairs and the autonomy issue. The J&K chief minister, Dr Farooq Abdullah, called on the Congress president, Mrs Sonia Gandhi, last night.

The Congress working group on Jammu and Kashmir today held talks with a delegation from the state. — SNS

THE STATESMAN

# BJP against autonomy for States: Surjeet

By Our Special Correspondent

CHENNAI, JULY 20. The CPI(M) general secretary, Mr. Harkishan Singh Surjeet, today said the BJP was opposed to grant of autonomy for the States and the party only "wants Hindi and Hindutva" in the country.

Mr. Surjeet, who was here for eye treatment, told the media that the Jammu and Kashmir Government cannot expect "greater autonomy" under the BJP-led Government.

However, Mr. Surjeet said he had told the Jammu and Kashmir Chief Minister, Dr. Farooq Abdullah, that he should not "mix up" the demands for restoration of pre-1953 status in the State with "greater autonomy".

On the viability of an alternative front at the Centre opposed to both the Congress(I) and the BJP, he said the "third front is the need of the hour". There were forces having differences with the Congress (I) and these had to be rallied together, he added.

Asked about the "ground work" being done for the formation of a third front, he quipped, "it is being done by the Prime Minister". He wondered why Mr. Vajpayee rushed to Srinagar after rejecting the autonomy demand of the Farooq Government.

On the Maharashtra Government sanctioning prosecution of the Shiv Sena chief, Mr. Bal Thackeray, he said law had to take its own course. As for the Shiv Sena's demand for the sacking of

the Congress-NCP Government in the State, he said, "any Government without the BJP, they don't want."

## No new proposals, says Farooq

By Our Special Correspondent

HYDERABAD, JULY 20. The Jammu and Kashmir Chief Minister, Dr. Farooq Abdullah, today maintained that it was "a misnomer" to say that the National Conference Government was demanding a return to the pre-1953 situation in his State.

Here to garner support for autonomy, he was talking to presspersons prior to his meeting with the Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu. Dr. Abdullah said a series of events had occurred since 1947 to 1955 relating to Jammu and Kashmir and it was wrong to describe them as "pre-1953 situation".

Dr. Abdullah insisted that he had not received any communication from the Union Home Minister, Mr. L. K. Advani, seeking a fresh set of proposals on the autonomy issue. "Let us work on the present set of proposals which have been framed over three years," he said.

Dr. Abdullah, who was accompanied by three ministerial colleagues, said he had called on the President, Mr. K.R. Narayanan, this morning to apprise him about the facts.

THE HINDU

## Central government stays cool, tells Shiv Sena of 'mandate of law'

By Vinod Taksal

The Times of India News Service

NEW DELHI: The Union government is disinclined to rush in and intercede on behalf of Shiv Sena supremo Bal Thackeray despite the Sena's desperate cries for help.

This in substance appeared to be the stand conveyed by the Centre during the two-hour meeting Sena Union cabinet members Manohar Joshi and Suresh Prabhu had with Prime Minister A.B. Vajpayee at his residence on Friday evening. Home minister L.K. Advani, information and broadcasting minister Arun Jaitley and attorney-general Soli Sorabjee also attended the meeting.

According to sources, the Centre's view was that it "will only act in conformity with the mandate of law". 'Restraint', 'responsible governance' and 'reasonableness' were three other terms employed during the meeting to elaborate on the Centre's stand. The Union government had to act within the constitution and well-established procedures, it was explained to the two Sena ministers who flew back to Delhi from Mumbai after resigning from the Union cabinet on Wednesday.

However, so as not to create an impression that the BJP-led government in New Delhi was indifferent to the Sena's sentiments now that the combine was out of power in Mumbai, the meeting also examined various statutory and legal options available to the Centre to intervene in the state, sources said.

As part of this exercise, the meeting discussed the supreme court's directives to the Centre on the Srikrishna commission report on the Mumbai riots. In its affidavit before the court, the Centre had taken a stand that it had no role to play on the report.

"In the changed circumstances, the Centre may review its earlier affidavit. It can take a fresh look. All options were discussed," Mr Sorabjee told newsmen after the meeting. Arun Jaitley, however, denied that the supreme court order came up for discussions. "It is for the attorney-general to go into the question and advise the government," Mr Jaitley said.

The two Sena ministers, he said, gave the PM details of why they felt the attempt by the Maharashtra government to prosecute Mr Thackeray "is not in conformity with law".

THE TIMES OF INDIA

22 JUL 2000

# A Dependency Syndrome

## States Not Prepared for Real Autonomy

By K SUBRAHMANYAM

IN recent times, every liberal has advocated more autonomy for the states, particularly Jammu and Kashmir. I am all in favour of autonomy not only for states but also for local bodies, public sector undertakings, government ministries and for law enforcement organisations. Having said that, I am compelled to look at our record in exercising the autonomy that the Constitution has given to all the above entities.

A short while ago, there was some problem in the Tonk district of Rajasthan. Law and order is entirely a state subject and the states have all the autonomy they need to deal with it. But the state government voluntarily relinquished that autonomy and asked for five companies of the central police force to put down communal trouble in just one district. Fifty years ago, the state's chief of police would sooner have shot himself than call in the central force to do what is essentially his job. A state chief minister in those days would have resigned before he would ask for central police forces to deal with a law and order problem in one district of a state. Today, it would be no exaggeration to say that you can give any amount of autonomy to the ministers and civil servants but they will be simply incapable of using it effectively because of the systemic deterioration in our governance.

The law vests a district magistrate and a superintendent of police with complete powers to deal with a law and order situation without reference to anybody else. But, today, no district magistrate or superintendent of police would dare to exercise his autonomous powers without instructions from above because of the way law and order enforcement has been politicised. Most of our politicians and civil servants are interested in exercising patronage often for personal financial benefits and are the least interested in discharging their functions autonomously for the public good. Buck-passing is the standard drill in decision-making. Given these two factors, most decisions get delayed. Autonomous functioning is intended to empower the concerned person to take responsibility, be accountable and speed up the process of governance.

Most of the autonomy our states need is given to them in the Constitution. The powers of the states were steadily and progressively eroded through the centralised planning process and because of the unwillingness of the states to raise their own resources. Just as the government of India has to accept con-

ditionalities when it borrows money from the World Bank and the International Monetary Fund, the states had to submit themselves to the conditionalities of the central government to obtain plan grants and loans. Through so-called centrally-sponsored schemes, the central ministries extended their domination over the analogous departments in the state governments.

Autonomy for a state is essentially two-fold. The first is in respect of law and order and law enforcement. The second, and more important one, is financial autonomy. As mentioned earlier, the state governments, with a few exceptions, have voluntarily abdicated their autonomy on maintenance of law and order. Their credibility in regard to law enforcement is so low that in the case of almost any investigation of a crime, the demand is for a CBI enquiry.

On the question of financial autonomy, even the Kashmir auto-

that kind of genuine autonomy.

The idea of creating state electricity boards and public sector units was to make them autonomous to enable them to take their own decisions and run them profitably. Instead of exercising autonomy, all the electricity boards and public sector undertakings surrendered their autonomy to the arbitrary authoritarianism of ministers as a result of which most are facing financial ruin today. This happened because the basic principle that autonomy carries with it responsibility was overlooked by our politicians both at the state and the Centre.

How can there be autonomy for the states when the state legislatures run by national parties have voluntarily forfeited their right to choose their own chief ministers and surrendered that right to the central party leaderships? Cabinet ministers in the central government surrendered their autonomy to the prime minister with the creation of a strong prime minister's secretariat. Indira Gandhi as prime minister concentrated all authority in her hands and thereby subverted democratic decision-making in governance. Her style of governance still persists because the political culture of this country is essentially monarchical. Republicanism, genuine democracy and autonomy are still alien concepts for most of our politicians.

The only meaningful autonomies are financial autonomy and that of being able to maintain law and order effectively. The taxation powers of the Centre and states were determined with reference to the situation obtained and visualised in 1950 when India was a newly liberated colony. Over the years, the states should have increased responsibility to raise their own resources and spend them autonomously in the light of the present economic situation. Any meaningful debate about autonomy should start with the degree of responsibility the states are prepared to accept to raise their own resources.

There will be states which will need special financial assistance from the Centre because of their lack of development. Then it is logical that they should accept the conditionalities which will come with that financial assistance. The degree of autonomy of the states will be determined by their respective abilities to look after their own financial needs. The present debate in the country is a completely meaningless one in which very few politicians mean what they say.

### IN BRIEF

- All states, local bodies and state institutions should have greater autonomy
- Today's politicians and civil servants are incapable of using autonomy to good effect
- The powers of the states have been steadily eroded by the centralised planning process
- Most state governments have given up their autonomy on law and order maintenance
- The J&K autonomy proposals do not touch on the state taking responsibility for raising its own resources

my proposals do not demand powers to levy a state income tax and more powers for the state to raise resources. They only want autonomy to spend the money which will be provided by the central government. They are not demanding real autonomy which is the additional powers of taxation. No politician of a state asks for that autonomy because that would mean the state assuming greater financial responsibility. If the Constitution is to be amended to provide for greater autonomy, why not give powers to the states to levy their own state income tax as in the US, reduce the need for their dependence on non-statutory transfer of resources from the Centre to states and give them greater financial autonomy? It would be interesting to find out whether the Kashmir assembly is interested in



Vajpayee-Farooq talks on autonomy

# It ain't no dirty word

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**P** RIME Minister Vajpayee and Chief Minister Farooq Abdullah have had their first round of talks on autonomy for Jammu and Kashmir, following the contretemps about the state Assembly resolution. Was Abdullah precipitate in having the resolution passed? Given the signals about the Government of India starting a dialogue with his opponents, the Hurriyat, and the need to maintain his credibility in the context of his electoral promises of 1996 and 1999, Abdullah could not avoid this preemptive act.

The second question: do the demands made in the Autonomy Report and the subsequent resolution reflect the aspirations of the people of Jammu and Kashmir? Do they offer a practical solution to the Kashmir problem, domestically and in relation to Pakistan?

The demand to go back to the pre-1953 status may reflect the aspirations of a segment of the people in the Kashmir Valley. But autonomy demands as envisaged in the Assembly resolution do not reflect the aspirations of the people of Ladakh and Jammu, two major territorial components of the state. While the people of Jammu and Ladakh will oppose them, the more assertive secessionist elements represented in the Hurriyat and their allies will up the ante, making demands bordering on secession.

The third question is whether the Union Cabinet was right in firmly rejecting the resolution. The government could have been more measured if it had reacted in the spirit of the initial, sensible statements by L. K. Advani and Vajpayee: the resolution would be considered by Parliament and there would be discussions. The Cabinet's abrupt rejection gave a handle to secessionist forces to question the central government's sincerity and Abdullah's capacity to respond to aspirations in the Valley. Vajpayee has tried to make amends by engaging Abdullah in a dialogue. It should aim to decentralise power and delegate authority to the people of Kashmir to let them manage their own affairs

without eroding India's territorial integrity.

There is a school which argues that any devolution to Kashmir or other states would result in the Balkanisation of India. This is alarmist. The separation of any part of India from the republic on the basis of religion, language or ethnicity will certainly initiate the Balkanisation of our country, with its pluralistic civil society. But a structured devolution and granting of autonomy will strengthen the polity and sustain Indian unity.

Our collective response to the changing nature of our civil society must take into account historical realities as well as current public aspira-

royed by Pakistan. His decision did not represent the view of the Kashmiri people. This is why Nehru had separate negotiations with Sheikh Abdullah to define Kashmir's status given that Abdullah and his National Conference were the most representative entities.

The agreement between Nehru and Sheikh Abdullah of July 24, 1952, and

the agreement signed between Indira Gandhi and Sheikh Abdullah on February 24, 1975, represent the evolutionary process of Kashmir becoming an integral part of India. This was a linear and gradual process and did not result from coercion or abrupt political decisions.

The 1952 Nehru-Ab-



J.N. DIXIT

**Kashmir's constitutional crisis is a result of the Government of India not implementing the 1975 agreement faithfully since the beginning of 1980**

tions. Some truisms merit repetition. The Indian republic itself emerged not as a readymade homogeneous successor state to the British Indian Empire. It was constituted by the knitting together of the British Indian Provinces and the more than 500 Princely States. The Constitution took into account the full diversity of India. The Centre kept residual powers but the states had much delegated authority. The polity was conceived as a federation with a strong Centre to ensure unity in the initial years. Kashmir, Hyderabad, Goa and Sikkim became part of the republic between 1948 and the early '70s. India's territorial identity has been evolutionary.

Kashmir's accession took place in special circumstances. Maharaja Hari Singh, originally aiming for independence, acceded only when he realised that his dream was going to be dest-

royed by Pakistan. His decision did not represent the view of the Kashmiri people. This is why Nehru had separate negotiations with Sheikh Abdullah to define Kashmir's status given that Abdullah and his National Conference were the most representative entities. The agreement between Nehru and Sheikh Abdullah of July 24, 1952, and the agreement signed between Indira Gandhi and Sheikh Abdullah on February 24, 1975, represent the evolutionary process of Kashmir becoming an integral part of India. This was a linear and gradual process and did not result from coercion or abrupt political decisions. The 1952 Nehru-Ab-

Whatever the ups and downs and political controversies of this process, the fact remains that elections were held both for the Assembly and Parliament in Kashmir. The constitutional and procedural changes in the relations between the Centre and Kashmir between 1952 and 1975 had the support of

the elected governments of Kashmir. Sheikh Abdullah generally accepted this position though he had reservations about some aspects of integration, which led to negotiations between him and Indira Gandhi after preparatory work by Mrs Gandhi's Adviser G. Parthasarthy and Abdullah's colleague Afzal Beg.

The resulting agreement of February 24, 1975, endorsed the integration of Jammu and Kashmir into India. Article 370 of the Indian Constitution, conferring a special status on the state, was to remain in operation. All residual legislative powers remained with the State Assembly. But Parliament would exercise overriding powers to make laws and prevent the disruption of the territorial integrity and sovereignty of India and secessionist activities that eroded the Constitution. The provisions of the Constitution for the state were to be applied with respect for the special circumstances in the state. Only those provisions would be unalterable which affected the unity of India. The question of the nomenclature of the Governor and Chief Minister was not insisted upon by Abdullah at the time.

Kashmir's constitutional crisis is a result of the Government of India (read ruling parties) from the beginning of 1980 not implementing the 1975 agreement faithfully. Besides, the constitutional arrangements on the relationship between Jammu and Kashmir and India did not pay enough attention to the separate identities of Ladakh and Jammu. The result is the demand to return to pre-1952-53 arrangements. This cannot be accepted at this time politically, constitutionally or in security terms. Nor can demands for trifurcation or 'Azadi' be accepted. The solution is purposeful discussions to grant autonomy to the state in the framework of the Sheikh Abdullah-Indira Gandhi Agreement. Devolution and autonomy to Jammu and Kashmir first must be followed by decentralisation and autonomy for all states if the unity of the Indian republic is to be sustained.

## North Zone CMs to meet on July 29

By Our Special Correspondent

**JAIPUR, JULY 23.** A meeting of the Chief Ministers of States in the North Zone is being held at Chandigarh on July 29 to discuss the long-pending issue of entitlement to the States on the power generated from the projects based on the waters of the Ravi and the Beas. The Union Minister for Energy, Mr. P. R. Kumaramangalam, has initiated the meeting which will be presided over by the Deputy Chairman of the Planning Commission, Mr. K. C. Pant.

This one is a sequel to the meeting of Chief Ministers/Energy Ministers held in February last year at Surajkund where it was decided that there should be separate conferences of Ministers of North Zone to discuss sharing of power and water from the Punjab

rivers. The proposed meeting assumes significance in the context of the near completion of the Ranjit Sagar Dam project, known as Thein Dam which has an installed capacity of 600 MW. Even when Rajasthan and Haryana are claimants to the power generated in the project, presently it is being executed by Punjab alone. As per the claim put forward by Rajasthan 52.60 per cent or 315.60 MW of the power generated at Thein should be given to the State.

The dispute over the five hydro electric projects being set up on the Ravi and the Beas rivers goes back to the treaty signed among Punjab, Haryana and Rajasthan on May 10, 1984. At the time of the treaty it was decided that the terms on sharing of the electricity should be referred to the Supreme Court by the Centre. However the

Punjab Government later walked out of the treaty with the argument that it was signed when the State was under President's rule.

Despite many meetings and several interventions from the Chief Ministers of Rajasthan and Haryana, Punjab has been going ahead with the installation of the power projects on its own. The projects are; Anandpur Saheb Hydel, Mukherian Hydel, Thein Hydel, Upper Bari Doab Canal (UBDC) Stage II and Shahpur Kandi Hydel Scheme. The Thein is the fourth project in the category which is to be commissioned soon. In fact at the meeting of Chief Ministers of Punjab, Haryana and Rajasthan in July 1992 it was agreed that the issue should be settled by the States among themselves instead of referring to the Supreme Court.

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# 'Fiscal federalism a success'

By Alok Mukherjee

NEW DELHI, JULY 23. A new chapter of "fiscal federalism" has begun quietly in the country with intensive co-operation between the Centre and the States and also between the States themselves on fiscal matters.

The initiative began with the attempt by the Union Finance Ministry to introduce taxation reforms in the States and the process is expected to continue further to bring about economic reforms at the level of the States where a lot of ground remains to be covered.

The process of sales tax reforms actually provided the forum for greater inter-action and cooperation between the Union Finance Ministry and some of the prominent States.

This forum was the monitoring committee of State Finance Ministers, formed to oversee the implementation of the November 16, 1999 decision at a Chief Ministers' conference to implement uniform minimum sales tax rates in all the States. This monitoring committee is headed by the West Bengal Finance Minister, Dr. Ashim Dasgupta, and includes the Finance Ministers of Uttar Pradesh, Punjab, Karnataka, Maharashtra, Gujarat, Delhi and Meghalaya. Over the last nine months, this committee has met some eight times and has successfully got all the States and Union Territories to introduce uniform minimum sales tax.

The decision to hand over the

task of monitoring the November 1999 decision to the States themselves was taken by the Union Finance Minister, Mr. Yashwant Sinha, and has proved to be a successful move. Without any Central intervention and without any 'pressure,' the on-going sales tax rate wars amongst the States has come to an end.

Now, not only undercutting of rates will cease, the revenue position of the States is also expected to improve with the higher rates of sales tax and the fact that industries would not move out from one State to another because of lower taxes elsewhere.

Having successfully implemented its mandate on the sales tax issue, the monitoring committee has now been transformed into an empowered committee with more powers. This upgraded committee will now have the task of introducing the Value Added Tax (VAT) system in the country, the deadline for which is April 2002.

Most of the State Finance Ministers who form part of the empowered committee express satisfaction at the intensive interaction they have had with colleagues from other States and also with the Union Finance Ministry. "This is the first attempt at fiscal federalism and it has been very successful," Dr. Dasgupta said after a recent meeting of the committee.

Other Finance Ministers too said that never in the past have they had such intensive and re-

peated interactions with their counterparts and now new relationships and friendships are developing, cutting across party lines. At the last meeting of the committee on July 21, more than one State Finance Minister was heard making tentative plans for visiting other States for a "friendly visit."

The repeated interactions among the States and with the Centre has also helped in crystallising plans for economic reforms at the level of the States. The Centre has chipped in with some financial incentives if the States agree to undertake economic reforms and many States have taken up the offer and signed agreements with the Union Finance Ministry.

The Finance Ministry, on its part, is happy that finally a forum has emerged through which it can push the reforms agenda at the level of the States. Earlier, decisions were taken at meetings of Chief Ministers or at the National Development Council, but were rarely implemented.

Now, there is an institutional mechanism available to the Ministry to nudge the States to act on the decisions taken by their Chief Ministers. The States also know that decisions taken at the apex-level meetings would be implemented by everybody, which helps to reduce the populist considerations which were holding back individual States from implementing harsh decision in the past.

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24 JUL 2000

# Autonomy for all States

## Assam Through the Prism of J&K

By SANJIB BARUAH

**P**OLITICAL sociologist Istvan Bibo once wrote that "being a democrat, means, primarily not to be afraid." Democrats don't fear those who have differing opinions, speak different languages, belong to another race; or revolutions, conspiracies, the unknown malicious intent of enemies, hostile propaganda etc. Writing in the late forties in the specific context of central and Eastern Europe, Bibo wrote that those countries were caught in a vicious circle: they were "afraid because they were not fully developed mature democracies, and they could not become fully developed mature democracies because they were afraid."

India has celebrated more than five decades of democratic governance. While the persistence of democratic institutions like regular elections is a source of pride for Indians, when it comes to the question of "how good is our democracy?" the record is more problematic. Perhaps the record is spottiest in Kashmir, Punjab, Assam and the rest of the northeast — regions where India has confronted insurgencies. From the perspective of citizens, insurgencies and counter-insurgencies have very high costs in human lives and in terms of democratic values. If Indian democracy acquires a distinct authoritarian face, it is in the course of fighting insurgencies.

Fear of "the enemy" has come to dominate Indian public discourse and policy towards insurgencies. This has been especially apparent in the case of Kashmir. But this approach to insurgency is not unique to Kashmir. Indian public discourse on the insurgencies in the northeast too is marked by similar fears. There is a tendency to see these conflicts as nothing but proxy wars by India's external enemies.

The resolution passed by the J&K assembly on June 26 not only holds the promise for a different approach to the Kashmir conflict, it could potentially be an important contribution to India's debate on devolution of powers. The decision of the central cabinet to reject the resolution, while reiterating India's commitment to devolution of powers, suggests an unwillingness to accept the challenge that the resolution presents to take the discussion of devolution of powers in new directions.

Historically, the level of autonomy enjoyed by J&K was exceptional. According to the instrument of accession, only defence, external affairs and communications are subjects on which the Indian Parliament could make laws; the other areas are left to the jurisdiction of the state legislature. Over the years, a number of constitutional amendments and other laws passed by Parliament, have diluted J&K's autonomy. The J&K

assembly's resolution seeks to restore the autonomy that the state had enjoyed till 1953.

Changing the federal balance in favour of states has been a major issue in Indian politics from time to time. Significant sections of Indian public opinion is suspicious of even the radically diluted autonomy that Article 370 represents. To them, the prospect of going back to the exceptional autonomy that the state had enjoyed till 1953 is frightening. But arguably, the road to a stronger Indian democracy lies not in the abrogation of Article 370, but in extending the autonomy, embodied in that article, to all states. For illustrative purposes, let us briefly explore some of the potential implications of such a scenario for Assam — a state that, like J&K, has been affected by insurgency.

Control over immigration and

the immigration controversy behind once and for all.

And what about Assam's economic development? Would the situation be different if the primary responsibility for economic development, with corresponding fiscal powers, is shifted to the states? It is plausible that if Assam had complete control over its oil and natural gas resources and the capacity to collect customs duties, it would have been a considerably richer state. But even more significant is the fact that were the responsibility for raising resources and developing Assam in the hands of the state government, the political discourse of Assam's underdevelopment would be very different.

In India's centralised fiscal system, states have typically been unwilling to mobilise financial resources on their own. If economic development and the raising of resources was more of a state responsibility, it would be reasonable to expect more of a politics of accountability. If the economy of a state fails to take off, the responsibility too would squarely rest with the state government.

This may have almost revolutionised the political discourse on Assam's underdevelopment and significantly weakened the appeal of both the moderate and radical versions of the Assamese nationalist arguments about the Centre's neglect or of Assam being treated as a colony.

Some of the features of J&K's pre-1953 dispensation such as the position of the *sadr-i-riyasat* may appear to have limited applicability to the rest of the country. But if one imagines the extension of Article 370 to other states, the nature of the office of the *sadr-i-riyasat* raises the possibility of reforming the office of the Governor. For instance, if the governorship is turned into an elected office, governors might function less as representatives of the Centre and more as defenders of the Constitution.

Indeed, a debate on extending Article 370 to other states can introduce into the discussion other bold ideas that could dramatically strengthen Indian federalism. For instance, we can consider strengthening the powers of the Rajya Sabha as a territorial chamber. A stronger Rajya Sabha could exercise scrutiny over executive decisions that affect the autonomy or integrity of states, such as the Governor's recommendation to dismiss an elected state government.

It is a pity that political diffidence has let the central cabinet pass up an exceptional opportunity to bring fresh new ideas to India's approach to the Kashmir question and to the larger question of restructuring Indian federalism.

### IN BRIEF

- India's record of democratic governance has been spottiest in areas where it has confronted insurgencies
- There is a tendency to view internal conflicts as nothing but proxy wars by external enemies
- The road to a stronger Indian democracy lies in extending the autonomy embodied in Article 370 to all states
- The central government's approach to Assam's immigration crisis has been opportunistic
- If the responsibility for raising resources vested with the Assam government, it would be reasonable to expect more accountability
- The Kashmir autonomy debate could have generated fresh ideas to strengthen federalism

enfranchisement has been at the centre of Assam's political turmoil. The central government's approach to Assam's immigration crisis can only be described as opportunistic. While the Assam Accord in 1985 made a series of public commitments to respond to the immigration crisis, the Indian Parliament passed the IMDT law that was sure to defeat those very commitments. But Assamese politicians take the immigration crisis rather seriously and understand the importance of a resolution for ensuring social stability. If, under a radically federal dispensation, we imagine Indian states making immigration and enfranchisement policies, it is likely that local politicians would have found a compromise that could have put

# Centre-NSCN talks on Friday

STATESMAN NEWS SERVICE

NEW DELHI, July 26. — The Centre and the National Socialist Council of Nagalim will hold talks on extending the cease-fire on 28 and 29 July.

The cease-fire ends on 31 July and there are indications that it will be extended by a year, notwithstanding both sides trading charges of violation.

Official sources said talks would focus only on the extension of cease-fire and chances of acceding to the NSCN's demand to modify ground rules for cease-fire are remote. The talks are unlikely to focus on the broader details of a political settlement to the Naga problem.

In the first positive move in nearly six months, the NSCN has agreed to depute a team of top leaders, including its chairman Issac Swu, to negotiate with the Centre. The talks will be held somewhere in South-east Asia, possibly in the Philippines, top official sources said here today.

Talks remained deadlocked after the arrest of the outfit's secretary-general in Thailand in January. Th. Muivah was arrested on the eve of the last round of talks, subsequently postponed,

on charges of travelling on a fake passport and then attempting to jump bail. Home ministry sources said NSCN's insistence on Muivah being the sole representative for talks had stymied several attempts at a dialogue. Only now has Muivah has agreed to let Swu lead the NSCN team, where other leaders will be present. The government will be represented by former Union home secretary Mr K Padmanabhaiah.

There has been no headway on entering into a cease-fire agreement with NSCN's Khaplang faction. The Nagaland government wants this faction to be part of talks but the Centre is hesitant. It does not want to act in haste because of its past experience with the NSCN.

The Centre has often accused NSCN of violating accepted ground rules for cease-fire and charged its cadres with killing, extorting and kidnapping. It even closed an NSCN cease-fire monitoring cell in Dimapur earlier this year though it has now allowed the cell to be reopened on the condition that it will not be misused.

NSCN claims the government has not kept its word on enforcing a cease-fire in the North-east. It has limited it to Nagaland.

~~THE STATESMAN~~

THE STATESMAN

27 JUL 2000

## FINANCE PANEL 'NO' FOR LARGER QUOTA

# Marginal rise in States' share of Central revenues

Handwritten notes: 19-1, 20/7, Centre, Ball

By Our Special Correspondent

**NEW DELHI, JULY 27.** The Eleventh Finance Commission (EFC) has not accepted the suggestions of the States to raise their share in Central taxes and duties to a minimum of 33 per cent and has instead recommended a share of 29.5 per cent of Central taxes and duties for the States for the next five years, that is 2000-2005. So far, the States were getting a share of 29 per cent, based on the recommendations of the Tenth Finance Commission (TFC).

With the Central Government accepting this recommendation, the States' share in the shareable pool in the current fiscal will now be Rs. 54,060 crores as against a share of Rs. 53,143 crores based on the TFC recommendations. The increase works out to Rs. 917 crores for the current year.

The EFC report, along with the Action Taken Report, was placed in Parliament today. The report lays down that the 29.5 per cent share for the States would comprise 28 per cent of the net pro-

ceeds of shareable Central taxes and duties and an additional 1.5 per cent of the net proceeds of shareable Central taxes and duties for the States which do not levy sales tax on sugar, tobacco and textile products.

Another recommendation accepted by the Government pertains to the grants-in-aid to be given to the States to cover their non-Plan deficits on the revenue

**Surcharge to fund calamities relief mooted: Page 15**

account. The EFC, in its interim report, had provided for Rs. 11,000 crores as grant-in-aid during 2000-01, but has subsequently revised this figure to Rs. 10,154 crores for all the States. An early release of these funds on an ad hoc, provisional basis has been promised by the Centre.

For States having special problems, the EFC has recommended grants totalling Rs. 4,972.63 crores towards upgradation of standards of administration. Another recommendation of the EFC for

grants totalling Rs. 10,000 crores for local bodies during 2000-05 to be utilised for maintenance of civic services has also been accepted by the Central Government, but with certain caveats.

Another major recommendation of the EFC accepted by the Government is for the continuation of the existing scheme of Calamity Relief Funds in States but scrapping of the existing National Fund for Calamity Relief (NFCR). The EFC has instead proposed that Central assistance to States in natural calamities should be financed by the levy of a special surcharge on Central taxes for a limited purpose.

The other recommendations accepted by the Government include the continuance of the existing debt relief scheme for States, further debt relief for Punjab and Jammu and Kashmir and the overall ceiling that tax devolution and Plan and non-Plan grants from the Centre to the States should not exceed 37.5 per cent of the total Centre's revenues, both tax and non-tax.

THE HINDU

28 JUL 2000

# Rights over inter-State rivers

By T. R. Andhyarajina

ON JULY 7, 2000, the National Water Resources Council meeting under the Chairmanship of the Prime Minister saw a stout resistance by the States to the formulation of a revised National Water Policy. The States particularly from the South objected to the proposal to set up river basin organisations with statutory powers for development, management and utilisation of waters of a river. The States also objected to the Centre laying down guidelines for the allocation of river water among them. The States were of the view that these measures would be an erosion of their constitutional right to use waters of a river. Bowing to the opposition, the Prime Minister deferred the proposals and referred them to a working group of Ministers to evolve a consensus on both the issues.

For over three decades the States have opposed any formula evolved by the Centre for the sharing of the waters of an inter-State river and an integrated development of a river and the Centre has not been strong enough to overcome their objections. The result has been that India has failed to develop its water resources through integrated river basin development and inter-basin conflicts over rivers between States have become common. Even disputes settled by awards of inter-State tribunals have now revived.

It is not that the Constitution has no provisions enabling the Union to regulate the development and regulation of inter-State rivers in the public interest. The Constitution gives full control over waters of a river to a State (List II entry 17) but the States' rights are made subject to any law made by Parliament for the regulation and development of inter-State rivers to the extent the control of the Union is declared by Parliament by law to be expedient in the public interest (List I entry 56). This means that in the national interest, Parliament can make a law taking over the regulation, development and management of an inter-State

river for the common benefit of the States. This would prevent States from making conflicting claims to development in the sharing of the waters of a river. For example, Parliament could set up a river valley authority, like the Damodar Valley Authority, to decide all such matters for a particular river. However, even at the height of the Centre's dominance over States from 1950 to 1970 with the Congress Party controlling most of the States, the Centre

gave up the idea. In the absence of an integrated valley development authority under a law made by Parliament, States have developed the waters of an inter-State river as they deem fit. Where water of a river are scarce, this has led to bitter disputes. Negotiations at the instance of the Centre have failed to solve such disputes forcing it to appoint Tribunals under the Inter-State Water Disputes Act, 1956, to resolve the disputes. So far Tribunals have been set up for the Krishna,

## *A river board is the only institutional approach at present available under law to develop a river without conflict.*

the Godavari, the Narmada, Ravi, Beas and the Cauvery. Despite the fact that under the 1956 Act the decision of the Tribunal is final and binding on the States, disputes have arisen over the implementation of the awards leading to legal proceedings in the Supreme Court, as in the case of river Krishna.

The Cauvery dispute has been particularly beset with litigation. For years, the Centre delayed setting up a tribunal under political pressure and did so only when it was ordered to by the Supreme Court. The Cauvery Tribunal's authority to make an interim award was itself challenged in the Supreme Court. When an interim award was made in June 1991, angry protests took place in Karnataka. The interim award was sought to be nullified by Karnataka by State legislation. This led to the President of India making a reference to the Supreme Court on the legality of the Karnataka law. The Supreme Court held that it was bad in law. Implementation of the Cauvery Tribunal's interim orders is now in the hands of the Cauvery River Authority set up in 1998 but its working is far from satisfactory and is dependent on the cooperation of one or the other disputant States.

The Narmada Tribunal's decision on

There is no doubt that river water disputes can be solved by negotiations and agreements between States themselves given goodwill and a national perspective. In the U.S. many river disputes have been resolved by inter-State compacts. But in India political considerations and vote banks dictate decisions of Governments. As long as such considerations prevail, river disputes will never be resolved by agreements. Politicians would rather let courts and tribunals decide such matters than risk their political future by compromises.

The least satisfactory solution has been to refer river disputes to tribunals which only resolve the disputes on *ad hoc* basis without the benefit of an integrated valley development approach. Even that recourse is proving to be unsatisfactory. The Centre must revive the river boards approach to avoid inter-State disputes. Unless an expeditious and practical solution is found to moderate States' rights over inter-State waters, disputes will not only continue to waste the precious water resources of the nation but may pose a danger to its unity.

(The writer is a former Solicitor General of India.)

# Trinamool demands Central intervention in Bengal

By Our Special Correspondent

NEW DELHI, JULY 28. The Trinamool Congress today demanded Central intervention in West Bengal saying that law and order in the State had "collapsed" and the Left Front was "unfit" to rule.

Reacting to the death of 11 persons in a clash between the CPI(M) and its own supporters in Birbhum district on Thursday, the party blamed the CPI(M) for the killings. The CPI(M), however, denied the charge and accused the Trinamool Congress of making "false" allegations.

The CPI(M) members in the Lok Sabha protested sharply when the Trinamool Congress raised the issue. Much of what the Trinamool member, Mr. Sudip Bandopadhyaya, said was lost in the din. The CPI(M) argued that a State-related matter could not be raised in Parliament and its members rushed to the "well" and raised slogans when the Home Minister, Mr. L. K. Advani, rose to respond to Mr. Bandopadhyaya's demand for Central interven-

tion. There were heated exchanges between the CPI(M) and Trinamool members with both sides trading charges and blaming each other for the Birbhum clash. Some of the NDA allies supported the Trinamool members while the CPI(M) received support from the RJD and other Left parties.

Earlier, the Trinamool MPs sat on a "dharana" briefly outside the Parliament to demand President's rule in West Bengal. They said parliamentary democracy had come under "severe threat" and there was a "Constitutional breakdown" in the State necessitating Central intervention. A senior party leader and the Union Minister of State for External Affairs, Mr. Ajit Panja, said the Chief Minister, Mr. Jyoti Basu was "unfit" to rule and there was a "sense of insecurity" among the people.

Mr. Bandopadhyaya argued that without Central intervention, it would not be possible to hold free and fair elections to the State Assembly next year.

UNI reports:

The Trinamool Congress leader, Ms. Mama-

ta Banerjee, today criticised the Congress(I) saying that the party was politicising the killing of her party's eleven supporters in Birbhum by the CPI(M) cadre yesterday.

Talking to newsmen at the Bolpur sub-divisional hospital here after inquiring about the health of two persons injured in the incident, Ms. Banerjee said, "the Congress should first decide whether it wants to oppose the CPI(M) or not before playing bandh politics over the death of our supporters."

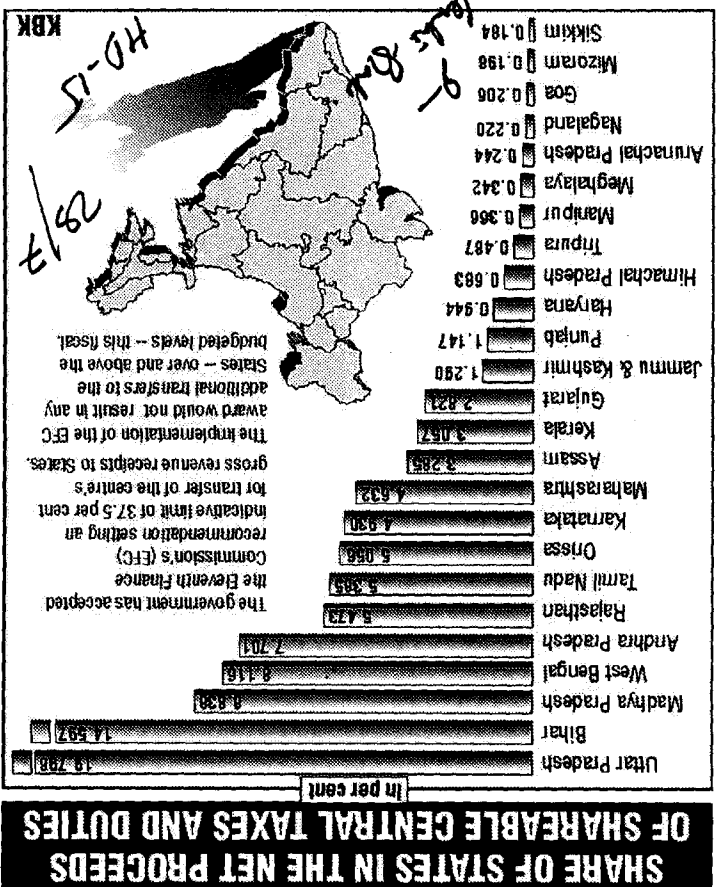
Reiterating her demand for the imposition of Article 356 (President's rule) in West Bengal, Ms. Banerjee said, "it is not much important as what I say, but the people of State too want imposition of President's rule. Our policy making committee will decide the future strategy soon."

She criticised the Chief Minister Jyoti Basu and said, "he was sitting like blind Dhritarashtra after providing arms and ammunition to his cadre to kill our supporters."

THE HINDU

29 JUL 2000





29 JUL 2000

# Central team in Tripura to review situation

Syed Sajjad Ali  
Agartala, June 7

**A** HIGH-level Central delegation arrived here on Wednesday to assess the situation in the insurgency-ravaged State that recently witnessed a spurt in ethnic violence.

The six-member team, led by Union Home Secretary Kamal Pandey, met the State's senior civil and security officials at the State Secretariat. The visit was scheduled for May 31 in the aftermath of the large-scale ethnic violence in Kalyanpur police station killing over 50 people. The visit was later postponed for a week.

The present situation in the riot-hit areas was discussed at the meeting. Other issues, such as, militancy, trans-border movement of militants, border problems, counter-insurgency operations, reported presence of rebels across the border and the security position was also on the agenda.

State Chief Secretary, V Tulashidas, police Director-General B L Vohra and top civil and security, as well as, paramilitary officials took part in the discussion with the vis-

iting team. The team comprises Pandey, joint secretary (North-East) in the Home Ministry G K Pillai, BSF Director-General E N Rammohan, CRPF Director-General M N Sabarwal and two senior officials of the ministry.

The existing action plan aimed to curb militancy was reviewed at the meeting.

Trans-border movement of militants and reported presence of militant camps across the border, too, were discussed. The State had

## Curbing Insurgency

furnished a list of 29 camps of Tripura militants holed up in Bangladesh territory to the Centre to follow it up with Dhaka.

The State urged the visiting team to accelerate construction of fences along the border with Bangladesh to effectively contain militancy. The available strength of the security forces involved in counter-insurgency operations, too, was discussed. But the team did not give any assurance over dispatching more security personnel as demanded by the

State, a official said.

Pandey and his team members met Chief Minister Manik Sarkar on Wednesday evening and also the representatives of various political parties and called on Governor Siddheswar Prasad.

The Chief Minister welcomed the team and said his Government has an open mind on tackling militancy. He complained the Army has not been deployed in the State though it is surrounded by an international border.

The State's proposals include sealing of the 856-km Indo-Bangladesh border, demolition of 29 militant camps in Bangladesh and deployment of five Army battalions in the State.

Earlier, Prime Minister Atal Behari Vajpayee had chaired a meeting of the Cabinet committee on security in New Delhi, which reviewed the situation in the State.

All State Opposition parties, including the Congress and the BJP, have demanded the promulgation of President's rule and resignation of the Left Front Government.

THE HINDUSTAN TIMES

THE HINDUSTAN TIMES

JUN 7 1990

JUN 7 1990

# Greater autonomy for J&K possible within constitution, opines Sarkaria

NEW DELHI: Justice R.S. Sarkaria, who headed the landmark commission on Centre-state relations, says it is possible to give Jammu and Kashmir greater autonomy under the constitution, and accuses the Centre of having failed to adhere to the true spirit of federation.

In an interview to a television news channel, Justice Sarkaria referred to the Kashmir problem and said, "The solution lies within the present constitution. The Centre can easily delegate more powers under the concurrent list to the states without needing to go in for a constitution amendment, not just for Jammu and Kashmir but for every Indian state."

Except for certain key areas like national security, defence and external affairs, he said, "The Centre can easily give more powers to the state, at least in practice. The moment you do this, everything will be resolved. Article 370, other separatist demands in the north-east, nothing will matter."

He described as unfortunate and even dangerous the demand of the Rashtriya Swayamsevak Sangh-Bharatiya Janata Party combine for abolition of Article 370 at this stage. He said this could only cause more trouble, and even lend Pakistan a propaganda weapon. He said the article had, in any case, been "watered down" over the years and J&K did not have many powers under it today.

He found it amusing that those politicians who had scoffed at and violated his report earlier were now citing it as a solution to the Centre-state crisis. A case in point was the misuse of Article 356, he said, which had been misused by all parties. "These parties only talk of federalism. They do not implement it in practice." In Jammu, J&K chief minister Farooq Abdullah said the demand for autonomy for the state had not ended with the rejection of the resolution by the Centre, but had started a new debate on this vital issue.

"The ball has started rolling and it will continue to roll," Mr Abdullah said, addressing a seminar on state and regional autonomy in Srinagar on Saturday.

"It is high time the Centre wakes up (to accept the demand)," he said, adding that he believed "restoration of autonomy to the state is the least price compared to what the Hurriyat are asking for".

He described the uproar and agitation in Jammu, Ladakh and elsewhere in the country as "motivated" and said if a hue and cry had already been raised on the resolution passed by the legislature, what could the reaction be to the Centre holding discussions with Hurriyat leaders?

A crucial meeting of the executive committee of the National Conference would be held in Srinagar on Monday to discuss the vital issue of continuation of the party's support to the ruling National Democratic Alliance, Mr Abdullah said on Sunday. However, he said he had no fear of his government being dismissed if the NC withdrew the support. "*Woh zamana gaya, jab sarkaron ko dismiss kiya jata tha. Woh leadership bhi gayee jo sarkaron ko dismiss karti thi* (gone are the days when state governments were needlessly dismissed, gone are the leaders who used to do so).

In Srinagar, leader of the Amir Jamaat-i-Islami in Kashmir, Ghulam Mohd Bhat, said there could be no solution in Kashmir through guns and there was no alternative to dialogue. (Agencies)

10 JUL 2000

# PM's offer of talks a positive move, says Farooq

9. Centre  
State

110-13

By Shujaat Bukhari

SRINAGAR, JULY 13. Describing the offer of the Prime Minister, Mr. Atal Behari Vajpayee, to have a dialogue on autonomy as a positive development, the Jammu and Kashmir Chief Minister Dr Farooq Abdullah, said today that his visit to New Delhi for the purpose had been delayed in view of the demise of his mother, Begum Akbar Jehan, on Tuesday.

Addressing a rally at the ruling National Conference headquarters in connection with martyrs' day, Dr. Abdullah said the Centre had appreciated the importance of discussions on the vital issue. For his part, he would clear the unfounded apprehensions on autonomy during the meeting with Mr. Vajpayee. "We do not want to weaken the country but only want the restoration of autonomy," he said. The Chief Minister admitted that a countrywide awareness campaign should have been launched after the tabling of the autonomy report in the State Assembly in April 1999 which would have left no room for any misunderstanding. The autonomy report sent 15 months ago to the

Centre contained nothing which would weaken ties between the Centre and the State. An "orchestrated misinformation tirade" had been launched and a poisonous propaganda was being carried out alleging that it was a step to take away Kashmir from India.

The Chief Minister said a brochure on the salient features of the autonomy report would be brought out in various languages for distribution all over the country. The Minister concerned would also visit places to explain the document and dispel misgivings. The demand for autonomy was a deep yearning of the people. He lashed out at the Hurriyat leaders for bringing misery to the people.

## Delhi visit delayed

Announcing that he had delayed his visit to Delhi for talks on autonomy, Dr. Abdullah said he would go to the Union capital next week in view of the mourning of the death his mother. He was scheduled to visit Delhi on July 15 before resuming the deliberations of the NC working committee which were suspended on July 10 and could not continue on

the morrow due to the death of Begum Akbar Jehan. The meeting would resume on July 15.

Dr. Abdullah, however, will visit New Delhi tomorrow to receive the Dr. B. C. Roy award before returning to attend the fourth day ceremony with regard to his mother's death.

A stream of visitors continue to visit Dr. Abdullah's residence to condole the death of his mother. Former Union Ministers — Mufti Mohammad Sayeed, Mr. Ghulam Nabi Azad and Prof. Saifuddin Soz — paid a visit while Dr. Abdullah's wife, Mrs. Molly Abdullah, arrived today from London. Several leaders including the Congress(I) president, Ms. Sonia Gandhi, the former the Prime Minister, Mr. P. V. Narasimha Rao, the Bihar Chief Minister, Mrs. Rabri Devi, the former Chief Minister, Mr. Laloo Prasad Yadav, the Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu, the former J & K Governor, Gen. K. V. Krishna Rao, and the Union Minister of Sports, Mr. S. S. Dhindsa, in separate messages condoled the death of Begum Jehan.

THE HINDU

# PM's talks with Farooq deferred

Anil Anand  
New Delhi, July 13

PRIME MINISTER Atal Behari Vajpayee's talks with J&K Chief Minister Farooq Abdullah on the contentious autonomy issue have been postponed until early next week. Originally scheduled for July 15, the meeting has been delayed at Dr Abdullah's instance.

Amid reports that the Centre was contemplating referring the State Autonomy

Committee's report to the Constitution Review Commission, State Law Minister P.L. Handoo, who arrived here today to apprise the PM's Office about the reasons behind the change in Dr Abdullah's schedule, maintained that the Commission appointed by the Centre wasn't competent to look into the issue of greater autonomy for J&K. He said the Commission was only a recommendatory body without any legal status to review even the Constitution or the autonomy resolution.

Curiously, the Chief Minister, who had cited engagements caused by his mother's death while requesting a postponement, would be in Delhi tomorrow to receive the prestigious B.C. Roy award before returning to Srinagar in the evening. This has made political

pundits here to conclude that his first priority was to have the matter discussed threadbare by the National Conference's Working Committee, which couldn't conclude its stormy deliberations on the subject due to Begun Akbar Jehan's death last Tuesday.



In certain circles, Dr Abdullah's willingness to be seen in Delhi even while asking for another date for talks with the Premier, has also given rise to speculations about another round of brinkmanship between the two NDA allies — the BJP and the National Conference.

However, a spokesman of the J&K Government here was at pains to clarify that Dr Abdullah was unable to return to Delhi on Saturday due to pressing engagements concerning his mother's demise. The Chief Minister, he volunteered, would be here "early next week" for talks with Mr Vajpayee.

Be that as it may, the proposed resumption on Saturday of the inconclusive debate in the NC's working committee has, indeed, added a new dimension to the controversy. The reconvening of the working committee is being seen as a deft move by Dr Abdullah to take the ongoing debate on autonomy and the NC's ties with the NDA, to a logical conclusion.

THE HINDUSTAN TIME

WE ARE LOOKING TOWARDS THE RAIN GOD: KRISHNA

# Karnataka to release 6 tmcft of Cauvery water to T.N.

By J. Venkatesan

**NEW DELHI, JULY 14.** Karnataka has committed itself to releasing six tmcft of water to Tamil Nadu within the next 30 days to make good the deficit in the inflow of water into the Mettur reservoir from June 1 this year.

An assurance to this effect was given by the Chief Minister, Mr. S. M. Krishna, at the second crucial meeting of the Cauvery River Authority (CRA), chaired by the Prime Minister, Mr. A. B. Vajpayee, here today.

Besides Mr. Krishna, the Chief Ministers of Tamil Nadu, Kerala and Pondicherry, Mr. M. Karunanidhi, Mr. E.K. Nayanar and Mr. P. Shanmugham, attended the meeting. The External Affairs Minister, Mr. Jaswant Singh, and the Minister of State for Water Resources were present as special invitees.

Karnataka's response was a sequel to a request by Mr. Karunanidhi to make good the deficit for the month of June. The release is expected to benefit the standing kuruvai crop in the Cauvery delta. Later, Mr. Karunanidhi said the meeting had been "cordial" and it was a "good decision" but did not elaborate.

Asked whether Karnataka had indeed agreed to release six tmcft of water, Mr. Krishna said, "we are looking towards the rain God." He was optimistic the State would not face any problem in complying with his assurance. "It is not as intense as you expect it to be," he said.

At the conclusion of the meeting, the Prime Minister expressed his happiness that the issue could be resolved amicably with mutual



**The Prime Minister, Mr. A.B. Vajpayee, along with the External Affairs Minister, Mr. Jaswant Singh, holding talks with the Karnataka Chief Minister, Mr. S.M. Krishna, the Tamil Nadu Chief Minister, Mr. M. Karunanidhi and the Kerala Chief Minister, Mr. E.K. Nayanar, over the Cauvery water issue in New Delhi on Friday. — Photo: V. Sudershan**

cooperation of the States.

Briefing reporters after the 90-minute meeting at the Prime Minister's Office, the Cabinet Secretary, Mr. Prabhat Kumar, said there was a consensus that Karnataka would endeavour to release six tmcft of water to Tamil Nadu to meet the shortfall in June. Similarly, Tamil Nadu would strive to release the required quantity of water to Pondicherry. Later an official press release said the meeting was held in a cordial atmosphere, and in the spirit of cooperation and mutual understanding with the aim of arriving at an acceptable solution for the issues in hand relating to implementation of the Tribunal's orders.

Mr. Kumar said the meeting approved the minutes of the first

meeting; adopted rules and regulations for the conduct of the business of the Authority. Explaining the rules, he said, "all decisions of the Authority will be taken ordinarily through a consensus. If there is no consensus, the issue would be decided by the Chairperson, the Prime Minister."

At the meeting, Mr. Nayanar submitted a memorandum to the Prime Minister saying Kerala had not been able to utilise more than 5 tmcft of water on account of the prolonged Cauvery dispute and that 21 of its projects in the Cauvery sub-basins had been held up for years. Kerala was one of the major riparian contributors to the Cauvery providing 147 tmcft of the run-off of 740 tmcft in the river and was entitled to a greater

share of the water, Mr. Nayanar said and pleaded that the State's claim should be accorded due consideration.

The role of the Cauvery River Authority, set up in August 1998, was to give effect to the implementation of the interim order of the Cauvery Water Disputes Tribunal passed on June 25, 1991 (to release 205 tmcft of water to Tamil Nadu) and all its related subsequent clarificatory orders.

The CRA's second meeting, which was to be held in September last year was put off when the then Karnataka Chief Minister, Mr. J. H. Patel, reported sick. Again, on May 19 this year, it was cancelled after Mr. Krishna stayed away stating that it was convened in haste.

THE HINDU

1975 pact model for talks with Farooq

# Atal to follow in Indira footsteps

FROM OUR SPECIAL CORRESPONDENT

*9-20-84*  
*Delhi-84*  
*21 1977*

**New Delhi, July 16: The Centre will be looking to the 1975 Indira Gandhi-Sheikh Abdullah accord as the basis for its talks with Jammu and Kashmir chief minister Farooq Abdullah tomorrow.**

The climbdown from its initial tough stand appears to have come after government officials scanned the state autonomy committee report passed by the Jammu and Kashmir Assembly in end-June and regional autonomy reports tabled last year.

The government is, however, firm that words like "autonomy", *sadr-e-riyasat* and *wazir-e-azam* should be kept out of the talks. These were key words in the 1952 agreement between Jawaharlal Nehru and Sheikh Abdullah, but are felt to connote secession.

At its recent Ahmedabad meet, the Rashtriya Swayamsevak Sangh had rejected the resolution and advised the government to do likewise. It feared that Abdullah's example would not only prompt future Srinagar governments to try to move out of the Indian union, it would also spur other states, especially in the North-east, into making similar demands.

South and North Block mandarins have studied the autonomy resolution minutely and compared it with key constitutional provisions. They have found that the 1952 accord did not challenge the ultimate authority of Delhi.

Both Article 1 and Schedule I of the Constitution make the controversial state an integral part of India. Section 3 of the Constitution does not allow any amendment to these key provisions.

Abdullah will be told that a return to the 1952 status is not possible. Apart from the fact that the rest of the country has learnt to look at Jammu and Kashmir as an integral part of India, any sign of giving it a status different from other states will cause a rift between Srinagar and other state capitals.

In these circumstances, devolution of powers, both financial and administrative, is considered the right solution. Also, the Vajpayee government is not agreeable to the term *wazir-e-azam*, which the 1975 accord accepts.

Though nothing is expected to happen overnight, the dialogue will be set rolling tomorrow. Probably the framework and guidelines or even the terms of reference for talks will be decided first.

The chief minister is, howev-

er, under much pressure. There is a growing band of young MPs who feel their political careers will be in jeopardy if the autonomy issue is not kept alive. Besides, a large number of MLAs also want Abdullah to pressure the Centre to accept the resolution.

On the eve of the talks, statements are pouring in from Srinagar that the legislators will not accept anything short of autonomy. This is significant as the National Conference is fighting the Hurriyat for political space.

The government knows that Abdullah's political ambition cannot be thwarted. Though Hurriyat leaders have been released, the path they are treading is too dangerous to handle from Delhi. Moreover, they cannot be expected to change their political turf overnight and cosy up to the government. In that sense, Abdullah remains a safe bet.

"The Cabinet had only said that there was no scope for going back to the fifties. It never said that the 1975 accord, too, had been ruled out. So we can always go back to the Indira-Abdullah talks process which had brought peace to Kashmir for almost a decade before Farooq was removed in a coup from Delhi in 1984," a senior official said.

THE TELEGRAPH

17 JUL 2000

Needed, a relook at Centre-state relations

# Farooq's theatrics

**T**HE Union Cabinet has rejected the National Conference's demand for 'autonomy' in Jammu and Kashmir. That may be just as well — the proposed terms were so unrestrained as to be unacceptable. Removing the state from the jurisdiction of the Supreme Court and the Election Commission, to name but two of the requests, go well beyond any reasonable definition of autonomy.

But I am taken aback at the hysteria generated by the very mention of 'autonomy'. The Congress foamed at the mouth, as it did at the Venkatachalliah Commission. V.P. Singh, Chandra Shekhar and Inder Gujral emerged from the shadows to predict gloom and doom. Mulayam Singh Yadav said the event bore out his prediction that the Bharatiya Janata Party would end up dividing the nation. (This is an interesting switch from his earlier position. Is the Samajwadi Party boss really accusing the "Hindu fundamentalist" Bharatiya Janata Party of pampering Muslim-majority Jammu and Kashmir?)

If you ask me, this flood of emotion smacks of throwing the baby out with the bathwater. The first is autonomy, which might more properly be titled 'decentralisation' or 'federalism'. The second is Farooq Abdullah's theatrics. Let us not confuse the two.

I am as sceptical as the next person about the National Conference leader's motives. Why has he chosen this particular moment in time to demand a return to the pre-1953 situation? Is it because of the rumours that the Government of India was prepared to talk to the Hurriyat Conference?

But whatever the motives of the whimsical Chief Minister, some of the issues he has raised continue to resonate. S.C. Jamir, Chief Minister of Nagaland, has already come out in support of 'autonomy'. And Punjab's Prakash Singh Badal seemed to suggest that Farooq Abdullah sinned only in going too

far. (This is a fair assessment; had the National Conference been more moderate in its demands, other regional parties in the National Democratic Alliance would have played along.)

So, can we move the debate away from Jammu and Kashmir and look at Centre-State relations as a whole? The basic problem is that most politicians have got so used to the over-centralisation of the past 50 years that anything else seems unnatural. By force of reaction, Delhi-bashing has become a vote-catcher for some regional forces.

Ideally, the two truly pan-Indian parties, the BJP and the Congress, would create a middle ground of sorts. But I am not sure if the internal dynamics of either party ad-

Vajpayee carries his party in his wake in general elections, but, say, the Uttar Pradesh unit appears to be stranded without any leader.

How does this link up with the brouhaha over Kashmir? Shouldn't issues such as autonomy be discussed without reference to politics as usual? Unfortunately, that dispassionate attitude doesn't work.

Political parties and governments are both composed of fallible human beings. If those same people fail to create a balance between the party headquarters in Delhi and the various provincial chieftains, how do you expect them to do so between the Union and the state governments?

Moving away from the Congress and the

The BJP has evolved a little under sheer force of circumstances; the only way to run the government in Delhi is to cooperate with regional organisations. But has it done enough to search for, and then nurture, talent within its own ranks at the state level? The unhappy examples of Shankarsinh Vaghela and Kalyan Singh suggest otherwise. As for the Congress, well, its public declaration about not sharing power with any allies tells the whole story. It is asking for too much from Sonia Gandhi to expect her to appreciate federalism.

The solution is that we should trust institutions rather than individuals or political organisations. Here, the poser is that the Constitution itself is tilted. The men who wrote it gave far too much power to the Centre, not realising the level of irresponsibility this would encourage in the states.

Coming back to the immediate problem of Jammu and Kashmir, it is impossible for any ministry in Delhi to grant everything that the National Conference asked for. (Some say the extravagance of the requests was a bargaining tactic; I am not sure why we should respect politicians who treat matters of state as nothing more important than haggling over the price of fish.) But Farooq Abdullah did, unwittingly, bring Centre-State relations back to everyone's attention.

What can be used as a basis for discussion? Definitely not the resolution passed by the National Conference! But is there any reason why the long-ignored Sarkaria Commission Report should not be dusted?

Most parties say India should do everything it can to help Tamils in Sri Lanka — except support secession. Is there any reason why we can't swallow our own medicine — give as much power as possible to the states? Or, as a Congress Prime Minister once said of Kashmir, "everything but independence".



T.V.R. SHENOY

**I am not sure why we should respect politicians who treat matters of state as nothing more important than haggling over the price of fish**

mits such a possibility. Think about it for a moment: is either the BJP or the Congress truly balanced internally?

Whatever anyone says, the Congress still boasts some really good leaders at the regional level — a Digvijay Singh or an S. M. Krishna come to mind; it is the High Command in Delhi that is insipid and stuck in a groove. The success of the party in the Assembly elections bears this out. Digvijay Singh's victory had little or nothing to do with Sonia Gandhi. (If anything, I sincerely believe he would have done better without her!)

Take a look now at the BJP. Here, the central leadership is excellent, but the second rung of leaders in the states isn't quite up to the mark. Atal Behari

BJP, the same problem is apparent in almost every party. Mulayam Singh Yadav is as reluctant to let a colleague shine as Sonia Gandhi. The CPM Politburo can be just as domineering to its cadre as Farooq Abdullah complains that Delhi is to Srinagar. Whatever the lip-service paid to the virtues of federalism, the leadership of every party is reluctant to establish a more collegial approach to making decisions.

This is the nub of the problem — the enormous reluctance of our politicians to let go of power. They do not do it in their own parties; how can we expect them to change simply because they happen to become ministers?

INDIAN EXPRESS

INDIAN EXPRESS

6 JUL 2000



# Rejecting J&K autonomy move puts special onus on Centre

By Siddharth Varadarajan  
The Times of India News Service

NEW DELHI: Having summarily rejected the Kashmir autonomy resolution, the Vajpayee government will find it much harder to satisfy the aspirations of Kashmir—and of other states—with its anodyne promise of “devolution of more financial and administrative powers”.

On Wednesday, home minister L.K. Advani promised “suitable steps to ensure harmonious Centre-state relations in the light of the recommendations of the Sarkaria commission”. Justice Sarkaria submitted his magisterial report in 1988 but his recommendations are still to see the light of day. Curiously, the Vajpayee government has not thought it fit to expedite the suggestions the BJP itself made to the commission, such as those on financial autonomy and the appointment of governors “from a panel prepared by the Inter-State Council” and “in consultation with the concerned state”.

The BJP may consider the autonomy resolution secessionist, but for several constituents of the NDA, notably the DMK, the MDMK, the PMK and the Akalis, what the Jammu and Kashmir assembly is demanding is not very different from what they them-

selves have asked for in the past.

The three Tamil parties are still officially committed to the Rajamannar committee recommendations, as endorsed by the Tamil Nadu legislative assembly in 1974. The resolution was moved by M. Karunanidhi, then, as now, chief minister of the state. Its content was the same as the Kashmir resolution: “The federal government should have only powers relating to defence, foreign affairs, inter-state communication and currency. All the other powers along with the residuary powers should only vest with the states.”

## NEWS ANALYSIS

Like the Jammu and Kashmir assembly, the Rajamannar committee wanted the supreme court’s jurisdiction limited to constitutional cases and the Election Commission to conduct only national and not state elections.

But in politics, context is everything. There was no insurgency, no cry for separation. The Union cabinet did not rush to reject the Tamil Nadu resolution. Indira Gandhi simply ignored it, as she had the equally radical 1973 Anandpur Sahib resolution sponsored by the Akali Dal.

It was only in the early 1980s, with the shattering of the

Congress hold on the south, that Centre-state problems became important. When the four southern chief ministers met in Bangalore in 1983 to demand an equitable sharing of fiscal revenues, Indira Gandhi’s reaction was to appoint the Sarkaria commission.

Since then, the salience of regionalism has dramatically increased. What has changed, also, is that the BJP has supplanted the Congress as the main defender of a centralised polity. The irony is that the BJP is forced to rule in alliance with regional parties, all of whom, to a greater or lesser extent, want a radical overhaul of Centre-state relations.

Economic reform further complicates the picture. Liberalisation is leading to uneven growth, with some regions stagnating and others surging ahead. This unevenness will generate political strains which, in turn, will require new flexibility in Centre-state relations.

Another potential source of strain is population. Demographic changes are being swept under the carpet by postponing the reallocation of Lok Sabha seats on the basis of population. Eventually, the country will have to redefine the Rajya Sabha so as to protect the political interests of states with lower populations.

THE TIMES OF INDIA

- 6 JUL 2007

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## STATES AGAINST RIVER BASINS ORGANISATION

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# Decision on national water policy deferred

By Our Special Correspondent

**NEW DELHI, JULY 7.** The fourth meeting of the National Water Resources Council began badly for the Centre today as it failed to secure approval for its proposed National Water Policy. So much so, the new guidelines for allocation of river water among the States could not even be discussed. In the face of a hostile response to some of the contents of the draft policy, perceived by the States as an erosion of their rights and authority, the Government was forced to defer a final decision.

*J. Centre - State*  
Sensing the "autonomous" mood of the member-States, the Prime Minister, Mr. Atal Behari Vajpayee, opted to defer any final decision. Chairing the meeting, he mooted the idea of establishing a committee to take a look at the contentious issues and narrow down the differences before placing them before the council again for adoption.

Headed by the Union Minister for Water Resources, Mr. A. C. Sethi, the Working Group of Ministers would take note of differences voiced during the day-long discussion. It would be represented by all the States and Union Territories. However, the committee has not been given a fixed time-frame.

There were, in fact, three major areas where the States had serious reservations. The foremost of them was the Centre's move to establish a River Basins Organisation with statutory powers. Secondly, was the proposed guidelines for allocation of water of inter-State rivers among the States sharing the water. Thirdly, the States were unhappy that the Centre was trying to acquire control and regulation of the rivers and water resources.

Almost all the southern States had serious objections. Tamil Nadu is learnt to have objected to even the establishment of the Central Ground Water Authority

while Maharashtra rejected outright the new policy draft. Kerala expressed substantive objections to many of the provisions contemplated in the revised National Water Policy and new guidelines.

Before the States changed the mood and the agenda of the Conference, the Prime Minister referred to the challenge of the future of meeting the demands of an expanding economy and increasing population for water and called for a comprehensive water resources information system that takes into account availability and demand. Equally important, he said, was an institutional mechanism for integrated development and management of resources in each river basins and so were the agreements on sharing of water of inter-State rivers by co-basin States.

"We also need to seriously consider how to tackle the problems of deteriorating quality of water, over-exploitation of ground water, adverse impact of environment and adequate rehabilitation of those affected by development schemes," the Prime Minister said adding that "we have to ensure better management and optimum development of water resources if the water security needs of the India are to be met."

Later briefing mediapersons, Mr. A. C. Sethi, said the Centre wanted to play the role of a facilitator only and was keen on optimal development and use of country's water resources for the benefit of all. It did not want to encroach upon the authority of the States and in fact wanted to extend a helping hand.

PTI reports:

Earlier, the Punjab Chief Minister, Mr. Parkash Singh Badal, rejected outright the proposal for setting up a River Basins Organisation with statutory powers saying it would be a "direct infringement" on the powers of the States and aggravate the conflict among them.

## Finance panel submits report to President

By Our Special Correspondent

NEW DELHI, JULY 7. The much-awaited report of the 11th Finance Commission was submitted to the President, Mr. K. R. Narayanan, today by the Commission Chairman, Prof. A. M. Khusro. The report will determine the sharing of resources between the Centre and the States for the five years, beginning this year.

The report is likely to be forwarded to the Finance Ministry for appraisal and placing in Parliament during the monsoon session beginning July 24.

The States were anxiously waiting for the report since flow of additional resources from the Centre had been held up. Recently, on June 21, a delegation of Chief Ministers, mostly from the Congress(I)-ruled States, called on the Prime Minister, Mr. Atal Behari Vajpayee, and sought the release of an additional Rs. 11,000 crores to the States, based on the interim report of the Commission.

Apart from an enhancement of the 29 per cent share of the total revenues of the Centre, to be passed on to the States as per the 10th Finance Commission recommendation, the States are awaiting the recommendation of the 11th Finance Commission on issues such as their debt burden. The States have been demanding a cut in the interest rate on Central loans, but the Finance Minister had kept the issue pending.

The Commission would also suggest a monitoring system for the reforms initiatives taken by the States and based on this, a sum of Rs. 11,000 crores is to be handed over by the Centre as non-Plan revenue deficit grant.

Contacted for comments, the Commission members declined to give details of the recommendations, saying Parliament had to be informed first.

THE HINDU

7-7-77

# Ease funds-delivery to states, finance panel tells Centre

The Times of India News Service

NEW DELHI: The 11th Finance Commission on Friday submitted its report to the President, recommending a "liberalised" devolution of resources from the Centre to the states.

The two-part report will officially remain under wraps until Parliament discusses its recommendations. The commission, however, is learnt to have recommended hiking the states' share in central tax revenues to 33.5 per cent from the present 29 per cent. The present disposition itself is an outcome of the report of the 10th Finance Commission, which had recommended pooling all central taxes, including customs, for sharing with the states. This arrangement has been put in place through a recent constitutional amendment.

In the weeks to come, the commission's recommendations are bound to generate extensive debate, especially since many states are clamouring for greater autonomy, including more fiscal powers and a greater share in resources. The Union cabinet, while rejecting the Jammu and Kashmir resolution demanding autonomy, has, however, expressed its inclination to consider granting greater political and fiscal powers to the states.

The order of additional resources to be transferred from the Centre to the states as a result of the commission's recommendations will be massive, sources said. In fact, the Centre took a clue from the commission's interim report presented in January to order in advance an allocation of

Rs 11,000 crore in non-plan deficit grants to the states in this year's budget. This imposed a heavy burden on the Centre's finances, rendering its own borrowing needs to climb to more than Rs 1,17,000 crore, or 5.1 per cent of the GDP.

Commission chairman A.M. Khusro, after presenting the report to the President, hoped the recommendations would make the states happy. Receiving the bulky document, the President quipped, "The report seems to be weighty."

Mr Khusro said the commission had been very liberal and tried to maintain a balance between the

Centre and the states.

"The states should not be starved and the Centre should not be without resources," he said.

In accordance with the constitutional arrange-

ment, a finance commission is appointed every five years to make recommendations on the devolution of resources. The present report has been delayed by about six months, but it is expected to help in finalising states' annual plans for 2000-01. The Planning Commission had suspended the exercise in the absence of guidelines from the finance commission on the allocation of funds.

The Planning Commission had also reportedly expressed its inability to act on the states' demands for the immediate release of Rs 11,000 crore allocated as a non-plan deficit grant for overcoming their financial crises, pending the final recommendations of the commission.

## STATES MAANGE MORE

● Hike mooted in states' share in Central tax revenues

● 'Weighty' report presented to President

● Recommendations may be discussed during monsoon session

THE TIMES OF INDIA

8 JUL 2000

# Farooq injects fire into the autonomy debate

JUST ABOUT the time the Union Cabinet was meeting to reject as "unacceptable" the "autonomy resolution" of the Jammu and Kashmir Assembly, Mr. Prakash Singh Badal, Chief Minister of Punjab, who is generally hailed as the most trusted ally of the BJP, had opted to gather a group of political and legal advisers for the ostensible reason of preparing the State's case before the Constitution Review Commission. And, as could be predicted, he was passionately articulate on the need for setting up a "truly federal structure" which "was a historical necessity in order to put India among the front-ranking nations of the world". The rhetoric that preceded the passage of Dr. Farooq Abdullah's "autonomy resolution" had obviously been heard way beyond the Valley. Dr. Abdullah may or may not be able to realise his "pre-1953" dream, but he has managed to impart a new legitimacy to the concept of autonomy; and, with characteristic bumbling, the BJP and its leaders have lent credence to the idea and urges behind "autonomy".

The BJP and the country are likely to lose on most counts. The Atal & Advani Company's much-professed "open mind" on the idea of greater devolution of powers to the States is not likely to produce any moderation among the secessionist forces and groups. Militant outfits in the Northeast, such as the ULFA in Assam, the NLFT and the ATTF in Tripura or the PLA and other groups in Manipur, have been fighting for complete secession from India; any kind of "autonomy" package is not going to

**Dr. Farooq Abdullah has managed to impart a new legitimacy to the concept of autonomy; and, with characteristic bumbling, the BJP and its leaders have lent credence to the idea and urges behind "autonomy". With inputs from M. R. VENKATESH in Chennai, SARABJIT PANDHER in Chandigarh and BARUN DASGUPTA in Guwahati, HARISH KHARE reports on the fallout of the J&K Assembly's resolution.**

find any takers among such groups. On the other hand, talks have been going on with the NSCN (I-M) in Nagaland, and a settlement, if any, would only be within the framework of the Constitution. Even in Jammu and Kashmir, the All-Party Hurriyat Conference has professed itself to be unimpressed and unconcerned with the passage — or rejection — of the "autonomy resolution".

The plain fact is that almost all re-



Surendra

"There is need to discover a fresh mechanism for restructuring our socio-economic fabric and discard the top-down approach to development. The mere geographical magnitude and demographic character of the country makes the logic of a centralised fiscal dispensation totally irrelevant. Therefore there is need for fiscal autonomy for the States, accompanied by more political, legislative and administrative powers."

Had it not been for considerable pressure from the RSS, the Vajpayee Government could have possibly referred the "autonomy" resolution to the Constitution Review Commission, thereby buying time for itself as well as for Dr. Abdullah. It needs also to be underlined that in his subsequent remarks the Prime Minister has been constrained to observe that though "pre-1953" status was unacceptable, the Centre was not averse to conceding more "political and financial" powers to J & K.

It is only of marginal relevance to point out that the Vajpayee Government and the BJP leadership have only themselves to blame for the unhappy turn of events in Jammu and Kashmir; Mr. Advani has been confusing clever politics with statecraft. Predictably the ruling establishment has fallen between two stools. Dr. Abdullah could not be embraced for political reasons in New Delhi without being allowed some kind of indulgence in Srinagar. Nor can the BJP keep cranking up nationalistic ma-

choism while allowing an impression to gain hold that the Foreign Minister, Mr. Jaswant Singh, was making untenable promises to the Americans.

Mindful of the "autonomy" undercurrent in various States, the BJP has been patting itself on the back for making the polity more federal than it was in the past; this was Mr. Advani's boast after the last Inter-State Council meeting on May 20, 2000. At the same time, Mr. Advani's Ministry would want to invoke Article 356 against political foes; Ms. Mamata Banerjee wants the Centre to invoke Article 355 against the Left Front Government in West Bengal, while the Samata Party will be happy to slap Article 356 on the RJD Ministry in Bihar.

The political partisanship apart, administrative and financial constraints do compel the Centre to step in to restore some kind of discipline and order. For example, the idea of "federal crime" has been mooted; the core of the States' powers — law and order — is about to be violated. Then, the finance managers at the Centre are forever throwing the book at the imprudent Chief Ministers. The demands and complexities inherent in dealing with a "globalised" economy reinforce the need for a firm Centre, armed with administrative and financial powers to protect a State Government against the State politicians and their follies. The "autonomy" debate started by Dr. Abdullah in Jammu and Kashmir underscores this dilemma.

## What the J&K Assembly seeks

- The word 'temporary' in Article 370 to be substituted with 'special'.
- Only defence, foreign affairs, communications and ancillary subjects to be with the Centre.
- Article 356 not to apply to J&K.
- Election Commission of India to have no role.
- J&K Assembly to have final say on Central role in case of external aggression / internal emergency.
- No room for all-India services (IAS, IPS etc) in J&K.
- Governor and Chief Minister to be called Sadar-e-Riyasat and Wazir-e-Azam.
- Separate charter of fundamental rights for J&K.
- Parliament's and President's role over J&K to be sharply curtailed.
- No special leave to appeal by the Supreme Court.
- No special provisions for Scheduled Castes / Tribes and backward classes.
- Centre to lose adjudication rights relating to inter-State rivers or river valleys.
- No jurisdiction of the Supreme Court in appeals from the High Court in civil and criminal matters.
- Parliament not to be empowered to amend the Constitution and procedure with respect to J&K.

Graphics by VARGHESE KALLADA

gional parties — which are the "good guys" in the current grammar of political correctness — would want to free themselves from the monitoring control of the Centre, all in the name of "regional pride". There is, of course, a historical dimension to it: most regional parties developed an anti-Centre stance in response to the Congress(I)'s stranglehold on the political and electoral space in the country. And, as in response to dynastic politics the Congress(I) turned more and more authoritarian, the dissent within and outside the grand old party acquired an anti-Centre hue. Those anti-Centrist positions, not necessarily separatist or secessionist, have become part of the regional parties' rhetoric; and these positions can, ironically, be used by a minority/dissident group against a Chief Minister to accuse him/her of being "soft" on the Centre.

Even before Dr. Abdullah decided to play the "autonomy" card, Chief Ministers from non-BJP, non-Congress(I) Governments have been regularly demanding at the Inter-State Council and other forums that the Centre should divest itself of its supervisory and monitoring powers. For instance, the DMK has not yet disowned its 1974 demand for "autonomy"; the Murasoli Maran subcommittee had suggested that "the ideal distribution of powers" would be allocation of defence, foreign affairs,

inter-State communications to the Centre and the other residuary powers being exercised by the States. True, over the years, these demands have been de-emphasised, but the sentiment survives.

Or, to take another example, the Akali Dal remains emotionally and ideologically committed to the Anandpur Saheb resolutions. And all the three versions — of 1973, 1975 and 1978 — favour the "autonomy" formula of the Centre being bothered with only foreign affairs, defence, communications and currency and the "residuary" powers going to the States. The only difference between Mr. Badal and Dr. Abdullah is that the former has not yet demanded that the Supreme Court and the Central Election Commission cease to have jurisdiction over his State.

In fact there is a built-in logical connection between the BJP's pandering to regional parties and the resurgence of the "autonomy" sentiment. To the extent the BJP's cobbling together of a national alliance (colourfully described by Dr. Subramanian Swamy as National Disintegration Alliance) is based on a pronounced and deliberate anti-Congress(I) bias, the regional partners feel justified in playing up this bias and couching their autonomy demands in anti-Congress(I) slogans. Argues Mr. Badal: "Successive Congress Governments in Delhi have systematically concentrat-

ed all the authority with the Centre and the States have been reduced to the status of beggars." The only relief for the Vajpayee Government has been the unequivocal rejection of the "autonomy resolution" by the Telugu Desam.

How difficult it would be for the BJP to extricate itself from this anti-Centre/anti-Congress political trap was witnessed the other day at the "Tamil Nadu Awakening Conference" at Erode. It was the strength of the regional sentiment and the clout of smaller parties that compelled Mr. L. K. Advani to lend his presence in Erode, even after the outlawed LTTE had been given a certificate of good political conduct. Mr. Advani could not stay away from such a gathering because of its anti-Congress(I) colours, thereby lending respectability to the organisers and their unwholesome designs. Mr. Advani's preaching against secessionism and terrorism got lost in the cacophony of separatist chants of "Eelam".

The other trap the BJP has laid for itself is the Constitution Review Commission. The regional parties, especially those in power in various States, are readying to use the Commission to make demands more or less similar to those articulated in Dr. Abdullah's State Autonomy Committee report. The immediate agenda is devolution of fiscal powers. Says, for example, Mr. Badal:

With a superb sense of timing Naidu has opened up a new front

# Fiscal federalism

MAHESH RANGARAJAN

**A**ndhra Pradesh's chief minister, N. Chandrababu Naidu, is back to doing what his father-in-law did so well: taking on the Union government. No one takes his disclaimer made at the launch of the recent conclave of eight state governments in New Delhi at face value. When he said to presspersons, "The meeting has nothing to do with politics. Its agenda is solely to do with economics". By knitting together the losers in the most recent carve-up of resources, Naidu is recreating a federalist front that cuts across the present lines of alignment in national politics. Quite clearly, the National Democratic Alliance, even if it continues to rule in the capital, will find it hard to be in control of its agenda.

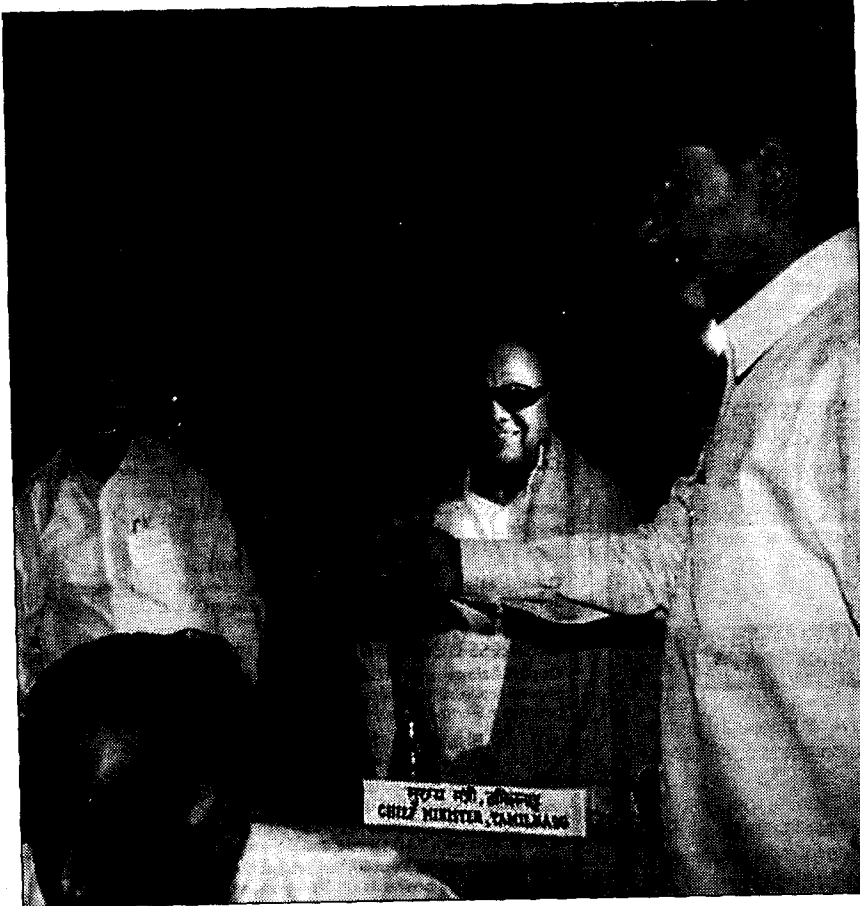
The eclipse of one-party dominance in Parliament has been paralleled and complemented by the increasing clout of regional players at the pan-Indian level. The Telugu Desam Party itself typifies this transformation: for much of the Eighties it was a state-level alternative to the Congress way of politics. Through most of the last decade, it has made Hyderabad a key pivot of national power. Naidu has managed to be on the winning side in each of the last three Lok Sabha elections and his deft use of the modernist message points to hopes of a step to the centre in the not too distant future.

The 11th finance commission may or may not rest on a sound understanding of the economics of regional disparities. But it certainly drafted its report without a care for the configurations of political power. The four states in the south along with Gujarat and Maharashtra are all clear losers. The grand total of the amount lost by these six states — and they are by and large success stories of one sort or the other — comes to over 220 billion rupees. Even in north India, the two Green Revolution states of Haryana and Punjab have been punished, their portion of the revenue cake slashed. The media may have lost sight of it, but had the 10th finance commission's yardstick been in place, all the seven states of the Northeast would have gained a lot more too.

**T**he net gainers are a group of states that include the most populous in the country: Bihar, Uttar Pradesh and West Bengal. The talk of "encouraging fiscal prudence" does not fit the facts. In the eighth five year plan period, Bihar raised five rupees for every one hundred it was required to under the category of "state's own resources". Bengal raised 40, and Tamil Nadu 154. Yet, the commission has ac-

cepted the reverse order. Those states whose own house is in order are being punished. Defaulters and laggards are reaping the rewards. Further, the provinces that gain have done so due to the extra points given to geographical spread and poor infrastructure. This is not an indictment of the people living in

Gujarat whose state is the second biggest loser in this round. Thank the national leadership which scented trouble. Even the Marxist party was more open, with E.K. Nayanan attending, even as West Bengal's Left Front government was not even invited to attend. States' interests appear to be having an impact



these states, only a statement of the acts of omission and commission by their governments. It also raises questions about what to expect in the future.

It is indeed the case that it is the task of the Union government to assist those states and regions that lag behind. There is no doubt at all that special category states as in the hill regions of the Northeast require a transfer of resources to meet developmental expenditures. But the case of UP or Bihar is surely different. They include large and productive agrarian regions, well endowed with fertile soil and plentiful perennial water supplies. The problem is not one of economic growth but of resource mobilization in general. Nothing else explains their failure to raise more revenues.

For now, Naidu appears to have overreached himself. The Congress high command stepped in and the chief minister of Karnataka stayed away from the forum. Ditto for Keshubhai Patel from

**‘ The conclave in the capital marks the end of the honeymoon of the regionalists with the saffron party ’**

even within nominally monolithic political formations.

But more seriously, poorer states such as Bihar and Madhya Pradesh have been quick to strike back. They cite deep-seated socio-political and economic processes as causes for backwardness. Digvijay Singh argues that his state has cut its fiscal deficit, downsized government, initiated far-reaching reforms as in telephony and decentralized key powers to reduce spending. He further outlines how states as a whole ought to de-

mand more in royalties on minerals rather than squabble with one another. Even in defending the allocation of funds between the constituent units of the Union, he is raising afresh the issue of Centre-state finances.

**T**his is the nub of the issue, and is where New Delhi will soon find the ground slipping from under its feet. This refers not to the apportioning of the cake between the states, and the way in which all states as a whole feel cheated by the Union. The fifth pay commission that was implemented swelled expenditures of the states almost three fold. Once it was brought into force, the latter had no option but to follow suit.

India as of now is even more centralized than China. The latter may be a one party state, but the provinces collect and keep over three-fifths of the revenue. Here, the exact reverse picture obtains. This will remain so even as aspirations of people for better health, education and welfare move on ahead. Let alone social services, even in the infrastructure sector, it is states that bear nearly three-fifths of the costs.

Yet, they are not being given a larger share of wealth. A state that attracts software investors cannot hope to make any gains in terms of revenues even if it invests in better roads and power supply. Similarly, a region that brings in foreign exchange through seafood exports cannot even claim a small share as a cess for development and welfare related work.

Naidu has made his point: a federalist agenda can channel disquiet in a way that rattles the powers that preside over the nation. But the deep fissures between losers and winners are likely to prevent more than a little tinkering with the figures in this regard. What is more urgent is that the states as a whole seek and get a larger share of resources, both in terms of their share of the Central tax pool and the gross receipts of revenue.

Having raised the hackles of another set of states, he may find it difficult to be ring-leader in a dust-up with the Union. To go any further down this road, he needs to loosen his ties with the NDA. It is no coincidence that virtually all the hard-boiled regional parties, such as those in Punjab and Assam have rallied to his banner. After all, you cannot forever run with the federalist hares while hunting with New Delhi's hounds.

**T**he conclave in the capital marks the end of the honeymoon of the regionalists with the saffron party. The end may not be nigh. But there are clear differences in the direction the economy and, at one remove, the polity ought to move in. Naidu with his superb sense of timing has opened up a new front. But if he does not take the baton, there is now no shortage of other able hands to carry the banner of fiscal federalism forward.

The author is an independent researcher on ecology and political affairs and former fellow, Nehru Memorial Museum Library, New Delhi

# BJP CMs may skip Naidu meet

SUDESH K VERMA  
STATESMAN NEWS SERVICE

NEW DELHI, Aug. 20. — Chief ministers of the BJP-ruled states will probably stay away from tomorrow's meeting convened by Mr N Chandrababu Naidu at Andhra Pradesh Bhavan. The Prime Minister is believed to have impressed upon them the futility of attending such a meeting.

The meeting aims to discuss the 11th Finance Commission recommendations that have gone against the states' interests, and pressure the Centre to enhance grants to the states and raise their quota from the Central taxes.

Aspects such as immediate release of funds by the Planning Commission as well as those earmarked in the central Budget were likely to figure at the meeting, a TDP leader said.

The Prime Minister was unhappy with Mr Naidu for having convened the meeting, a BJP minister said. Mr Vajpayee is understood to have telephoned Mr Naidu to try and persuade him to give his suggestions to the Finance Commission rather than attempt joint action. The invitation to reporters requesting coverage of the meeting has come from the AP information centre.

Mr JP Mathur, senior party vice-president, said there was no political aspect to the meeting, but termed the meeting as abnormal. A chief minister did not normally convene a meeting of chief ministers to discuss the Finance Commission's report. The best thing for the chief ministers would be to place their demands before the commission, he said.

**Kerala CM:** Kerala chief minister Mr EK Nayanar won't attend the meeting. Andhra Pradesh CPI-M secretary said Mr Nayanar had declined to participate when Mr Naidu called him. But Mr Nayanar will be in Delhi tomorrow to meet the PM, adds UNI.

THE STATESMAN

21 AUG 2000

# SM Krishna will not join Chandrababu meeting

STATESMAN NEWS SERVICE

498 2/18

BANGALORE, Aug. 20. — Mr SM Krishna will not join other chief ministers in their fight against the Centre over the devolution package proposed by the 11th Finance Commission. Sweet reasoning will do the trick, the Karnataka chief minister believes.

"We wouldn't like to enter into a confrontation with the Centre over the issue as we believe in sweet reasoning," Mr Krishna said.

Admitting that Karnataka would suffer if the package was not reviewed, the chief minister said he wouldn't attend tomorrow's meet convened by Mr Chandrababu Naidu in the capital.

He has called the meeting to mobilise support for a review of the the finance commission's recommendations. Karnataka and Andhra Pradesh, for example, will lose more than Rs 700 crore and Rs 900 crore a year respectively if the package is implemented.

The common argument against the commission is that it has penalised the states whose perfor-

mance has been good and rewarded the financially imprudent states.

Mr Krishna said the Union finance ministry has several means to make up for the deficit. Showing a new found confidence in the Centre, he said: "We think the government will like to hold the scales even in connection with the states which are doing well."

He said a reasoned and tempered approach would convince the finance ministry of the state's problems. "I have full faith in the Union ministry of finance."

Mr Krishna said the visit of the Japanese Prime Minister, Mr Yoshiro Mori, to the city, could lead to a new high in cooperation between the two countries in general and Japan and Bangalore in particular.

Mr Mori comes to the city on Monday. Mr Krishna said the visit will send out strong message to the world, especially to the developed countries. The chief minister is hopeful that more Japanese investments will flow into the automobile sector following Toyota's success.

THE STATESMAN

21 AUG 2000



VAJPAYEE DID NOT ASK ME TO DEFER MEET'

# We are only seeking financial justice: Naidu

By Our Special Correspondent

HYDERABAD, AUG. 20. The Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu, left for New Delhi tonight, determined to go ahead with Monday's conference of Chief Ministers to highlight the "injustice" meted out to the "progressive and performing States" by the Eleventh Finance Commission (EFC) report.

The Chief Ministers of six to eight States have confirmed participation, but Mr. Naidu is hopeful that other Chief Ministers would also attend. Karnataka's Mr. S.M. Krishna and Tamil Nadu's Mr. M. Karunanidhi are not making it due to prior engagements.

Mr. Naidu denied that the Prime Minister, Mr. Atal Behari Vajpayee, had advised him to defer the meeting. He spoke to the Prime Minister and assured that the meet was "not political but only financial". Mr. Naidu told the Assembly that there was no question of withdrawing support to the NDA Government.

Mr. Naidu clarified at a hurriedly-called news conference: "The idea is to merely seek justice in terms of more devolutions for progressive and performing States such as Andhra Pradesh in the context of the EFC recommendations. There is no politics involved."

The Chief Ministers would only submit a representation to Mr. Vajpayee and other Central leaders. He declined to react to a query if the BJP was averse to allowing its Chief Ministers to participate.

Mr. Naidu lamented that while the Prime Minister, the Finance Minister and the Planning Commission advocated reforms, the Finance Commission charted another course. Thanks to the EFC, his State would get Rs. 736 crores less.

He did not grudge poorer States getting more; he only wanted justice for "performing States". The loss could be made good by the Centre through adequate compensation. He

favoured a cut-off date on poverty; otherwise, politicians tend to promote poverty.

## Nothing political, says DMK

By Our Special Correspondent

CHENNAI, AUG. 20. The DMK said today that there was nothing political in the meeting convened by the Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu, to discuss the implications of the EFC report for the so-called "developed" States.

"There is no party politics in this," senior DMK functionary and the Tamil Nadu Law Minister, Mr. Aladi Aruna, who will represent the Chief Minister, Mr. M. Karunanidhi, at the meet, told *The Hindu*. The EFC recommenda-

tions had "seriously affected" States such as Tamil Nadu, which had performed well as per the development indices; and all the "affected States" were meeting to discuss this problem to "overcome the difficulties caused by the Commission".

About the possible embarrassment to the BJP as some States taking part in the meet are run by NDA allies such as the DMK and the TDP, Mr. Aruna said that taking part in the Central Government was "entirely different from fighting for the rights of the States. It does not mean we are creating a controversy."

He said, "We understand the difficulties of the Centre as it has placed the panel's report and the Action Taken Report in Parliament. But we also expect it to understand our difficulties."

Keshubhai not to attend: Page 13

## Draft memorandum discussed

By Our Special Correspondent

NEW DELHI, AUG. 20. The Finance Secretaries of 13 States today met here ahead of a meeting of their Chief Ministers convened tomorrow for Monday by the Andhra Pradesh Chief Minister, Mr. N. Chandrababu Naidu, to lodge their protest against the discrimination allegedly shown by the Eleventh Finance Commission (EFC) in allocating resources to better-developed States.

Once it became known that Mr. Naidu is not likely to call off the proposed conclave, BJP leaders had informally indicated that States ruled by their party and its allies would be asked not to come. However, today's three-hour preparatory meeting, which discussed a draft memoranda to be finalised by the conclave, saw attendance by officials from four States ruled by the BJP or NDA allies

— Gujarat, Tamil Nadu, Punjab and Haryana. This indicates that some of the BJP's allies are ready to shed their reluctance of taking on the Centre when it comes to receiving lower financial assistance.

The Chief Ministers of these States are expected to present the memorandum to the Prime Minister. Sources claimed complete unanimity among all the States, including BJP-ruled Gujarat, over the adverse impact of the EFC's recommendations on States which utilised funds more efficiently and clocked better social and economic indicators. The meeting was attended by senior officials, mainly Principal and Finance Secretaries, from Andhra Pradesh, Tamil Nadu, Kerala, Karnataka, Gujarat, Maharashtra, Punjab, Haryana, Arunachal Pradesh, Manipur, Meghalaya, Assam and Nagaland.

THE HINDU

# CMs told to await panel's final report

**The Times of India News Service**  
NEW DELHI: The chief ministers upset with the report of the Eleventh Finance Commission (EFC) achieved a partial success on Monday as they were able to extract only an assurance from the commission that their main grievance will be addressed in its final report expected by the end of this month.

Chairman of the commission A.M. Khusro asked the CMs to await the final report which would specifically address the linkage of grants with the state's performance in implementation of the fiscal reforms programme.

"I hope I have been able to convince the chief ministers who met us today," Mr Khusro told *The Times of India* after the meeting. "We cannot change the report of the commission

which has been already tabled in Parliament accompanied by the government's action-taken-report. But we are still working on our last terms of reference which specifically deals with rewarding states which show better performance," he said.

Official sources also denied that devolution of resources to the states had been reduced by the report of the EFC. None of the states had lost out, they assured. The EFC has recommended a total transfer of Rs 400,000 crore to the states during 2000-2005 as against a transfer of around Rs 200,000 crore recommended by the Tenth Finance Commission for 1995-2000—an increase of 91 per cent.

Gujarat, a high-income state, has got 35 per cent more. Even Andhra

Pradesh which is spearheading the campaign against the EFC report, has got a 71 per cent increase.

Earlier, the 'aggrieved chief ministers' conclave' hosted by the Andhra Pradesh CM, N. Chandrababu Naidu, hit out against the recommendations of the EFC. In the afternoon, the group of eight states met Union finance minister Yashwant Sinha and submitted a nine-page memorandum for the prime minister seeking an urgent meeting of the inter-state council.

Interestingly, five of the eight states represented in the meeting, including AP, are ruled by NDA allies.

Scoring a political point against big brother, the BJP, by hosting the meet against the recommendations already approved by the Vajpayee government, Mr Naidu reiterated the meeting was apolitical.

Meanwhile, government sources said they would have much preferred if he had expressed his reservations directly to the PM instead of organising this group-of-eight forum of self-proclaimed performers.

Punjab CM Prakash Singh Badal, Haryana CM Om Prakash Chautala, Assam's Prafulla Kumar Mahanta and Tamil Nadu law minister Alladi Aruna attended the meet but desisted from making any statements against the Centre.

The regional leaders' grouping evoked memories of similar conclaves which led to the formation of National Front when TDP, DMK, and AGP came together to form a political alternative to the Congress government at the centre.

► See Edit: Andhra's Challenge, Page 10

## ASSURANCE GRANTED

- Report once tabled can't be changed: commission
- Grants' issue to be dealt with in final report
- CMs call for exigency meet of inter-state council
- Group of eight meet apolitical, say CMs

THE TIMES OF INDIA

22 AUG 2000

# CMs want awards loss offset

STATESMAN NEWS SERVICE

NEW DELHI, Aug. 21. — Chief ministers of seven states today joined hands and appealed to the Centre for the creation of a special fund to compensate the states treated “unfairly” by the Eleventh Finance Commission for their performance and ability to carry forward reforms.

The Prime Minister, Mr AB Vajpayee, has reportedly assured the delegation that the government would do whatever possible. He asked them to wait till the EFC's interim report. The team also met Mr LK Advani and the finance minister, Mr Yashwant Sinha.

Their main objection was to the EFC's recommendation that rewarded non-performing states, but cracked down on states that performed well. Central compensation was needed to prevent these states from sliding back, the Andhra Pradesh chief minister, Mr N Chandrababu Naidu, said after the chief ministers' meeting.

Chief ministers of seven states, including Mr EK Nayanar (Kerala), Mr PK Mahanta (Assam), Mr OP Chautala (Haryana) and Mr PS Badal (Punjab), attended the meeting convened by Mr Naidu to discuss the adverse impact of the EFC recommendations.

Maharashtra was represented by its deputy chief minister, Mr Chhagan Bhujbal, and Tamil Nadu by its law minister.

Yesterday's preparatory meeting was attended by the finance secretaries of 13 states, including the BJP-ruled Gujarat, Mr Naidu said, showing off the “support” he enjoyed. BJP chief ministers skipped the meeting.

He clarified that the chief ministers were not against resource transfer from the Centre to poor

and backward states. However, he asserted, this could not be done at the cost of states which had moved forward.

Mr Naidu said the EFC's parameters would cripple the states trying to implement second generation economic reforms. Both Mr Vajpayee and Mr Sinha had accepted that all states should uniformly implement the economic reforms, he pointed out.

Mr Naidu said the chief ministers were unanimous that 1981 be fixed as the cut-off year for population and 1991 for poverty while calculating each state's share under the devolution formula. It was necessary to fix a cut-off year for poverty to make the states work for poverty eradication, he said. Otherwise, this would be promoting poverty, he said.

The participants argued that the states' share in the Centre's net tax proceeds be substantially enhanced from the present 29.5 per cent, he said. When Mr P Chidambaram was the Union finance minister, he had agreed that the share could go as high as 33 per cent, Mr Naidu pointed out. “This is what we agreed on at the inter-state council meeting.”

Mr Naidu said he hoped that the EFC would address its shortcomings in its second report expected by the end of this month.

The Kerala chief minister said the EFC recommendations should have been placed before the inter-state council before being accepted. Mr Badal, whose party shares power at the Centre, suggested that the recommendations be kept in abeyance till they were considered by the council.

■ Another report,  
photograph on page 8

THE STATESMAN

22 AUG 2000

# Navin takes finance award protest to PM

STATESMAN NEWS SERVICE

BHUBANESWAR, Aug. 21.— Chief minister Mr Navin Patnaik who did not attend the chief ministers' meeting, today dashed off a letter to the Prime Minister A.B. Vajpayee registering his protest against the 11th Finance Commission award.

Mr Patnaik was one of the few chief ministers who had not reacted to the recommendations of the 11th Finance Commission till date. Some of his party members, including MP Mr Trilochan Kanungo and Finance Minister Mr R.K. Patnaik had lambasted the FC while Mr Patnaik himself had kept mum. Evidently feeling left out parts were joining hands to register their protest, Mr Patnaik today thought it proper to write a letter and comment on the FC recommendations.

Asked whether he had been invited by Andhra Pradesh Chief Minister Mr Naidu, Mr Patnaik said here today: "I have not received any communication or invitation." He refused to comment whether he approved the move or not. It may be noted here that Union minister Mr Pramod Mahejan, who was here yesterday,



From left: Chief Ministers Mr Om Prakash Chautala, Mr N Chandrababu Naidu, Mr EK Nayanar and Mr Parkash Singh Badal in New Delhi on Monday. — PTI

had clarified that the central government does not interfere with the functioning and recommendations of the FC. He pointed out that the commission was headed by an eminent economist.

When his attention as drawn to the fact that several chief ministers were protesting

against the recommendations, Mr Mahajan had said: "Let us wait for the second report of the Commission as some chief ministers feel that their states have been deprived of funds while some others feel that the recommendations are good," he added. Mr Patnaik, in his letter to Mr Vajpayee today has

described the 11th Finance Commission's recommendations vis-a-vis Orissa as "erroneous and iniquitous" which has robbed the state of its genuine demands and requirements. "There are gross inaccuracies in the assessment of the states committed revenue expenditure and revenue

receipts," he said while citing several instances.

"The state had projected an interest liability of Rs 14,360 crores for the period 2000-2005 and Rs 2190 crores for the year 2000-01, but the Commission has assessed the current years liability at Rs 1771 crores and the liability over five years at Rs 10,815 crores," he said. "Similarly the pension payment liability has been underassessed by over Rs 250 crore per year," he said.

Mr Patnaik has stated that the state government will soon submit a detailed proposal pointing out the inequities and deficiencies in the 11th Finance Commission's recommendations. He has suggested that the Centre should give a special non-plan grant each year equal in amount to the erroneously assumed receipts towards "other miscellaneous non-plan grant".

It should also provide a grant to cover the underassessed interest liabilities and the pension amount. The Chief Minister has stated that under such circumstances the state government will not be in a position to pay the additional debt repayment liabilities relating to 1999-2000 which had been deferred till the end of the year.

# CMs demand Inter-State Council meet

By Our Special Correspondent

NEW DELHI, AUG. 21. After considerable public posturing on the adverse impact of the recommendations of the Eleventh Finance Commission (EFC), a conclave of six Chief Ministers and two other representative Ministers of State Governments today submitted a memorandum to the Prime Minister, Mr. A.B. Vajpayee, seeking reconsideration of some of the recommendations of the Commission.

It urged the Prime Minister to take the lead in organising a special meeting of the Inter-State Council where these issues could be deliberated and a national consensus evolved.

While the speeches of some of the Chief Ministers at their conclave earlier in the day had a shrill tone, the memorandum contained some reasoned arguments. For instance, it stated that the 29.5 per cent share earmarked for States in the Centre's total shareable resources was inadequate and that it should be raised to 33.5 per cent. The percentage of

tax devolution in the total EFC transfers had come down from 91 per cent to 86.5 per cent which had led to considerable reduction in the relative share of those States which do not qualify for revenue deficit grants. A request was made to rectify the unfair balance.

The Chief Ministers of Andhra Pradesh, Assam, Haryana, Kerala, Manipur and Punjab and the Deputy Chief Minister of Maharashtra and the Law Minister of Tamil Nadu said that the EFC recommendation that Central fiscal transfers must be around 37.5 per cent of the total Centre's revenue receipts should be treated as a minimum share and not as a ceiling. "We believe that there should be no such ceiling. We request that the ceiling may be immediately removed."

They said the normative approach to assess the revenue receipts and expenditure of the States to arrive at the non-Plan revenue deficits should be given up and instead the quantum of funds under the revenue deficit

grants allocation should be included under the tax devolution category, except for special category States.

Taking up the contentious issue of reduction in the weightage of population from 20 per cent to 10 per cent in the devolution of funds, the memorandum stated that this had undermined the importance of this criterion. Further, while computing the relative share of the States under the per capita income criteria for 1994-1997, the population figures of those years were adopted. Similar computing had been done for the tax effort criterion, it said and demanded that the 1971 population figures be adopted in computing the shares under these criteria.

Another important issue deals with the benchmark for income disparities. The States felt that the equity consideration as reflected in terms of per capita income had been over-emphasised. A number of other points such as the debt relief scheme, assistance from the Central Government figured in the memorandum.

THE HINDU

22 AUG 2000

## Inter-Ministerial meeting on new States held

By Our Special Correspondent

NEW DELHI, AUG. 21. The Union Home Minister, Mr. L.K. Advani, presided over the first inter-Ministerial meeting held here today on the formation of the three new States.

The meeting was attended by the Union Finance Minister, Mr. Yashwant Sinha, the Law Minister, Mr. Arun Jaitley, the Minister of State for Personnel, Ms. Vasundhara Raje Scindia and the Minister for Environment and Forests, Mr. T.R. Balu.

THE HINDU

22 AUG 2000

WEDNESDAY, AUGUST 23, 2000

119-12  
**TIME TO LOWER THE PITCH** *write now*

IT WILL TAKE some effort to unwind the high-profile campaign organised by some State Governments against the award of the Eleventh Finance Commission. It will not be possible for either the EFC or the Centre to address all their grievances. The EFC has already completed the larger part of the work mandated by its term of reference. Its second report that will be submitted to the President by the end of this month will take up the specific and possibly just as controversial task of devising a monitorable fiscal reforms programme and linking non-Plan revenue grants to implementation of reforms. Such a programme could well benefit the "reforming" States more than the others, but not by any more than what they have already been awarded by the EFC. Moreover, while the Prime Minister, Mr. Atal Behari Vajpayee, may have been sympathetic to the issues raised in the memorandum presented by nine States after their meeting in New Delhi, the only way the Centre can possibly provide them with additional funds is by parting with some of its own resources. Since that is as unlikely an outcome as any, it is now up to the State Governments themselves to lower the pitch of their protests.

While the protesting States have tried to raise larger issues, the core of their resentment is about a smaller share in the total resource devolution from the Centre in 2000-05. Yet, to characterise this change as punishment of the reformers and reward of the non-reformers is not quite accurate. While Uttar Pradesh and Bihar, commonly seen as non-performing States, are to see a jump in resource devolution, Madhya Pradesh which is a reformer State will also experience an increase in its share. Likewise, Andhra Pradesh, supposedly belonging to the group of reforming States, is to witness a decline, but then so too will Punjab which is by all accounts one of the most fiscally profligate States in the Union. If at all there is a pattern in the

award of the EFC it is that the poorer States will receive more and the wealthier States correspondingly less. Of course, the utilisation of additional resources is just as important as resource distribution and the States which are to enhance their shares in the statutory transfers cannot see this as largesse that is theirs by right. But in any federation a fundamental principle of resource-sharing is that transfers must be made to the poorer units. This is of some urgency in India since the disparities between the States are widening, a process that has accelerated in the past decade. It should also be a matter of concern that India is the only federal country where regional disparities have not been reduced in recent decades and where inter-State inequalities are the second-highest in the world. The EFC has tried to address this concern, though it can be quite legitimately argued that its award should have been more calibrated to meet the needs of all States. However, the impact of the redistribution has also been exaggerated. While the notional losses in 2000-05 in absolute terms are large, the decline in Andhra Pradesh's share of the EFC's award, for example, translates into no more than 3 per cent of the State's assessed revenue receipts over the next five years. Even Maharashtra's notional loss — the largest among the affected States — is equivalent to only 4 per cent of its assessed revenue receipts.

*22/8*  
The sharp division between the States in their response to the award of the EFC and the tensions between the States and the Centre each time a Finance Commission presents its award do suggest the need for some changes. In a truly federal set-up the States need to have a much greater say than they now have in both drawing up the terms of reference as well as processing the recommendations of the Commission. There is a lot to be said for finding a mechanism whereby the Inter-State Council deliberates the Commission's report before the award is finalised.

THE HINDU

23 AUG 2000

## PRODIGAL PROTEST

There was more at stake than the recommendations of the 11th finance commission in the meeting between the prime minister, Mr Atal Behari Vajpayee, and the chief minister of Andhra Pradesh, Mr N. Chandrababu Naidu. The gathering of six chief ministers at Mr Naidu's behest was a signal that there was a growing disapproval in some states about the recommendations of the finance commission and about the criteria of resource allocation between the states and the Centre that are part of the commission's recommendations. Mr Naidu is in the strongest position to wave the flag of disapproval because with 29 members of parliament, the Telegu Desam Party is best placed to threaten the stability of Mr Vajpayee's government. It comes as a surprise to nobody that Mr Vajpayee listened amicably to whatever Mr Naidu had to say. The prime minister had little choice. This also explains Mr Vajpayee's willingness to accommodate Mr Naidu's demands and to modify some of the commission's recommendations. It is significant — and Mr Naidu can count this as his major victory in the present round — that one of the suggested modifications involves the setting up of a fund for states whose share in Central revenues has been cut by the finance commission. There are no prizes for guessing that Andhra Pradesh is one of the states. To placate Mr Naidu, the prime minister has agreed to establish a separate fund to compensate for the finance commission's recommendations. This reduces the commission to a farce but that is a small price for Mr Vajpayee's survival.

The reasons that the finance commission gave for reducing Andhra Pradesh's share in Central revenues are worth examining. One of the yardsticks that the finance commission has used this time is fiscal discipline. Andhra Pradesh's track record in this sphere is rather poor. In the budget estimate for 1999-2000, the deficit was placed at Rs 3,860 crore; this is nearly three times more than the revised budgetary deficit for 1998-99. The deficit also masks the extent to which loans finance current expenditures. Andhra Pradesh's indebtedness hovers around Rs 30,000 crore. Over and above, there are counter guarantees and contingent liabilities. If these were called in, the Andhra Pradesh government would be tottering on bankruptcy. Behind the facade of the hype involving India's state for the future, there exists a murky reality. The consequences of Mr Naidu's extravagance will have to be borne by subsequent governments of Andhra Pradesh. This record is not a strong enough ground to ask for largesse from the Centre. Mr Naidu's position of clout *vis-à-vis* Mr Vajpayee's government has allowed him to find a way to bypass the finance commission's recommendations and to secure resources for Andhra Pradesh. This might win populist plaudits for both Mr Vajpayee and Mr Naidu, but fiscal indiscipline is the path for long-term economic ruin. Mr Vajpayee's decision to reward Mr Naidu's fiscal profligacy will send wrong signals all around.

THE TELEGRAPH

23 AUG 2000



## States perpetuating poverty should be penalised: Naidu

The Times of India News Service

HYDERABAD: Chief minister Chandrababu Naidu said here on Tuesday that the Centre should convene an Inter-State Council meeting to discuss the Eleventh Finance Commission's recommendations, whose final report is expected in ten days.

Speaking after his return from Delhi, where he and six other chief ministers met on Monday to discuss the impact of the EFC recommendations on their respective states, Mr Naidu cited the practice of convening the council on important issues, and said the EFC prescriptions were a fit case for such a debate.

"The EFC has badly hit performing states and it is the responsibility of the Centre to correct the anomalies," Mr Naidu said. He added that he would meet other chief ministers again when the final report of the EFC is released.

Among the suggestions made by Mr Naidu was that a special development fund be created to help the 'performing states.' Asked

what resources the Centre could tap for such a fund, Mr Naidu said that unlike states, the Centre has more "flexibility." For instance, the Centre could allocate funds coming to it from the disinvestment in public sector units, he said.

The CM also reiterated that just as 1971 was the base year for population, a cut-off date should be fixed beyond which continuing poverty in a state should not be rewarded with a higher allocation, as has been done by the EFC. "Fix a date and after that penalise states perpetuating poverty," he said, adding that this base year should be arrived at by consensus among the chief ministers and the Centre.

He pointed out that Bihar was mineral-rich, West Bengal "intellectually" rich— "What West Bengal thinks today, India thinks tomorrow"—and Uttar Pradesh "has given the maximum number of prime ministers to the country."

Mr Naidu also called for a debate at different levels—policy-making, intellectual and individual—on good governance.

THE TIMES OF INDIA

23 AUG 2000

# No inter-state meet on finance panel suggestions: PM

Our Political Bureau  
NEW DELHI 22 AUGUST

**P**RIME MINISTER Atal Behari Vajpayee, on Tuesday, said the inter-state council would not discuss the recommendations of the Eleventh Finance Commission as had been demanded by Andhra Pradesh chief minister N. Chandrababu Naidu.

"There is no immediate programme to do this," Mr Vajpayee told reporters here.

However, Mr Naidu maintained that the inter-state council would be summoned in September to discuss the "adverse impact" of the Finance Commission's recommendations. The Centre had earlier agreed to this, Mr Naidu said.

Mr Naidu had convened a meeting of chief minister on Monday to discuss the alleged

bias in the recommendations of the Eleventh Finance Commission against states which have maintained fiscal discipline. The chief ministers had submitted a memorandum to the Prime Minister suggesting changes in the Finance Commission's proposals and demanding the convening of the inter-state council.

By ruling out a meeting of the inter-state council, Mr Vajpayee has scuttled attempts by Mr Naidu to give a political hue to this issue. The Prime Minister had stated his position on Friday when he told Mr Naidu to route his grievances to the Commission for consideration in the panel's supplementary report.

On Monday, finance minister Yashwant Sinha reiterated Mr Vajpayee's position when he



Chief ministers of performing states, headed by Chandrababu Naidu, with Prime Minister Vajpayee (third from right) in New Delhi on Monday.

told the chief ministers that their demands could only be taken up by the Commission. The chief ministers were derailed when just five chief

only able to extract an assurance from the finance minister that the Commission would give a "sympathetic" consideration to their demands.

The Telugu Desam, however, expects the setting up of a special corpus to benefit the "reform-oriented" states.

Political analysts believe that Mr Naidu's attempts to drum up support against the Centre got

ministers, instead of the expected 17, attended Monday's meeting.

The BJP successfully managed to keep away its chief ministers, Keshubhai Patel of Gujarat and Prem Kumar Dhurnal of Himachal Pradesh, from the meeting.

The Congress, however, failed to take a unified stand. While Maharashtra chief minister Vilasrao Deshmukh sent his deputy Chagan Bhujbal, his Karnataka counterpart did not even send the state forest minister as promised.

The TDP regime in Andhra Pradesh is labouring under severe financial pressure, having resorted to loans from IMF and other financial institutions on the road to reforms with inadequately proportionate private investment inflow.

HO-13  
24/8

# CPI demands fresh look at Centre-State fiscal ties

By Our Special Correspondent

**NEW DELHI, AUG. 23.** The CPI today demanded that the issues thrown up by the Eleventh Finance Commission's recommendations be discussed by the Inter-State Council and the National Development Council. Describing them as "retrograde," it called for a fresh look at the Centre-State financial relations.

The party's National Executive, which discussed the controversy in the context of the "developed" States' strong reaction to the recommendations, was of the view that there was a pressing need for greater devolution of financial powers to the States.

Briefing presspersons here, the CPI general secretary, Mr. A.B. Bardhan, however emphasised that his party did not see it as a controversy between the "developed" and the backward States. "We regret the attempt to pose the issue as one between developed and backward States or between performing and non-performing States", he said.

He was alluding to the conference of Chief Ministers of "developed" States called by the Andhra Pradesh Chief Minister, Mr. Chandrababu Naidu, here on Monday to protest higher allocation to the "backward" States compared to what the "performing" States were given.

Their argument was that this amounted to "rewarding" non-performance and encouraging the lazier States to develop a vested interest in remaining "backward".

The CPI did not agree with this view and Mr. Bard-

han said basically it was a question of drastically raising the share of the States in the revenue receipts of the Centre. His party, he said, had been demanding a review of the present arrangement for a long time.

He was extremely critical of the MOUs signed between the Centre and State Governments saying these were "disastrous". "These MOUs impose limits on the development and expansion of the social infrastructure and are clearly aimed at keeping the States backward", he charged.

The three-day National Executive attacked the Vajpayee Government's economic agenda and said that "in the name of globalisation," the Government was handing over the economy to the foreign multinationals. The "second generation reforms", it said, boiled down to "disinvestment and privatisation at breakneck speed in all sectors". The executive questioned the view that the process of globalisation was "irreversible".

The executive also criticised attempts to push the Hindutva agenda and said some of the BJP's allies were "wittingly or unwittingly helping it to push ahead with its agenda".

Replying to questions, Mr. Bardhan dismissed the Trinamool Congress leader, Ms. Mamata Banerjee's charge that the Left Front had unleashed violence in West Bengal. The boot, he said, was on the other leg. "It is her party which is perpetrating violence. How is it that there was no violence till her party came on the scene?" he asked.

THE HINDU

24 AUG 2000

# Declare violence-hit areas in W Bengal disturbed, says NDA

EXPRESS NEWS SERVICE  
NEW DELHI, AUG 27

THE National Democratic Alliance (NDA) fact-finding team, which visited West Bengal earlier this month, has recommended that selected areas in the state be declared disturbed and the Central forces be deployed in those areas, much to chagrin of the Left Front, which labeled the report as "tailor-made".

The NDA team which visited the troubled areas in Midnapore that saw a spate of rural violence in recent months, said in the rather provocative report — which has already sparked off a controversy — that the West Bengal Government has "failed miserably to provide security to the people of the affected areas".

Headed by TDP MP Venugopal, the NDA team has urged the Centre to act upon the report on a priority basis as citing the failure of law and order, which they said "will worsen if immediate action is not taken".

The NDA report further said

that "the democratic forces in the state are under threat" just as "the development in the state has come to a grinding halt".

"We have been forced to conclude that in four or five districts the administration is not being run in accordance with the provisions of democratic set-up. It is important that the Central Government takes cognizance of the situation," the report said.

Sharply reacting to the adverse report, leader of CPI(M) in Lok Sabha Somnath Chatterjee said: "It is a tailor-made report which is politically motivated to destabilise the state government."

Questioning the credibility of the team members, Chatterjee said that the team included a member from Trinamool Congress — which is party to the trouble in the concerned areas. "How can they make sweeping recommendations after visiting one area for just two hours. It is imagination, not fact-finding," he declared.

Chatterjee, whose own constituency (Nannur in Bolpur) has

CONTINUED ON PAGE 2

## NDA demand for W Bengal

been affected in the recent spate of violence, said: "While recommending the incidents of violence, we have to take note of the fact that it is synchronised with the emergence of Trinamool Congress."

**PTI ADDS:** The report says that the "long span of the CPI(M) misrule had convinced the people of Midnapore and other places that they cannot expect justice from those who are otherwise considered to be the guarantor as well as the protector of the down-trodden".

"The team is shocked to note that the so-called protectors of the down-trodden and guardians of

democracy are, in fact, harassing and suppressing the poor just because they are politically not in agreement with the power in West Bengal," it added.

Chief whip of the Trinamool Congress in the Lok Sabha and a member of the fact-finding team Sudip Bandopadhyay said here that he had requested Fernandes to take up the report in the next meeting of the National Democratic Alliance.

Bandopadhyay, who had earlier met Union Home Minister L K Advani, said that the issue of law and order situation in the state was likely to figure in the national council meeting of the BJP.

INDIAN EXPRESS

28 AUG 2000

# Assam Cong unhappy with proposals

Guwahati, August 26

THE ASSAM Pradesh Congress Committee has expressed disappointment over the recommendations of the Eleventh Finance Commission.

Addressing a press conference here today, Congress spokesman Pradyut Bordoloi said though the Assam Government was saying that the EFC would recommend a moratorium on repayment of Assam's huge debt burden that included security related expenditure.

"It now transpires that the Central Government has not only been reimbursing major security expenditure, Assam's case for moratorium has been shot down because of improper and to a large extent its inability to utilise huge quantum of central plan assistance over the years.

holds the finance portfolio failed to project Assam's case in right perspective," he said.

Regarding the controversy surrounding excise exemption on the tobacco units, the APCC spokesman said it had been observed that the Central Government scheme had been cheated by a number of tobacco based industrial houses which had set up some cigarette packaging units in connivance with the

## 11th Finance Commission

Assam Industries Department with the sole motive to pocket the

refund of huge central excise without passing on any tangible benefit to the State.

The APCC had also expressed concern over the fall of production of green leaves which had affected 25,000 small tea cultivators mainly in upper Assam.

The APCC had demanded immediate intervention of Assam Government to bail out the small tea cultivators.

(UNI)

THE HINDUSTAN TIMES

27 AUG 2000

# Why do we need a Finance Commission?

IN ANY country, with a federal system of government, there is a division of both functions and responsibilities between the federal or central government and the states. In India this division is spelt out in the Constitution. Consequently, we have what is known as a central list, a state list and, in the case of a few items where there is some unavoidable overlap, the concurrent list.

Once a government is charged with specific responsibilities, it must have access to resources if it is to discharge these properly. Consequently, sharing of resources based on a Constitutional division of functions and responsibilities is a critical element in a federal system.

The need for sharing arises because there is always a mismatch between the responsibilities of the federating units and their ability to raise resources. Moreover, from the point of view of both equity as well as administrative efficiency, there are certain kinds of taxes that are best raised at the central or federal level. Income tax, for example, is a tax that is typically levied at the central level because otherwise it becomes far too cumbersome to administer.

Transfer of resources from the Centre to the federating units is, therefore, a common phenomenon in all federal countries. India is no

exception. The only difference is that unlike in many other countries, our Constitution — under Article 280 — specifically provides for the setting up of a Finance Commission every five years. The first Finance Commission was set up in 1951. Since then, we have had eleven Finance Commissions, the Eleventh Finance Commission having just submitted its report (though it is yet to submit its recommendations on one last aspect referred to in May this year).

**What does the Finance Commission do?**  
As explained above, the basic function of the Finance Commission is to make recommendations to the President (the chairman and members of the Commission are appointed by the President on the advice of the government) regarding sharing of taxes and the principles regarding grants-in-aid. The need for grants-in-aid arises because even after tax devolution, there are some states that continue to have a revenue deficit.

In addition, the President, at his discretion, may refer any other matter to the Commission in public interest. In a departure from the past, the Eleventh Finance Commission, for instance, was asked to review the finances of the Centre and the states and suggest ways to



restructure public finances and restore macro economic stability. In a last minute addition to its terms of reference, in May this year, it was also asked to draw up a monitorable fiscal reforms programme aimed at reducing the revenue deficits of states.

**How do finance commissions go about their business? What do the terms vertical and horizontal balance, mean?**

The traditional approach of the Commissions is to forecast the growth of non-plan revenues and expenditure over the five-year period covered by its recommendations and then tailor these to bring about some kind of balance, both between the Centre and states and as between the different states.

Vertical balance refers to the balance between resources and responsibilities between Centre and states. The idea is that the

Centre should have enough resources to discharge its responsibilities, while the states, in turn, should have enough to discharge their's. And now, after the 73rd and 74th amendment to the Constitution (Panchayati Raj) so should local governments.

Horizontal balance refers to the balance between states. While economic efficiency is the main criterion in deciding the assignment of taxes to the different levels of government or vertical balance, equity is the main consideration while deciding the sharing pattern among the different states.

**Why has the Eleventh Finance Commission's report become so controversial?**

The Eleventh Finance Commission report has come in for flak, primarily from a number of richer states, mainly because their relative shares in the shareable tax kitty have come down. This has happened because the Eleventh Finance Commission has altered the weights given to different criteria in the devolution formula, used to determine the inter-se pattern of distribution of resources between states. The Eleventh Finance Commission has used six criteria: population, income, area, availability of infrastructure, tax effort and fiscal discipline. In contrast, the Tenth Finance

Commission only had the first five. Fiscal discipline has been introduced for the first time by the Eleventh Finance Commission. At the same time, the weightage given to each of these criteria has also been altered.

For instance, the weightage given to poverty or income has gone up from 60 per cent in the devolution formula used by the Tenth Finance Commission report to 62 per cent in the Eleventh Finance Commission.

The net result of this reshuffling of weights has been to reduce the relative share of the richer states in the tax kitty vis-à-vis their share as per the Tenth Finance Commission report; even though in absolute terms all states, including the disaffected ones, will be getting more than what they did under the Tenth Finance Commission. The richer states are, therefore, up in arms. Their grouse is that instead of being rewarded for their fiscal prudence, they have been punished by the Eleventh Finance Commission. The group of eight chief ministers, led by Andhra Pradesh chief minister Chandrababu Naidu has called for the creation of a Special Fund by the Centre to compensate them for the adverse impact of the Eleventh Finance Commission report.

# The quagmire after the EFC report

The report of the Eleventh Finance Commission (henceforth EFC) has been duly accepted. The task entrusted to the EFC was indeed stupendous. It had the responsibility of charting out the evolution, over the next five years, of the fiscal relationship between various levels of government: from the central government to the governments of states and union territories and even lower levels of government. This involves both anticipating as well as guiding this evolution. The EFC would have to make estimates of revenues and expenditures under various heads for various levels of government. At the same time, many of these revenues and expenditures would be contingent on the actions of the EFC itself. A state government's revenue, for example, would depend on the recommendations of the EFC regarding the sharing of central revenues.

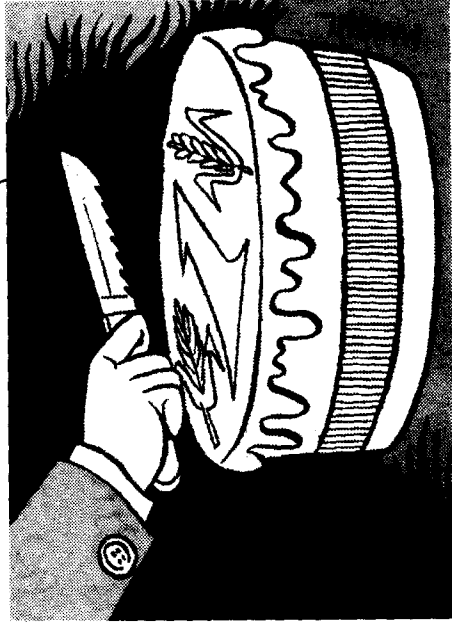
The report is to be lauded for the clear articulation of (i) its tasks and (ii) the methodological approach adopted for achieving its objectives. Given the complexity of the tasks of the EFC, I comment only on some salient aspects.

First, consider some assumptions underlying the report. The EFC visualises the annual rate of growth of real GDP to be 7 to 7.5 per cent over the five years and the combined fiscal deficit of the central and state governments to be no more than 6.5 per cent of GDP. The revenue deficit at 1 per cent of GDP is expected to all but disappear. These assumptions are overly optimistic, to say the least. At no time in the post reforms period, according to data published in the EFC report

itself, has the fiscal deficit of state governments fallen below 2.35 per cent of GDP and that of the central government below 4.9 per cent of GDP. Much has been written about the state governments' deficit going up sharply after they adopted the report of the Fifth Pay Commission. However, this view is at best a half-truth: the finances of state governments were in trouble before they adopted the report of the Fifth Pay Commission. Expecting the economy to grow at 7 per cent or higher is, again, overly optimistic. The EFC makes the remark that it would like to judge the revenue possibilities in terms of what is possible. However, given the experience with the assumptions about state governments' fiscal deficit made by the Tenth Finance Commission, the EFC should have been more circumspect. To be fair to it, the EFC does harp on the theme of fiscal adjustment to make its growth and deficit projections feasible. But it should have paid more attention to the implications of the scenario in which its sanguine picture does not fructify.

Second, we have the contentious issue of the devolution formula for central tax revenues. The EFC has broadly adopted a two pronged strategy. On the one hand, it has

EFC would have served a noble cause had it factored in the effectiveness of public expenditure in the devolution formula, says Raghendra Jha



efficient for state governments to administer programmes of public expenditure. So far as the 'efficiency' element is concerned, it is inappropriate to argue in terms of some kind of source principle for devolution of central revenue proceeds whereby a state government's share in central revenues would be determined by the proportion of central revenues originating within the geographical boundaries of the state. A state's economic prosperity depends also on economic activity in other states. The whole is, indeed, greater than the sum of the parts. However, if the devolution formula is overly concerned with equity, there will be problems of moral hazard. States that are lagging behind in terms of effort to develop may get more funds from the Centre and, therefore, have an incentive to stay laggard. This is an important part of the message of the 'new public economics', pioneered by the 1996 Nobel laureates James Mirrlees and William Vickrey, carried over to a fiscal federalism framework. Empirical evidence of this sort exists for the Indian case in that it has been shown that the larger the share of central transfers in state government expenditures, the lower their tax effort.

increased the share of central revenues that will be shared with the states. Second, it has been conservative in its interpretation of the devolution formula and opted for (the traditionally) large weights on equity factors like 'distance' and small weights for fiscal efficiency parameters. Several comments are in order here. Persisting with sharing the proceeds from almost all central revenues is welcome. This is in line with recent arguments that if the proceeds of some central taxes were not shared with state governments, the central government would be overly zealous in the administration of these taxes and lax in the administration of those taxes, proceeds from which were to be shared with the state governments. Second, the fact that a larger portion of central revenues will be shared is welcome since it is more

This brings me to my third point. There is a tendency to identify the tax effort of a state government with its tax to State Domestic Product (SDP) ratio. This is clearly misleading, since a state with a high SDP will necessarily have higher tax revenue since SDP forms the base of taxes. If the elasticity of tax revenue with respect to SDP is large enough, the tax/SDP ratio will also rise. Pure tax effort should be measured after netting out the contribution of this base. Once this is done, it may not entirely be the case that the poorer states will show lower tax effort. Thus there need not necessarily exist a conflict as sharp between the efficiency and equity objectives as is being made out to be.

Finally, I find it distressing that eleven finance commissions have come and gone without making any effort to formalise the notion of effectiveness of public expenditure. In the popular perception, a considerable amount of public expenditure (capital or revenue) by both central and state governments is unproductive. This suspicion may not be entirely unfounded. If the Finance Commission could have articulated a notion of effectiveness of public expenditure and used it in the devolution formula, it would have served a noble cause. The EFC had an unenviable task. It has done well in many regards but has not broken new ground. At the moment the EFC report reads like one more chapter (not very different in essence from recent earlier chapters) in the history of finance commissions in India.

(The author is Senior Professor, IGIDR, Mumbai)

# Badal joins chorus for autonomy, demands decentralisation of powers

HT Correspondent  
New Delhi, August 28

*Centre quote*

ECHOING HIS Jammu and Kashmir counterpart's views on greater autonomy, Punjab Chief Minister Prakash Singh Badal today formally moved the Constitution Review Commission, demanding complete decentralisation of powers with Centre remaining incharge of Defence, Foreign Affairs, Finance (read currency) and general communications.

In a memorandum submitted on behalf of the Shiromani Akali Dal (SAD), Mr Badal demanded that States be granted full autonomy through transfer of all functions. Reiterating his party's commitment to making India a strong federal entity, he said barring the four key areas which needed Centre's involvement, the States should be fully empowered to formulate their own policies and laws in other spheres of administration.

Significantly, the SAD memorandum has also demanded that the preamble to the Constitution be rewritten to accord it a true republican and federal character with focus on complete decentralisation of the planning process. Seeking abrogation of Article 356, it has suggested attaching a national minority

schedule to the Constitution.

On the question of "Sikh identity," it has expressed serious concern over the existing Constitutional provision (Article 25, explanation II) which has clubbed them with the Hindus, Jains and the Buddhists. Demanding deletion of the word 'Sikh' from this clause, the memorandum argued that this provision has affected their sovereign doctrinal identity, which is different from the Hindus.

The memorandum is based on the SAD's 'policy and programme' draft prepared at Anandpur Sahib, which was later adopted in a resolution form at the All India Akali conference at Ludhiana on October 29. It decried as "out-dated," the political model which sought to equate the country's unity with a unitary system of governance.

Terming the unitary system a "political myth", the SAD document stated: "Apart from making the States subservient to the Centre, it has weakened them politically, economically, socially and culturally.

The pace of socio-economic development of States has slowed down as the unitary system has deprived them of their rightful share in financial resources which have been monopolised by the Centre".

*Mr 20 29/8*

Coming down heavily on the present planning process, the document said the States have been reduced to a "mendicant status" with no room for any agility or flexibility for socio-economic upliftment. The over-centralised planning process--- flowing out of the unitary system of governance--- left little scope for the States to pursue their own planning priorities.

Describing Article 356 as a "draconian measure" which was "anathema" to the vibrant federal democratic structure, the SAD argued that this Constitutional provision has caused more harm to the cause of emotional integration of the people to the national mainstream. It also sought a fresh look at the role of Governors and the mode of their appointments--- Not only should the appointments be made in consultation with Chief Ministers but the Governor's working should be made transparent through Constitutional safeguards.

Demanding a recast of the subjects covered by the concurrent and the State lists, the SAD said the States be vested with residuary powers. Similarly, on the deployment of central forces in States, the party has demanded an amendment to Article 355, which deals with the duty of the Union to protect the States against internal disturbances.

THE HINDUSTAN TIMES

29 AUG 2000



# George rejects imposition of Article 356 in Bengal

Agartala, August 30

**D**EFENCE MINISTER George Fernandes today ruled out imposition of President's Rule in West Bengal, as demanded by the Trinamool Congress, one of the NDA allies.

"We could not impose Article 356 in Bihar. The question of imposition of the same does not arise in West Bengal," Mr Fernandes, who is also the convener of the NDA, told reporters in Agartala.

He was replying to questions on repeated demands of Mamata Banerjee-led Trinamool Congress for imposition of President's Rule

in the State in the wake of violence in various districts. Many people have been killed in violent clashes between Trinamool-BJP and CPI-M in the State in the last few months.

Answering queries on insurgency, the Defence

## Defence sector may get pvt investment

THE CENTRE working out guidelines and modalities for attracting private sector investment, including the foreign direct investment (FDI), into defence production sector, Defence Minister George Fernandes said on Wednesday. On private flow of capital to defence sector, Mr Fernandes said his ministry wanted to set up a task force to identify the possible areas and frame guidelines and modalities for private investment into it (defence sector).

PTI, Kohima

Minister said India will take up the issue with Bangladesh.

"On several occasions earlier we took up the matter with Bangladesh that the insurgents of north eastern region were using their territory and we will take up the issue again." Mr Fernandes, who is on a short visit to Tripura, said.

The minister said altogether 2,000 militants of United Liberation Front of Assam (ULFA) have surrendered and talks were on with National Socialist Council of Nagaland (NSCN-IM). He expressed the hope that more insurgents would lay down arms to join mainstream

in future.

Mr Fernandes said the Border Roads Organisation would soon construct barbed wire fencing along the Indo-Bangla border in Tripura to check infiltration into the State.

(PTI)

THE HINDUSTAN TIMES

3 AUG 2000

# Another divide

By C. Rammanohar Reddy

*The sharp accentuation of economic inequalities among the States during the 1990s is morally unacceptable and if not collectively addressed can further weaken the nation's fabric.*

SO MUCH has been written about the growth rate of the Indian economy in the 1990s, yet other than sweeping generalisations so little of substance has been said about how and why the States have performed in the years since liberalisation. This is more than surprising since most of the bigger States have populations larger than most countries. But this oversight is now being addressed with the completion of a growing number of studies of the economic performance of individual States. Unfortunately, the story that they tell is not a particularly positive one. The Indian economy may have improved its performance in the 1990s but this has been accompanied by the emergence of yet another divide in the country. A division between some States which are growing very rapidly and others where the pace of economic expansion has fallen off sharply.

One thing all studies of inter-regional economic growth are agreed on is that over the past three decades the disparities among the States have not been narrowing. Moreover, the distances in income among them have substantially increased in the 1990s. The magnitude of these divergences has been most clearly brought out in a paper by Mr. Montek Singh Ahluwalia, Member of the Planning Commission, ("Economic Performance of States in Post-Reforms Period," *Economic and Political Weekly*, May 6, 2000). First, during the 1980s the fastest growing State (Rajasthan) saw its State domestic product (SDP) expand at twice the pace of growth in the poorest performer (Kerala). But in the 1990s (1991/92 to 1997/98) the ratio of the highest (Gujarat) to the lowest (Bihar) growth rate increased to 3.5:1. Second, when measured in terms of the growth in per capita SDP the disparity during the 1990s was as much as 7:1. Third, of 14 major States studied the best performers during the 1990s in SDP growth were Gujarat, Maharashtra, West Bengal, Rajasthan, Tamil Nadu and Madhya Pradesh while the worst performing States were Bihar, Orissa and Uttar Pradesh. Maharashtra and Gujarat clocked rates of SDP growth that approached those of the miracle economies of East Asia — 8 per cent and more. (The States not covered in the analysis were all those in the Northeast, the former Union terri-

tories of Delhi and Goa and the two northernmost States, Himachal Pradesh and Jammu and Kashmir.) Fourth, contrary to popular perception, during the 1990s both Andhra Pradesh and Karnataka experienced an annual pace of growth that was marginally lower than the all-State average. Fifth, the two States which showed the most improvement, doubling their growth rates in per capita terms during the 1990s, were — again quite surprisingly — West Bengal and Kerala.

There are few common trends in the growth experience of the rapidly growing States. The Ahluwalia study itself makes three interesting observations. Again contrary to popular perception, only one Southern State (Tamil Nadu) figures in the league of the top performers. Low levels of human development too do not seem to have held the economic expansion of Rajasthan and Madhya Pradesh, two of the top six performers during the 1990s. Unlike another common belief, not all coastal States have done well (Orissa is the best example of a coastal State growing slowly). To these observations one can add that it is also not the case that only the States that were most aggressive in wooing foreign investment experienced rapid growth — if it were so West Bengal and Madhya Pradesh would not have been in the league of high performers. About the only common perception that is borne out by facts is that Bihar, Uttar Pradesh and Orissa grew very slowly in the past decade, recording annual SDP growth rates between 2.6 and 3.6 per cent.

One other aspect of the economic performance of the States that should be mentioned is their fiscal management. In the Reserve Bank's recent survey of State finances, one piece of analysis shows that the Governments of the rich and poor States, the performers and the laggards almost all have one thing in common: during the 1990s their public debt grew faster than their revenue receipts. Another anal-

ysis, this one from the report of the Eleventh Finance Commission, indicates that according to one measure a motley group of States (Bihar, Karnataka, Kerala, Punjab and Tamil Nadu) improved its fiscal performance between the 1980s and the 1990s. All the others (Maharashtra and Gujarat sitting side by side with Orissa and Uttar Pradesh) showed a deterioration in fiscal management. Clearly, few of the States which grew rapidly in the previous decade can wear a crown of fiscal prudence.

What then accounts for the fact that some States are doing relatively well for themselves while the others are falling by the way side? Poor Government administration has obviously contributed to the deceleration in growth in the triumvirate of Bihar, Uttar Pradesh and Orissa. The Ahluwalia study also suggests that while

Plan expenditure declined in the 1990s in all States, those that offered a favourable climate for private investment (Gujarat, Maharashtra and Tamil Nadu) saw an acceleration in growth. That may be so, but it does not explain the reasons for the dramatic growth of Kerala in the 1990s (now with the highest per capita income in the South, which incidentally is not the same as the much higher per capita consumption that is boosted by remittances from expatriate Keralites) and the equally impressive expansion of the West Bengal economy. Nor does it say why growth in Andhra Pradesh and Karnataka did not accelerate.

A different argument offered in another study is that those States which began with better economic and social infrastructure were able to take advantage of liberalisation, though the problem with this argument is it does not explain why Punjab and Haryana — the richest States at the beginning of the previous decade — expanded at less than the national average during the 1990s ("Widening Regional Disparities in India," N. J. Kurian, *Eco-*

*nomic and Political Weekly*, February 12, 2000). Another argument that is offered by Mr. Kurien is that while Central planning may not have reduced regional disparities, deregulation, the greater play to the private sector and the cutbacks in Central investment after 1991 have led to a sharp widening of regional disparities in less than a decade. Central and public sector investment in the backward areas earlier helped contain inter-regional income differences. But with the decline of such investment the poorer States are falling further and further behind.

We still do not have a comprehensive explanation for why the achievers of the 1990s were able to race ahead of the under-achievers. But, as Mr. Ahluwalia points out, unless the growth rate of the SDP of the large States of Bihar, Uttar Pradesh and Orissa doubles it will be impossible to accelerate the national economic growth rate from 6.5 per cent to 7.5 per cent a year. But it is not just a question of getting the arithmetic of regional and national economic growth right. These three States are home to nearly a third of all Indians and contain the largest number of poor in the country. Unless the plight of these people changes for the better India will remain a backward and poor country — whatever may happen in the centres of software excellence in the rest of India.

The sharp accentuation of economic inequalities among the States during the 1990s is morally unacceptable and if not collectively addressed can further weaken the fabric of the nation. It is therefore disturbing that some States are organising a campaign against the recommendations of the Eleventh Finance Commission which has channelled a relatively larger amount of Central funds to the poorer States. More money is not by itself a solution to the problems of backwardness and violence that afflict the poorer States. But an "us versus them" mentality among the States is the last thing that a country already under siege on so many fronts needs. It is not surprising though that Andhra Pradesh, Maharashtra, Kerala and Tamil Nadu are resentful that they are to receive less than what they perceive is their right. They are the relatively rich States and to add to their economic muscle they exercise significant political power as well. So they naturally demand that their interests must come first.

9-  
C. Reddy, States

V

# Seeking a larger slice of the pie *9-Cent's Plan* How it is decided



The Prime Minister and his top financial advisors with some of the Chief Ministers... the dispute goes on.

discriminated against for better performance.

As one economist put it, "The system of allocating resources amongst States on non-objective criteria should be given up. In today's world, would it be acceptable to States if a court were to say that more Cauvery water should be given to Karnataka just because Tamil Nadu is a richer State or that Andhra Pradesh should get a lower share of resources because roads in Orissa are worse than in Andhra Pradesh? But this is what is actually happening."

More than mere allocation of resources, the States were looking for more comfort from the EFC recommendations. A recent meeting of a group of Chief Ministers, mostly from Opposition-ruled States, had pleaded with the Prime Minister, Mr. Atal Behari Vajpayee, that a host of fiscal issues required a fresh look. For instance, they pointed out that the Central Government as well as all-India financial institutions were charging 12.5 per cent interest on loans availed of by the States whereas interest rates were on the decline till recently. In fact, the States wanted the Centre to review the system of its assistance which currently is in the form of 70 per cent loan and 30 per cent grant and move over to a system of 50 per cent loan and 50 per cent grant. Another small

point that the States wanted was the implementation of the Sarkaria Commission recommendation that the overdraft time limit for States should be extended to 14 working days from the present 10.

The response that the Chief Ministers' received at that meeting with the Prime Minister on June 21 this year was that most of the answers to their complaints would be contained in the EFC report. But no significant succour has come their way.

Despite India's federal structure, the dependence of the States on the Centre for transfer of resources has been an important factor, especially because the major instruments of resource mobilisation are concentrated in the hands of the Centre. The situation has got accentuated in recent years, particularly with the award of the Fifth Pay Commission for Central Government employees which had a devastating effect on State finances as they had to follow suit. Besides, the awareness about following a path of fiscal rectitude has sunk in deep since information flow has made most citizens aware of what is happening in other parts of the country. In such a situation, the pressure on the State Governments to put their economies in shape is enormous. They, in turn, are bound to turn the heat on the Central Government.

*There could be some argument over the finer details of the EFC's formula for inter-State allocations, but it is hard to see any 'penalisation' of reformers, writes*  
**C. RAMMANOHAR REDDY.**

**N**O FINANCE Commission in the past has been criticised as much as the Eleventh Finance Commission for the formula it has used for inter-State allocation of Central Government resources that the States are entitled to. For the first time ever, the squabble is not about the sharing of resources between the Centre and the States but about some States being allocated relatively less than before. Since the statutory tax transfers recommended by the EFC account for 86 per cent of the total it is the method by which an estimated Rs. 376,318 crores will be distributed among the States in 2000-05 that has evoked a controversy.

Both the basic formula used for inter-State distribution of the statutory tax transfers and how it is applied have become more and more complicated as successive commissions keep searching for a way by which the concerns of both (fiscal) efficiency and equity can be met. The EFC too has developed a new formula, but the changes from the past are not so major as to evoke the kind of protests that have come from some States. It is other factors that have been at work to cause large swings in resource allocation. There are six criteria in the EFC's formula, each with a certain weight in the total and each with a certain effect on the magnitude of transfers to each State (see Table).

**Population:** The basic principle that the bigger the State the larger its share should be in tax devolution is obvious enough. In order not to penalise States which have been able to reduce population growth, successive commissions have worked with the 1971 population figures and not the latest data. But the EFC has reduced the weight of population in the allocation formula to its lowest ever. Naturally, the more populous states, including a couple of the poorest, lose out with this reduced weightage.

**Income:** The largest, the most controversial and the one with the most effect on inter-State allocations is the income factor. States with a lower per capita income are allocated more, since their requirements are larger and the resources at their command are less. The formula makes allocations based on how far a State's per capita income is from the richest State. The EFC has marginally increased the weight of this factor

(the highest weight to income — 75 per cent — was given by the Eighth Finance Commission for 1985-90.). But this criterion has perhaps caused the largest swings in inter-State allocation for another reason: because the 1990s have witnessed a sharp widening of the inter-State differences in per capita incomes and the EFC uses the latest data on per capita income in each State. The formula works to channel more resources now than before to the low-income regions. Which is also why the relatively wealthy States have been complaining.

**Area:** A criterion introduced by the TFC and whose weight has been now increased is the area of each State, the logic being that the larger the geographical area relative to population the more the costs of administration. Sparsely populated States naturally stand to gain. A possible shortcoming is that now area has only a slightly smaller weight than population.

**Infrastructure:** Based on an index of economic and social infrastructure that has been constructed by outside experts, those States with a lower level of infrastructure are allocated more. The EFC has increased the weight of this criterion and perhaps rightly so since private investment is unlikely to flow to States with poorly developed infrastructure.

While the above criteria can be seen as meeting the concerns of

equity, weight State rly self-

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"IT WILL be a war between the Centre and the States once the Eleventh Finance Commission (EFC) report becomes public," was the prophetic comment of a senior Government official even as he refused to oblige this correspondent with an advance copy of the report. And this has happened, once the import of the Prof. A. M. Khusro-headed Commission report sank in.

A number of States — particularly the relatively better performing ones — have given notice to the Centre for a fight over the

In the first instance, new ground was broken by the Tenth Finance Commission (TFC) which moved away from the standard practice of sharing only income tax and excise revenue between the Centre and the States and included all shareable resources such as corporation tax, customs duties, etc., with the States. There was ample logic in this new sharing formula. As pointed out by the TFC itself, the earlier formula of sharing 77.5 per cent of the income tax collections with the States meant that if the Central Government intended to raise Rs. 100 crores for itself, it

States plus 1.5 per cent on account of additional excise duties levied in lieu of sales tax. The total, therefore, went up marginally by 0.5 per cent.

More than this point, what has angered the States, and again mostly the relatively better performing ones, is the inter-State sharing formula which has been altered by the EFC. The new weightages have apparently put these States at a disadvantage to the extent that they would now be getting less than what they were entitled to under the TFC award. The "disadvantaged" States perceive that they have been "punished" for their better performance whereas the laggard States continue to be rewarded for their poor performance on all fronts — economic as well as social.

While some economists feel this is "unthinking bargaining" by the States, what would have been better for the EFC was to have determined the share of the individual States on the basis of objective and transparent criteria such as contribution to the national gross domestic product, employment generation, industrial production, fiscal prudence etc.

As for the special problems of poverty and backwardness, one opinion is that these should be treated as national problems and a portion of the resources earmarked separately for tackling these issues on a national footing as is being done in the case of insurgency in some of the border States. But there is some justification in complaining about being

would have to raise an additional Rs. 667 crores as income tax to secure the additional Rs. 100 crores. The TFC, therefore, recommended an alternative devolution formula, providing for 26 per cent of the total shareable resources to be passed on to the States plus another three per cent on account of additional excise duties levied in lieu of sales tax.

The EFC, on its part, did precious little to consider the demands of the States which wanted this total 29 per cent share to be raised at least to 33 per cent and altered the formula marginally to recommend sharing of 28 per cent of the shareable resources with the

**A large number of States have given notice to the Centre for a fight over the Eleventh Finance Commission's recommendations.**  
**ALOK MUKHERJEE looks at their case.**

Commission's recommendations and a conclave of select Chief Ministers' has been scheduled in the capital for Monday.

Now, what is all the fuss about? A simplistic answer, as an economist put it, is that the EFC did what all its predecessors did and failed to break new ground in an era when every Chief Minister is trying hard to improve the resources position and manoeuvre his State into the liberalisation mode. For years now, the basic task for successive Finance Commissions has been to determine the share of resources between the Centre and the States and among the States themselves.

## WHAT THE QUARREL IS ABOUT

State	Projected total transfers from the Centre (Rs. Crores)				Notional gain / loss	
	1995-2000		2000-05			
	Tenth Finance Commission	% Shares	Eleventh Finance Commission	% Shares	If the EFC had followed the TFC norms	
Andhra Pradesh	18,081.54	7.98	31,011.18	7.13	34,696.64	-3,685.46
Arunachal Pradesh	1,768.36	0.78	2,315.18	0.53	3,393.30	-1,078.12
Assam	8,328.05	3.67	13,280.86	3.05	15,990.68	-2,699.82
Bihar	24,655.56	10.88	56,727.90	13.04	47,311.51	9,416.39
Goa	622.25	0.27	821.56	0.19	1,194.03	-372.47
Gujarat	8,875.59	3.92	12,000.22	2.76	17,031.35	-5,031.13
Haryana	2,793.11	1.23	4,205.77	0.97	5,359.69	-1,153.92
Himachal Pradesh	4,761.66	2.10	7,460.43	1.72	9,137.14	-1,676.71
Jammu & Kashmir	7,322.08	3.23	16,428.22	3.78	14,050.33	2,377.89
Karnataka	10,520.83	4.64	19,691.98	4.53	20,188.40	-496.42
Kerala	7,721.81	3.41	12,316.72	2.83	14,817.37	-2,500.65
Madhya Pradesh	16,093.97	7.10	34,998.38	8.05	30,882.69	4,115.69
Maharashtra	13,709.08	6.05	19,387.49	4.46	26,306.33	-6,918.84
Manipur	2,136.62	0.94	3,215.91	0.74	4,099.96	-884.05
Meghalaya	1,888.85	0.83	2,961.41	0.68	3,624.51	-663.10
Mizoram	1,802.01	0.80	2,535.27	0.58	3,457.87	-922.60
Nagaland	2,793.04	1.23	4,449.76	1.02	5,359.56	-909.80
Orissa	9,706.55	4.28	20,754.5	4.77	18,626.88	2,128.62
Punjab	3,589.47	1.58	5,428.53	1.25	6,887.83	-1,459.30
Rajasthan	11,400.67	5.03	23,588.63	5.42	21,877.11	1,711.52
Sikkim	698.89	0.31	1,633.92	0.38	1,341.10	292.82
Tamil Nadu	13,360.57	5.89	21,601.43	4.97	24,637.57	-4,036.14
Tripura	2,873.21	1.27	4,361.04	1.00	5,513.40	-1,152.36
Uttar Pradesh	36,158.91	15.95	78,509.30	18.05	69,385.27	9,124.03
West Bengal	14,980.42	6.61	35,219.85	8.10	28,745.90	6,473.95
Total	22,6643.3	100.00	4,34,905.44	100.00	4,34,905.44	0.00

■ Estimates of gains and losses for 2000-05 computed from data contained in Tenth and Eleventh Finance Commission reports.  
■ Total transfers from the Centre comprise tax devolution, non-Plan grants, upgradation grants and resources for local bodies.

# George's report is full of lies,<sup>in</sup> <sup>of central state</sup> says Jyoti Basu<sup>12/19</sup>

The Times of India News Service  
and Agencies

CALCUTTA: West Bengal chief minister Jyoti Basu on Monday described defence minister George Fernandes' report on the state's law-and-order situation as "full of lies" and dared the Centre to take any action on its basis even as the latter indefinitely postponed his South Africa trip "on the Union home minister's advice".

Reacting to Mr Basu's statement, his bete noire, railway minister and Trinamool Congress chief Mamata Banerjee, termed him as "an egoist behaving arrogantly". "Mr Basu thinks he is a superman, but he should try to be a super human being," she said.

However, another Left basher, the Congress, preferred to keep the NDA government on the tenterhooks by remaining non-committal on the imposition of central rule even as it maintained that the situation in parts of West Bengal was "extremely bad" and no free and fair elections were possible under CPM rule.

Speaking to reporters at Calcutta, the West Bengal chief minister said his government had received Mr Fernandes' report from the Centre and that he would personally reply to it. "I have asked the chief secretary not to reply. I will do so myself on Tuesday," he said.

Challenging the Centre to take any action on the basis of the report, he said, "I have never seen such a thing. Let them do the worst. The people will give the reply." He also added: "Speaking the untruth is their (Fernandes and railway minister and Trinamool Congress chief Mamata Banerjee's) habit, what can I do?"

On Mr Fernandes' remark that West Bengal's law-and-order situation was worse than Bihar's, Mr Basu said "he (Fernandes) is from

Bihar. He is aware of the situation in that state", adding that the state government was also in possession of the CII report describing the state's law-and-order situation as the best in the country.

Meanwhile, Ms Banerjee led a delegation to the state governor Viren J. Shah to demand President's rule. She later told newsmen that "political killings are taking place, industries are being closed down, there is no rule of law".

Asked if she was happy with the stand taken by the Vajpayee government on West Bengal, Ms Banerjee refused to give a direct reply, saying that she had been in the state for quite some time and had not spoken to "them". "They may be doing something. Mr Fernandes had visited the troubled areas. He had seen the situation with his own eyes. I am doing my job," she said.

Remaining non-committal on the imposition of President's rule in West Bengal, Congress spokesman Ajit Jogi and state president Pranab Mukherjee told reporters separately that it was a constitutional act to be performed by the President on the advice of the council of ministers.

"Let the NDA decide and let the government act. Where do we come into the picture? We come into the picture if it (President's rule) is extended beyond two months," Mr Mukherjee said. He dismissed Ms Banerjee's charge that the Congress was "playing safe" on the issue, saying, "There is nothing to play safe or play danger as we have no role to play."

Meanwhile, Mr Fernandes has indefinitely postponed his visit to South Africa. No official reason has been cited, but sources said home minister L.K. Advani had requested Mr Fernandes to postpone his trip during their meeting here on Sunday.

TIMES OF INDIA

SLP 28

## 'Democratic system collapsed in Bengal'

MIDNAPORE, SEPT. 8. The NDA convenor and Defence Minister, Mr. George Fernandes, today alleged democratic system had broken down in West Bengal and charged the ruling Left front with "making a mockery of the democratic apparatus".

9/9  
"Democracy has been reduced to a mockery. The entire democratic apparatus has collapsed," Mr. Fernandes said after returning from his five-hour long drive to the trouble-torn Keshpur, Chandrakona Road and Garbeta areas of Midnapore district.

Mr. Fernandes, however, refused to spell out whether the Centre would consider imposing President's rule on the State saying, "what will happen now I cannot say. Whatever I have seen and heard I will place before the Gov-

ernment and then we will again deliberate on the issue."

The Defence Minister visited the areas at the instruction of the Prime Minister, Mr. Atal Behari Vajpayee, following the Trinamool Congress chief, Ms. Mamata Banerjee's persistent demand for Central intervention alleging breakdown of law and order in the State.

10-15  
He said he would submit his report to the Union Home Minister, Mr. L. K. Advani, in the absence of Mr. Vajpayee who is on a 13-day visit to the U.S., by tomorrow evening.

"I have had a long political in-ings. But scarcely have I undergone as much pain and anguish as I have felt today after getting to know the unbearable sufferings of the people here," Mr. Fernandes, who was accompanied by the Tri-

namool Congress leader, Mr. Sudip Bandyopadhyay, said.

### Not much violence: Basu

At the same time, the West Bengal Chief Minister, Mr. Jyoti Basu, today claimed that "not much violence" was taking place in Midnapore, and said his Government would like all victims to return home.

"Not much violence is taking place in Midnapore and we want victims, irrespective of their political affiliations to return home," he said at the Secretariat. The situation in Midnapore could not be likened to 1970-71 violence "when veteran political leader like Hemanta Basu was murdered, military was called in and the U.S. intervened with money. Compared to those days of turmoil, Midnapore situation now is peaceful," he added. — PTI

THE HINDU

• 9 SEP 2000

HO-1  
14/9

# Fernandes report biased, says Basu

By Vinay Kumar *Centre*

**NEW DELHI, SEPT. 13.** The West Bengal Chief Minister, Mr. Jyoti Basu, has described the George Fernandes report on incidents of violence in the State as "politically motivated and biased", and has termed the Defence Minister's conduct as "unbecoming" of a Union Minister.

In a three-page letter received by the Union Home Ministry here this evening, Mr. Basu deals trenchantly with Mr. Fernandes' "findings". The tone and tenor of Mr. Basu's communication is that whereas the law and order was a State subject, for purely political reasons the Centre was needlessly getting excited about violence on a limited scale.

Pointing out that the incidents of violence were confined to just eight police stations out of the 445 in the State, Mr. Basu notes that 71 persons have been killed and 341 injured in clashes and violence in Midnapore, Burdwan and Hooghly districts during the January-August period.

Of the 71 killed, 28 had affiliations with the CPI(M) and 43 were stated to be supporters of the Trinamool Congress. Similarly, of the 341 injured 175 were workers of the CPI(M) and 166 were Trinamool/BJP supporters.

Referring to the apprehension of Mr. Fernandes about the safety of the Railway Minister and Trina-

mool Congress chief, Ms. Mamata Banerjee, the Chief Minister points out that an adequate police force has been deployed to take care of her security apart from strengthening of her personal security set-up.

Rather sarcastically, Mr. Basu notes that Mr. Fernandes did not find time even to meet either the Chief Minister or the Deputy Chief Minister during his day-long tour of certain segments of a district.

Reiterating that his Government is fully geared and competent to uphold public order in the

**Advani calls on  
President: Page 13  
NDA team's plea: Page 15**

State, Mr. Basu informs Mr. Advani that steps have been taken to tone up the law and order in the affected areas. He says that offenders had been booked by the police and the officers instructed to heighten the vigil on elements who were out to disturb peace.

Referring to the recent advisories sent by the Union Home Ministry, the Chief Minister rejects the Centre's contention that the State Government's replies are unsatisfactory, and another reply can be sent if the Centre would care to be little more specific in its expression of dissatisfaction.

THE HINDU

14 SEP 2000

# Basu trashes George, Advani trashes Basu

FROM OUR SPECIAL  
CORRESPONDENT

*Centre*  
**New Delhi, Sept. 13: The Centre today rubbished Jyoti Basu's letter to home minister L.K. Advani, saying it was not comprehensive enough and does not address some of the questions raised by North Block in its advisories to Writers' Buildings.**

Advani has called a meeting of ministry officials tomorrow to discuss the next move. Indications are that a high-level team could visit West Bengal later this week.

Hours before receiving the much-awaited missive, Advani met President K.R. Narayanan and briefed him on the law and order in Bengal and how the Centre was monitoring the state's handling of political violence.

Following defence minister George Fernandes' report last Friday, Union home secretary Kamal Pande had asked Bengal chief secretary Manish Gupta to immediately despatch an updated and a more detailed statement on clashes between CPM and Trinamul-BJP supporters.

Basu, who had taken the initiative, saying he, and not the chief secretary, will reply to the Centre's queries, debunked Fernandes' report, saying the minister did not "bother to talk to district officials or me or the

deputy chief minister".

Fernandes, who is believed to have told Advani that the political clashes were worse than what he has seen or experienced in Bihar, scoffed at Basu's response.

"There is nothing in the letter and it does not reply to any of my findings contained in the report that I submitted to the home minister," said the defence minister,

premise. It was the Prime Minister who had asked me to go to the state," he said.

The three-page faxed missive, signed by the chief minister, reached the home minister's office around 5.30 pm. Advani read Basu's response "very carefully" and is then believed to have remarked to officials that "there is nothing" in the letter

The officials also wondered how the state could release a demiofficial letter to the media in Calcutta ahead of its reaching the home minister.

Advani will chair a meeting of officials tomorrow where he will discuss despatching a ministry team to the state to review law and order and the functioning of the administration. Indications are that a Central team could visit Bengal as early as Friday or Saturday.


"The composition of the team has to be finalised and a date fixed," an official said. "This time, the team will meet state government officials," he added.

Basu, who had criticised Fernandes for not meeting state officials, drew a sharp reaction from the defence minister. "He is making out a case as if I was intruding into the state," Fernandes said.

"My report was concrete and specific. It was based on seven hours of interaction with people of three affected villages and representations made by local residents. The chief minister has not touched upon, let alone replied, to any of these," he said.

An NDA team which visited the state earlier this month has said in its report that the Delhi should clamp Article 355 on Bengal, under which the Centre can declare some violence-hit areas as "disturbed".

**THE CROSSFIRE**




**Fernandes did not bother to talk to district officials or me or the deputy chief minister.**

**Jyoti Basu**

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**He (Basu) is making out a case as if I was intruding into the state. There is nothing in the letter and it does not reply to any of my findings.**

**George Fernandes**



who is also the convenor of the National Democratic Alliance (NDA).

Fernandes described as "nonsense" Basu's claim that he visited the state because of pressure from Trinamul leader and NDA partner Mamata Banerjee. "There was no threat from her and Basu made his observations on a false

and "most of it has been directed at Fernandes".

A dissatisfied ministry is peeved that none of the points raised in its advisories has been addressed by Basu. "There is no indication in the letter that says that any effort has been made to tone-up the district administration," an official said.

THE TELEGRAPH

14 SEP 2000

# George's report is motivated, <sup>Vas 9/11</sup> Basu tells Advani

The Times of India News Service and Agencies

NEW DELHI: Union home minister L.K. Advani on Wednesday briefed President K.R. Narayanan on the West Bengal situation even as the state chief minister Jyoti Basu wrote to the former, saying that defence minister George Fernandes' report on the law-and-order situation was "biased and politically motivated".

Though official sources said Mr Advani's meeting with the President was a "courtesy call", it is learnt that the home minister informed Mr Narayanan of the clashes between ruling CPM activists and Trinamul Congress members in some parts of the state, notably Midnapur, Hooghly and Bankura.

Later in the evening, the home minister met senior intelligence and home ministry officials to take stock of the situation and to discuss the steps to be taken to curb the ongoing violence.

Mr Advani's meeting with the President assumes significance in the wake of Mr Fernandes' visit to West Bengal last week to assess the law- and-order situation and Mr Advani's statement that all options, including imposition of central rule, were open as the situation was "worse than in Bihar" and the "whole structure of the Constitution is under attack" in the state.

However, the chief minister sought to downplay the importance of Mr Fernandes' report by branding it as "biased and politically motivated". In a letter to the home minister, Mr Basu implied that Mr Fernandes did not do a thorough job. He visited "certain areas of Midnapore district for a few hours .. and reportedly submitted a report to you giving his version of the law-and-order situation .. It is strange that Mr Fernandes did not bother to talk to district officials, nor did he meet me or the deputy chief minister", Mr Basu said. He said "such action on the part of a Union minister is unbecoming and unheard of".

However, Mr Basu admitted that violence was still continuing in some parts of the state and that the Trinamul Congress was at the receiving end. He said the violence, in which 71 people had been killed and 341 injured between January and August, was confined to only eight police station areas. The state has 445 police stations, he added.

Out of those killed, 43 belonged to the Trinamul Congress and BJP and 28 to the CPM. Among the injured, 175 were CPM supporters and 166 were Trinamul Congress and BJP workers. "The Union minister would have done well to visit the villages concerned a year ago when he could have seen the violence unleashed by TMC activists," he said.

The letter also mentioned the steps that had been taken by the state government to prevent further political clashes and to facilitate the return of those who had fled their homes. Mr Basu criticised the home ministry for not being clear on facts.

The chief minister said, "We are also in touch with various eminent persons and institutions and many of them do not share your perception about the alleged deteriorating law- and-order situation". Quoting from a CII report, Mr Basu said the state ranked much ahead of other states in maintenance of law and order. Mr Basu indicated that the real reason behind Mr Fernandes' visit was to prevent railway minister Mamata Banerjee from walking out of the cabinet.

Meanwhile, the BJP on Wednesday asked the West Bengal government to accept an all-party central delegation to assess the situation in the state. BJP spokesman and general secretary M. Venkiah Naidu told newsmen in Chennai: "I ask the CPM government to allow an all-party delegation to West Bengal, if it is not afraid to admit the truth."

THE TIMES OF INDIA



# Advani warns Basu, wants clashes stopped

PRESS TRUST OF INDIA

NEW DELHI, Sept. 15. — In a direct warning to the West Bengal government, the Centre today accused it of failing to "satisfactorily deal" with the political violence, and directed it to take firm steps to control the situation.

Citing six instances among 33 incidents of political violence specifically brought to the notice of the state government, the Union home minister, Mr LK Advani, told Mr Jyoti Basu in a letter. "Our concerns have not been satisfactorily dealt with by your government."

On Mr Basu's remarks that his government was aware of its constitutional responsibilities, Mr Advani said: "This duty has not just to be recognised but also fulfilled effectively and convincingly." He asked the state to take firm steps to check violence and revive public confidence in its effectiveness and neutrality.

This is the fourth advisory sent to the state by the Centre after clashes began between CPI-M and Trinamul workers in Midnapore.

Justifying the report of Mr George Fernandes who visited Midnapore as the Prime Minister's special emissary for an on-the-spot assessment, Mr Advani said it only confirmed what was being reported continuously over a period of time by official agencies.

"The defence minister's report contains specifics of persons interviewed, injuries observed and houses ransacked," he said. The state would have been better served if it had

placed its version before the minister rather than making political insinuations.

"In any case," Mr Advani wrote, "Mr Fernandes has given a factual report and his own assessment of the situation on the ground which you (Mr Basu) are at liberty to dispute or refute. The fact that you have chosen not to do so speaks for itself, and for a justified inference being drawn that his (Mr Fernandes's) is correct," the home minister said, referring to the reply given by Mr Basu on Wednesday.

Mr Advani said he was dismayed that the Centre's main concern about continued political violence had "remained largely unaddressed". And, "if the state administration is taking effective steps to control the violence, there is very little evidence

thereof by way of results".

"The graph of political clashes and related violence has been steadily rising in parts of West Bengal and specially in those districts where the political alliance opposed to the ruling coalition has been gaining ground and has worsted the ruling party in elections," Mr Advani wrote.

He said reports with the home ministry indicated that violence often took the form of large organised armed gangs raiding villages which had conspicuously voted against the ruling party.

The Centre may send a home ministry team, headed by a special secretary, to assess the law and order situation in West Bengal but the decision will be taken only after the Prime Minister returns from the USA, adds SNS. The team will hold talks with officials at Writers' Buildings.

511 16/9  
■ Editorial: Found wanting! page 6

THE STATESMAN

16 SEP 2000

# No need to satisfy Advani: Basu

*Centre Dal*  
**CALCUTTA, SEPT. 18.** The West Bengal Chief Minister, Mr. Jyoti Basu, today said he would reply tomorrow to the Union Home Minister, Mr. L. K. Advani's letter accusing the State Government of failing to "satisfactorily deal" with the political violence, and asserted that it was not his purpose to satisfy Mr. Advani.

Mr. Basu, who had written a letter to the Home Minister earlier, told reporters at the Writer's Buildings, "I have spoken the truth. One may or may not like it. It is not my purpose to satisfy Mr. Advani."

Asked if his letter would be hard-hitting this time, the Chief Minister said he would send the letter tomorrow. "You will get a copy. You will find the difference," he said.

In his letter on Friday, Mr. Advani had asked the State Government to take firm steps to check violence and restore the people's confidence in its effectiveness and neutrality.

Meanwhile, the Chief Minister charged the BJP-led National Democratic Alliance Government of abetting the conspiracy of trying to impose President's rule in the State. "The Trinamool Con-

gress-BJP combine raised the demand for the promulgation of Article 356 knowing that they cannot come to power through elections," he said. Stating that it was "totally impossible" to impose

## President's rule unlikely: PM

**FRANKFURT, SEPT. 18.** Mr. Vajpayee indicated here tonight that he was unlikely to accept the demand for imposition of President's rule in West Bengal.

Asked at a press conference about his reaction to the demand of the Railway Minister and Trinamool Congress leader, Ms. Mamata Banerjee, Mr. Vajpayee said he had been away from India for so many days and, therefore, he would not want to say much till he had full information.

However, normally imposition of President's rule is avoided, the Prime Minister said. — PTI

President's rule in the State, Mr. Basu in an interview to a Malayalam TV channel which was carried by the CPI(M) mouthpiece *Ganashakti* today, said his party would counter if Central rule was imposed. "We have taken all preparations for that."

## Plea to Left parties

Mr. Basu also urged the Left parties to take the lead in developing the "third front" as an alternative to the BJP and the Congress(I) with help of the strong regional parties, particularly those in Uttar Pradesh, Bihar and south India.

He said the alliance forces of the Left parties, especially the Janata Dal had split. The Left parties had the support of some of the former Prime Ministers but none of them had led a party.

"Even if we set aside the communal threat, we cannot overlook the economic policies of the BJP-led Government, which are more dangerous for the people of the country. Therefore there is a great need for strengthening mass-based organisations to save the country," he observed. — PTI, UNI

**Cabinet to take up issue: Page 13**

THE HINDU

19 SEP 2000

# Allies lend voice to Mamata but silent on action

FROM OUR SPECIAL  
CORRESPONDENT

New Delhi, Sept. 23: The National Democratic Alliance today rallied behind Mamata Banerjee in her war against the West Bengal government but stopped short of supporting her demand for President's rule.

The NDA meeting this evening, chaired by Prime Minister A.B. Vajpayee, adopted a resolution accusing the Left Front government of "perpetrating" violence "designed to terrorise the people and break their will in view of the impending elections".

It also asked the Centre to take the steps "necessary" to "prevent the destruction of democratic institutions" in the state.

Chief minister Jyoti Basu reacted angrily to the resolution, saying: "This is against democracy. If the Centre tries to intervene, it would deal a body-blow to parliamentary democracy," adds PTI.

The NDA praised Mamata and the BJP for the "courage" shown in facing the "Marxist violence and providing protection and succour to the tens of thousands of poor people who have fled from their villages and taken shelter in refugee camps".

But while condemning the Jyoti Basu government, the NDA was circumspect about advocating imposition of President's rule or the Disturbed Areas Act.

Asked if the NDA favoured the use of Article 356 or 355, coalition convener George Fernandes said: "She (Mamata) has all along been asking for the Disturbed Areas Act and so she was bound to bring it up in this meeting as well."

But he would not reveal if other allies had supported the demand. "The conclusion of the meeting is contained in the resolution which was adopted unanimously. Whatever steps have to be taken has been left to the Centre, but she

(Mamata) is also aware of the problems involved," he said.

Fernandes' response indicated that the NDA was not ready to burn its fingers by opting for Central rule, as it had done twice in Bihar. It did not appear willing to invoke the Disturbed Areas Act either because for the law to become operative, the state government's consent is necessary.

However, Mamata managed to score a point by lining up even the so-called votaries of federalism, including DMK, MDMK and Shiv Sena, behind her. This is the first time that a Central coalition has adopted a resolution indicting a state government in such severe language. Even at the height of the battle against Laloo Yadav and Rabri Devi, the NDA had not recorded its criticism in a resolution.

During Vajpayee's last term, when Jayalalitha had sought the ouster of the DMK government, the demand was not taken up by the ruling coalition.

BJP chief Bangaru Laxman, who toured Midnapore today, supported the demand for Central rule. But he made it clear that the party would take a decision on the issue only after consulting its allies. (Details on Page 6)

A key NDA constituent, the DMK, has spoken out against using Article 356 in Bengal. The Telugu Desam is also on record against the move. Though invited to today's meet, the Desam stayed away.

L.K. Advani detailed the letters he had exchanged with the chief minister and referred to the "intemperate" language Basu allegedly used. Fernandes quoted Advani as saying that "no purpose would be served in such type of communication".

The resolution said the victims of the CPM's "depredation" were mostly minorities, Dalits, tribals and women and that the administration was a "silent spectator", if not an "active colluder".

THE TELEGRAPH

21 SEP 2000

# Left warns Centre against 'plot'

STATESMAN NEWS SERVICE

NEW DELHI, Sept. 26. — The Left Front today vowed to foil the Centre's attempts to dismiss the West Bengal government. It warned the Centre "not to cross the *Lakshman rekha*".

The LF today held a national convention here to mobilise public opinion against the "attack" on the Jyoti Basu government. Leaders of all the major LF partners accused the Centre of plotting "a deep-rooted conspiracy" to topple the "pro-poor, pro-workers government". The Vajpayee government has set on this course only to placate Miss Mamata Banerjee who has "political motives" behind her demand for President's rule, they said.

The CPI-M general secretary,

Mr Harkishan Singh Surjeet, said: "The attack on the Jyoti Basu government is, in fact, an attempt to finish off the Left movement in the country." The Left parties are consistently protesting against the Centre's "anti-poor and pro-rich economic policies". By toppling the 24-year-old LF government, the Centre hopes to silence the voices of dissent, he said.

"But the Leftists have always emerged stronger when faced with such challenges in the past, and we shall defeat this attempt too," Mr Surjeet said. He blamed the "pro-Trinamul" landlords for the recent violence in the state. "These landlords are trying to drive out the poor from their land."

The CPI general secretary, Mr AB Bardhan, said the NDA

government's attempts have raised fresh questions on the Centre-state relation and the use of Article 356. He chided the defence minister, Mr George Fernandes, for his fact-finding mission to the violence hit areas. "Mr Fernandes is like the Sanjay of the Mahabharata. By visiting just three villages, he claimed to have seen the whole state and concluded that the law and order situation there is worse than Bihar. It's ridiculous."

He said if Mr LK Advani was "truly concerned" about the law and order in the states, he should take some steps in the BJP-ruled Uttar Pradesh, instead of wasting time in West Bengal. The CPI leader pooh-poohed Miss Banerjee for her claims "about capturing the

Writers' Buildings" and challenged her to "face the LF in the coming Assembly polls."

Mr Bardhan wondered how could the DMK and TDP ministers at the Centre remain "mute spectators to the anti-LF government game-plan" despite their stand against the misuse of Article 356. He urged the Centre to stop politicking and help the state government in its efforts to rehabilitate the flood-hit people.

The RSP leader, Mr Abani Roy, and the Forward Bloc chief, Mr Debabrata Biswas, called upon the secular and progressive people to rally around the Basu government at this crucial hour.

The convention asked the Centre to send sufficient flood relief to the state.

27 SEP 2000

# Centre against hasty action on Bengal chapter

Our Political Bureau

NEW DELHI 26 SEPTEMBER

**D**ESPITE WHOLESOME backing from the non-Congress and non-Left political positions for Ms Mamata Banerjee's fight against the CPI(M)-led government, the Centre will "strictly follow" the Constitutional route and not allow personal agendas to dictate its reflexes.

While the Centre is in complete agreement with Ms Banerjee's contention that the Basu regime is intolerant to voices of dissent and does not lay much premium on democratic activities for taking on its rivals, it is convinced that any hasty decision will weaken its case and gift the CPI(M) with a major campaign issue.

Central leaders, who maintain that West Bengal has descended into a state of administrative atrophy and anarchy, are of the view that the Union government, instead of intervening right away, should carry out a sustained campaign against the criminal environment in the state.

Mr L.K. Advani, who is in charge of the political management of the difficult issue concerning an equally difficult ally,

has been keeping the heat on the state government through advisories from the government. The assessment of his ministry, endorsed by the NDA's co-ordination meeting last week-end, is that it will now be difficult for the state government and its bureaucracy to be brazen in their actions.

The government, which had earlier floated the idea of putting some districts in the disturbed areas category, has not followed it up as it was found untenable under the law.

For Ms Banerjee, who has managed to garner the unequivocal support of the allies for her struggle against the CPI(M), the unfolding situation must be encouraging as it marks a clear split in the political calculus.

While a sizeable section is getting increasingly uneasy with the CPI(M)'s policies that are cynical of the idea of serious administration, the recent violence in the state run by a bhadrak icon is making the middle class rethink its political preference.

That the regime has failed to engage the government machinery in the implementation of economic programmes has once again been confirmed by the massive destruction brought by the floods.



Advani: Cautious

*The Economic Times*

27 SEP 2000

## ~~18~~ PUNISHING GOOD PERFORMANCE ~~40-1~~

IT IS UNFORTUNATE that some of the Centre's policies and the recommendations of Commissions penalise the States which are performing well on the economic or social fronts. Recently, there was an uproar over a possible reduction of seats in Parliament for States which implemented the population control programmes effectively. And now, the Eleventh Finance Commission (EFC) has punished the States which have shown steady progress on the economic front and basic fiscal discipline. More galling than losing a share of their Central revenue, the States in the South and West have now to digest the fact that those States which have squandered their resources and failed to effect any discipline in their financial management will now be entitled to a substantially larger share of the devolved funds. It seems to be some kind of skewed logic to argue that Uttar Pradesh, Bihar and their likes will be entitled to a greater proportion of Central revenues because of their backwardness. The state of poverty, the size of the population and consequently a larger gross purchasing power may be the reasons for this weightage given to the underperforming States, but that does not in any way warrant penalising the well-performing Governments.

According to calculations based on the recommendations of the EFC, which have been accepted in principle by the Centre, the States which stand to lose out now are Maharashtra, Tamil Nadu, Gujarat, Kerala, Andhra Pradesh and Karnataka. One look at the list is enough to make it clear that they are the economically progressive and developing States, which are also contributing more to the generation of revenues in the country. It would seem unfair to punish them for attracting more investments, generating more employment, collecting more revenue, providing better health care or social services and managing their finances better. It does make

sense to provide additional resources to States which have a higher population and consequently a larger proportion of people living below the poverty line. But it is equally important to monitor how the allotted funds are spent and the impact on poverty alleviation or population reduction. Similarly, it is imperative to punish States which are not able to absorb the allocation and end the year with unutilised funds. What is the use of continuing to release more funds to an administration which has a poor track record of resource utilisation? This is something that any Finance Commission and the Planning Commission must address immediately to correct this distortion.

The better-managed States have reason to feel aggrieved at this injustice and may pursue both legal and constitutional remedies. Unfortunately, this will affect them not only in the shareable Central revenues, but also in the grants-in-aid. Instead of letting it drift or pushing the southern and western States to the courts to seek redress, it will be in the interest of better Centre-State relations to sort out this problem through dialogue. The least that the Centre can do at this juncture is to assure the States-to-be-affected that at least their percentage of Central tax revenues would be maintained. The better option would be to compensate them by providing them an attractive package for infrastructure development, for instance. Some of the progressive States have already formed themselves into a group to highlight their special demands with the Centre. It would now seem logical for all the affected States to come together, discuss the problem and throw up viable solutions that the Centre can implement to right the wrong. Otherwise, the Centre will be putting a premium on non-performance and retarding economic and social development.

THE HINDU

1 AUG 2000

## AMBITIOUS GOALS

*Centre's share in 80-12*

THE ELEVENTH FINANCIAL Commission (EFC) had an unenviable task to perform in the midst of a continuing deterioration in the finances of the Central and State Governments. In addition to making recommendations as required by the Constitution on tax devolution and grants to State Governments for the period 2000-2005, the EFC was asked to suggest transfers to local bodies and, as recently as last April, given the additional responsibility of linking non-Plan revenue grants to States to implementation of State-level fiscal reforms. The latter which will be the sting in the tail of the EFC's recommendations will be covered in another report to be submitted next month. But in the larger report that has been submitted to the President and accepted by the Government, the EFC has done the best of a difficult job in charting the path to the realisation of ambitious goals by 2005.

The fundamental problem faced by successive finance commissions has been that they have been unable to take a holistic approach to resource sharing between the Centre and the States as what falls in their domain has rarely constituted more than two-thirds of total transfers from the Centre to the States, the rest comprising Plan and other grants which are at the discretion of the Centre. The EFC has tried to get round this problem by suggesting that transfers to the States in all their forms should be no more than 37.5 per cent of the Centre's gross revenue receipts. Since the actual ratio has been higher in seven of the past ten years, the States are not going to be easily persuaded to accept what will be a reduction in proportional transfers. The States will also not be too pleased with the EFC's recommendation that their share of net Central revenue from the pool of divisible taxes be fixed at just 29.5 per cent, only marginally higher than the 29 per cent share of gross (not net) Central tax revenue that was recommended by the

Tenth Finance Commission. While this is higher than their share in all but two years in the 1990s, their demands have always been for more and they were clearly unhappy with the 80th Amendment to the Constitution, now endorsed by the EFC, to fix shares on a net rather than a gross basis. Finally, the formula for distribution of tax revenue among the States will henceforth carry a 10 per cent weightage for fiscal effort — yet another tool to make the States work harder at reform.

The EFC may have done its work impervious to the contemporary political setting in which the States have a much greater voice than before. But if the targets of a revenue surplus in the States and a Central Government revenue deficit of just 1 per cent of the GDP are to be reached by 2005, the components of its 'restructuring' programme cannot be faulted in their emphasis. A remarkable observation of the Commission that goes against the grain of influential public opinion is that "the political compulsions of democratically-elected Governments" need not stand in the way of improving public finances. This as the EFC sees it can be achieved with institutional (legal and administrative) reform to strengthen the revenue base and the introduction of incentives to induce fiscal discipline. The Commission places as much emphasis on improving the revenue-GDP ratio as on controlling expenditure. In this context, the Centre has more to account for than the States. In the EFC's analysis, the tax buoyancy of both the State and Central Governments declined during the 1990s but that of the Centre fell much more. The 10th Finance Commission was hopeful in 1995 that by 2000 the Centre and the States would have turned in a revenue surplus. Far from improving, the situation has since worsened at both levels of Government. It requires the demonstration of strong political will to see that 2005 will be different.

THE HINDU

1 AUG 2000

# Mamata sends video tapes of Bengal violence to PM

HT Correspondent  
New Delhi, August 1

9-10/8/00  
HT-10  
2/8

RAILWAY MINISTER Mamata Banerjee on Tuesday sent to Prime Minister A B Vajpayee and Home Minister L K Advani a video recording of the recent violence in West Bengal's Birbhum district, which claimed 11 lives.



Ms Banerjee's decision to present the recording is a follow-up to the Union Home Ministry's decision to seek a report from West Bengal Government on the "political killings" that followed the Left's defeat in the Panskura Lok Sabha polls and the Calcutta Municipal Corporation elections. Ms Banerjee said 220 people have been killed in "political clashes" since the state panchayat elections were completed in May. More than 1500 houses had been destroyed. A fresh violence at the South-24 Paraganas had claimed eight lives.

She said families of the victims of the Birbhum carnage had told the camera of the atrocities committed

on them by the Marxist supporters. She said the video recording showed the mutilation of the bodies of persons killed in Birbhum district.

In many villages, menfolk had deserted their homes, fearing fresh attacks by the CPI (M).

Ms Banerjee asked, "if the CPI (M) is claiming that land reforms was its major achievement in the last two decades, how come there are landlords and landless peasants still in Bengal?"

The BJP, in its first attack on the CPI (M) for the Bengal violence, had on Monday warned of serious steps against the Jyoti Basu Ministry but stopped short of supporting the Trinamool Congress' demand for President's rule in the State.

BJP spokesperson M Venkaiah Naidu said CPI (M) H S Surjeet' charge that the violence was result of the Trinamool Congress' effort to undo land reforms was a ridiculous charge. "We feel that something needs to be done to improve the law and order situation where the frustrated CPI (M) cadres are on a free run."

THE HINDU TIMES

• 2 AUG 2000



# Consensus eludes CMs meet on law for national security

HT Correspondent  
New Delhi, August 5

**A** CLEAR lack of consensus among the chief ministers on Saturday forced the Centre to shelve its proposed enactment of a central law for national security.

The setting up of a Central agency, on the lines of America's FBI, will also be put in the cold storage following difference among the chief ministers of 29 states and union territories who attended the conference on internal security here today.

In fact, consensus eluded the conference - the first of its kind held on the contentious issue of internal security - over other major issues as well, such as introduction

of national security cards and Prevention of Terrorism Bill 2000.

On his part, Home Minister L. K. Advani confirmed that the Centre will not pursue its proposal to enact a central law on national security in the wake of divergence of views over the issue among the chief ministers.

Briefing media persons, Mr Advani, however, maintained that the government would hold wide-ranging discussions with political parties, National Human Rights Commission and others over the Prevention of Terrorism Bill.

"Efforts will be made to minimise the difference for a consensus," he said. Expressing satisfaction over the daylong deliberations, the Home Minister noted that the chief ministers had agreed to com-



**Prime Minister A. B. Vajpayee along with Defence Minister George Fernandes, Finance Minister Yaswant Sinha and Home Minister L. K. Advani at the meeting with the Chief Ministers. Photo: Manish Swarup**

bat the Pakistan's covert offensive and ISI machinations especially in J&K and the North-East with vigour and determination. Other issues that came up for discussion were extension of cease-

fire with the NSCN (IM) in Nagaland, ceasefire and opening of a dialogue with the BLT in Assam and the latest ceasefire and commencement of a peace process in the troubled J&K.

J&K CM Farooq Abdullah in an impassioned plea sought support from across the country to fight the challenge posed by Pakistan through its proxy-war in Kashmir. During an informal chat with media persons on the sidelines of the conference, Mr Abdullah maintained that the state's autonomy report will have to be taken as a reference point in any kind of a dialogue, be it militants or other political outfits.

Mr Abdullah, however, refused to comment on the proposed peace talks with the Hizbul

Murjanideen (HIM) saying that the Centre was free to talk to anybody to bring peace in the sensitive border-state.

Inaugurating the conference, Prime Minister Atal Behari Vajpayee called upon the CMs to look at the ongoing challenges to internal security from a national perspective as against state-specific problems.

"The changed nature, magnitude and dimension of the threat to our internal security necessitates that both the Centre and the states pool their resources to formulate a national strategy and adopt effective tactics," the Prime Minister said while announcing the Centre's decision to enhance allocation of funds for modernisation of state police.

# NDA team paints grim Bengal picture

Arindam Sarkar  
Midnapore, August 12

THE CONSTITUTIONAL machinery in the State is on the verge of collapse and there is a serious threat to parliamentary democracy, an NDA delegation today concluded after a survey of the district's violence-hit villages.

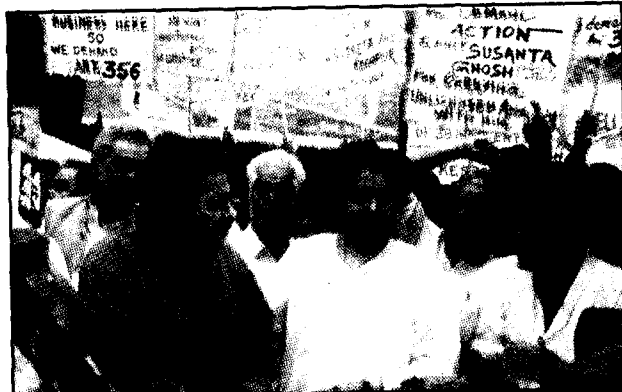
The six-member team, led by the TDP's S Venugopalacharya, comprised the Trinamool's Sudip Bandopadhyay, MDMK's C Krishnan, Suresh Jadav of the Shiv Sena, Sanjay Paswan of the BJP and Samata Party MP Prabhunath Singh.

The delegates encountered Trinamool demonstrations at several places. Everywhere, the agitators urged them to ensure that the Centre imposed Article 356 in the State. "Ours was a fact-finding mission and we visited a few villages. Reports of violence have been reaching Delhi and since Mamata Banerjee is part of the NDA, alliance convener George Fernandes commissioned a spot inspection. Our report will go to Fernandes and Home Minister L K Advani," said Venugopalacharya.

"What we have seen today has convinced us that the people here live in fear. The State Government has not done enough to protect the minorities, the Scheduled Castes and the Scheduled Tribes. We will submit our report. Thereafter, it will be for the Centre to take a deci-

sion," he said. "I was surprised that CPI(M) cadres in collusion with the Government machinery are attacking the people."

"I personally feel that the police under State Government pressure has gone inactive. Since our Constitution provides for Article 356, the Centre should not hesitate to act, at least that's



The NDA team at Keshpur on Saturday. Photo: Ashok Nath Dey

the way I feel," said Prabhunath Singh.

"After what I saw today, I am convinced these aren't mere criminals in the act. People from the weaker sections are being attacked and their houses torched. The Government's response has been far from satisfactory. This is all the CPI(M)'s political game. The situation definitely demands Central intervention," Singh said.

The team visited Ramnagar, a Muslim-dominated village, where CPI(M) thugs torched 30 houses early this month. Most of the people have fled. Those who stayed back narrated their horror stories to the team. "People from outside were brought in to loot and set our houses on fire. They threaten us every day and tell us to join the CPI(M) or face serious consequences," said Arifa Bibi. From Ramnagar, the delegation went to tribal-dominated Agarpara. About a month back, this village was plundered, women molested and property plundered by the cadres.

At Soroi, the team was told stories of how Minister of State for Transport Sushanta Ghosh and his followers were traumatising Trinamool sympathisers. "In the last two years, 38 Trinamool workers have been killed, over 2,000 houses burnt, 150 people maimed and many injured," State Trinamool secretary Mohammad Rafiq told the team. "Of the 600 villages in Keshpur, CPI(M) goons have plundered 138. Ghosh is collecting arms and cadres to attack and evict our supporters."

Chutargeria was the next stop. Here Sudip Bandopadhyay addressed the villagers. "The violence has spread to Hooghly, Bankura and Birbhum. This can't go on. Peace has to return." Later, he told *The Hindustan Times* that another NDA team would visit the districts after the Parliament session. This time, Mamata Banerjee would lead the delegation.

THE HINDUSTAN TIMES

13 AUG 2000

# PM to Buddha: End political violence

STATESMAN NEWS SERVICE

NEW DELHI, Nov. 30. — The Prime Minister has asked Mr Buddhadev Bhattacharya to try and stop the violence in West Bengal, and include the Trinamul Congress in his peace efforts.

At a meeting between the two here today, Mr Vajpayee, from his side, promised all help from the Centre in ending the violence.

Mr Bhattacharya reportedly accused the Trinamul of inciting the violence, and urged the Prime Minister to sanction flood relief for the state without delay.

Mr Bhattacharya also met Mr LK Advani and asked for more BSF and CRPF personnel to check ISI-sponsored crime along the Indo-Bangla border, and the law-and-order problems in North Bengal.

The chief minister said he was



Mr Buddhadev Bhattacharya with Mr Atal Behari Vajpayee at the latter's home in Delhi on Thursday. — The Statesman

worried by the actions of the Kamtapur Liberation Organisation, whose cadres are apparently being trained by Ulfa

militants in Bhutan.

The Kamtapuri secessionists, Mr Bhattacharya said, want a state comprising the six North

Bengal districts and a part of Assam. But there is no historical, linguistic or cultural reason to create such a state.

He regretted Miss Mamata Banerjee's statement that she morally supports the Kamtapur agitation.

In Darjeeling, the newly formed Gorkha Liberation Organisation has been creating problems, and has links with Naga militants, he said.

On his state's industrial problems, the chief minister said trade unions should "realise the new realities and evolve a new work-culture and philosophy to ensure the development of industry".

He admitted a decline in the state's industrial scene during Left Front rule. "Yes, we were late to start. But, since 1994 we have been making efforts to build industry. I think the workers, along with the employers, have a responsibility to ensure industrial growth." He, however, said: "The workers' legitimate rights should be granted and protected."

The chief minister told reporters he stood by what he had said on collective leadership. "There is no controversy within the government over this. All I had meant was that after Mr Jyoti Basu's retirement, we should put our heads together to run the government."

Why should a Communist party practice personality cult, reporters asked. Mr Bhattacharya replied: "Yes, you may be right theoretically. But we are talking about Jyotibabu and no one can deny his stature and experience."

On the recent spate of violence in his state, he said: "There have been some political clashes. I told Mr Advani that the Trinamul's strategy is to blame: The party took to violence to capture villages: The CPI-M cadres then retaliated. The administration

■ See BUDDHA: page 8

## BUDDHA:

(Continued from page 1)

has acted, and normalcy is returning." He told the Union home minister that the territories of only seven of 447 police stations have been affected.

Mr Bhattacharya termed Miss Banerjee's demand for job reservations for Muslim women as dangerous and unconstitutional.

On the subject of flood relief, he said: "The claims that the Centre has already released funds are false. All that it has given is 75 per cent of the Rs 101-crore state relief fund. Floods or no floods, it was bound to give it. What we have been asking for is Rs 1,446 crore, as recommended by the Finance Commission. The Centre hasn't released a single penny of that."

### Mamata dares Buddha

Miss Mamata Banerjee today asked Mr Bhattacharya to "either furnish evidence to prove my support (to the KLO) or resign". The chief minister had recently made such an allegation.

Miss Banerjee denied any links with the KLO and said that given a chance, she would persuade them to join the national mainstream. "I appreciate their causes. But as a Union minister I cannot support them." The Kamtapur agitation is a result of the LF government's apathy towards North Bengal, she said.

THE STATESMAN

THE STATESMAN

1 DEC 2001

# Angry troika backlash at Atal 'advice'

**FROM KAY BENEDEICT**

**New Delhi, Dec. 20:** The dust kicked up over his statements on the Ayodhya Ram temple yet to settle down, Prime Minister Atal Behari Vajpayee has sowed the seeds of another controversy by advising his allies not to cross the "limit".

Addressing BJP MPs yesterday, Vajpayee said the allies should keep "within limits" (*seema ka andar*) and within the parameters of decorum (*maryada*) while criticising the government in Parliament.

The Telugu Desam has taken

the lead in organising a protest and has sought an appointment with the Prime Minister to express collective "anguish" at his "uncalled for" remark.

Sources said Desam chief Chandrababu Naidu also criticised Vajpayee's comments with M. Karunanidhi (DMK) and Mamata Banerjee (Trinamul Congress) over phone. The three key allies have taken strong exception to Vajpayee's "unsolicited" advice asking them to have a "national perspective".

Naidu had a teleconference with his MPs today on the Prime Minister's remark. They were told



Mamata, Naidu and Karunanidhi

that whether the Prime Minister liked it or not, the Desam would raise such issues (Ayodhya and the plight of farmers) in future also. "We never embarrassed this government in the last 15 months,

but we will not compromise on secularism," a Desam source said.

Desam leader in the Lok Sabha Yerran Naidu is likely to meet the Prime Minister tomorrow to discuss the issue. However, Yerran

Naidu played down the issue, saying: "We have sought an appointment with him to discuss various issues, including his remarks."

While Mamata chose not to react, Karunanidhi said Vajpayee's advice to his allies to exercise restraint "was equally applicable to the BJP".

"Are they not our allies too?" the Tamil Nadu chief minister asked while speaking to reporters in Chennai.

Desam sources said they never expected such comments from Vajpayee, that too close on the heels of the Ayodhya controversy.

Describing the Prime Minister's

comment as "unfortunate", a Desam source said: "The allies are raising issues concerning the people. For 15 months, we tolerated the BJP's behaviour. We too have to account to our people," he said.

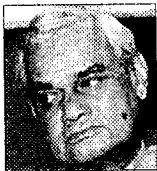
The Desam pilloried the government for not having an effective mechanism to monitor the functioning of public sector undertakings (PSU) and demanded a White Paper on the issue.

Participating in the resumed discussion on disinvestment, Desam MP M.V.S. Murthy said there was "lethargy" on the Centre's part which had failed to take the "right decision at the right time".

# Vajpayee invites Basu to discuss flood, law & order

Our Political Bureau

NEW DELHI 28 SEPTEMBER



Vajpayee

THE PRIME Minister, Mr Atal Behari Vajpayee, has extended an invitation to the West Bengal chief minister Mr Jyoti Basu in order to discuss both the law and order situation in the state as well as the flood situation, which Mr Basu has demanded be declared a national calamity by the Centre.

The invitation for the meeting, scheduled on September 30, is understood to have come from the PM when a delegation of Left MPs from West Bengal met him here on Thursday.

Mr Vajpayee is also understood to have expressed his desire to discuss the grave flood situation in West Bengal, for which the Left Front government there has requested additional relief assistance from the Centre.

The Left delegation, including Rajya Sabha MP Biplab Dasgupta and AIFB leader Debabrata Biswas are understood to have appraised Mr Vajpayee of the law and order situation in the state, pointing out that violence had been reported only in seven out of 357 police stations and that, as such, the situation did not call for any measure as grave as imposition of President's Rule.

Interestingly the reading within the Left has been that as long as Trinamul chief Ms Mamata Banerjee kept up her war cry for imposition of Article 356 in the state, it could only politically benefit the ruling Jyoti Basu regime further in the run-up to the assembly elections early next year.

The BJP sought to stake claim to some of the credit for drawing the Centre's pointed attention to the grave flood situation in the state when it accused the CPI(M) government in West Bengal of focusing its attack against Ms Mamata Banerjee in order to divert the attention of the people from the flood havoc and its inability to take adequate relief measures.



STOCK TAKING: Sonia Gandhi with Pranab Mukherjee and Priya Ranjan Das Munshi in Calcutta on Thursday. — Mona Chowdhury

## Think hard before central rule: Sonia

Calcutta

28 SEPTEMBER

THE CONGRESS president Sonia Gandhi described on Thursday the law and order situation in some districts in West Bengal as "grave" but said "utmost care" should be taken before using Article 356 in the state.

She evaded a straight reply on whether her party will support the NDA government in the Rajya Sabha if it imposed President's Rule in the state, saying "it is a hypothetical question". The Congress chief after making an aerial survey of some flood affected districts in the state urged the Left Front government to stop the recurring political violence.

PTI

# Basu receives letter from PM of Nanoor

HT Correspondent  
Calcutta, August 31

CHIEF MINISTER Jyoti Basu once again criticised the US consulate here for dispatching two staffers to Nanoor in Birbhum district to probe the killings there. He said it was an open violation of diplomatic practices and amounted to interference in the domestic affairs of the State.

Basu hit out against Trinamool chief Mamata Banerjee, Union Minister Ajit Panja and Congress leader Siddhartha Shankar Ray for speaking in favour of the US officials. "They are traitors of the the

nation. I have nothing against American officials visiting different parts of India but Nanoor was an exceptional case and they should not have gone there without seeking permission from me," Basu said.

The Chief Minister said he had apprised Prime Minister Atal Behari Vajpayee of the incident and had received a letter from him today, in which the PM has expressed concern and had forwarded the matter to the Ministry of External Affairs.

India's foreign secretary subsequently got in touch with the US ambassador and expressed his reservations. "In his letter Vajpayee tells me that the American ambassador to India has categorically said the trip by his officials was not meant to interfere in the domestic affairs of the State," Basu said.

"I have also met US Consul

General Christopher J. Sandrolini in my office where he brought a copy of the Vienna agreement and tried to convince me that the diplomatic corps officials could visit different places. But I disagreed with him and I was right.

"After reading the agreement, I discovered that foreign officials could not visit places that could be interpreted as interference in the internal affairs of the State. Some of our leaders demanded that the US Consul General should immediately leave, but I refrained from making such a demand," he Basu clarified



## CM rubbishes Mamata's remark on investments

CHIEF MINISTER Jyoti Basu today rubbished Trinamool chief Mamata Banerjee's allegation that the Left Front Government is a major hurdle in attracting investments. When reporters asked him about this, Basu replied, "Rs 42,000 crores are coming." The Chief Minister was ob

State between 1991 and 2000. However, Basu's figures for Budget statement for 2000-2001. Dasgupta had estimated that the State had received a total of Rs 47,394 crores. Dasgupta also claimed that 388 among approved projects have already been implemented involving an investment of Rs 8,668 crores.

Another 31 projects with an investment of Rs 7,881 crores are about to be commissioned, the Finance Minister said. Charting out the "rising curve" of new industrial projects, increased steadily from 4.3 per cent in 1993-94 to nearly

HTC, Calcutta

# Mithi asks Fernandes for Army deployment in disturbed areas

## Arunachal pleads for troops

Itanagar, Aug. 31 (Agencies): The Arunachal Pradesh government sought the personal intervention of defence minister George Fernandes for early Army deployment in Tirap and Changlang districts for counter-insurgency operations.

Submitting a seven-point memorandum to the defence minister, chief minister Mukut Mithi said insurgents had been using the two districts as corridors for their movements in and out of their area of operation in Nagaland and Assam and their hide-outs in neighbouring Myanmar.

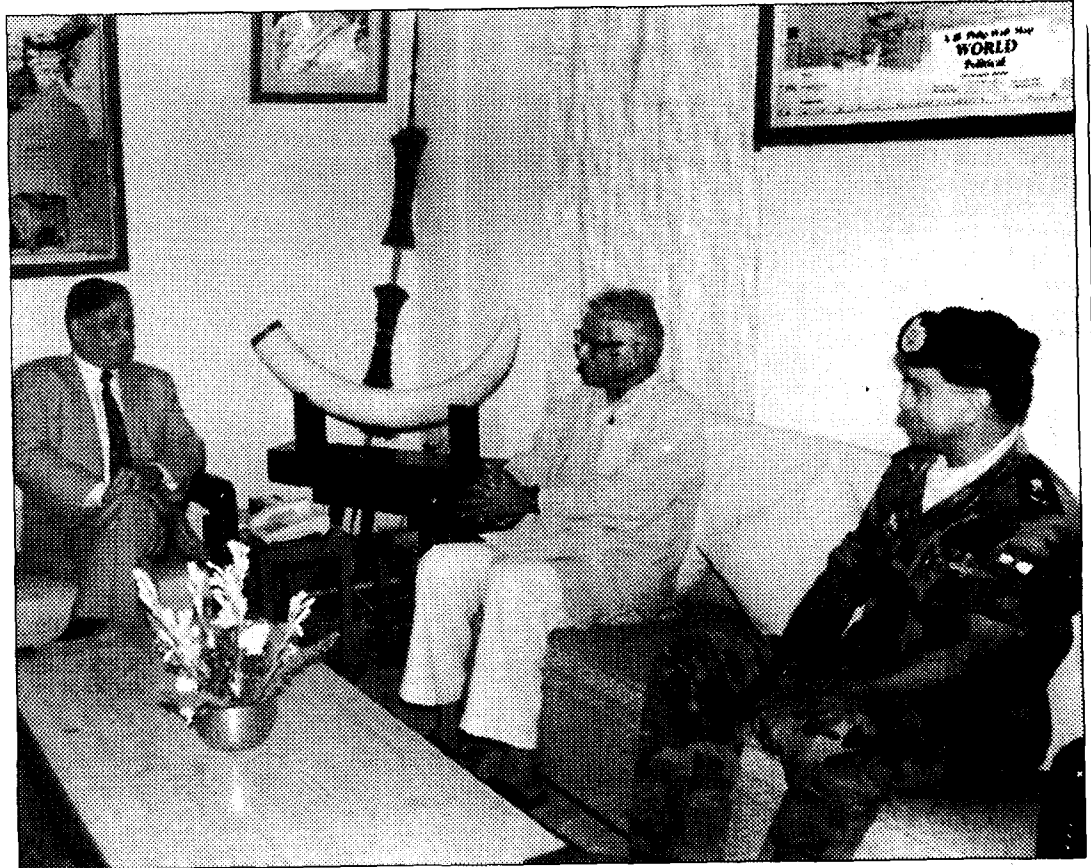
Mithi said with the withdrawal of the 192 Mountain Brigade from Tirap in early 1997, militancy was on the rise. But prior to that it was nonexistent in the undivided Tirap district, the chief minister said.

Changlang and Tirap, which border Assam, Nagaland and Myanmar have, of late, become quite disturbed because of militancy, the memorandum said.

The chief minister also reiterated his government's demand for raising a battalion of Arunachal Pradesh Scouts on the same pattern as that of Ladakh Scouts to guard border posts on the boundary with China, Myanmar and Bhutan.

Mithi also reiterated the government's demand for an amount of Rs 140 crore as "special dispensation" to enable the state to undertake restoration work in the flood-affected areas.

Expressing unhappiness over the non-release of relief funds by the Centre for the flood victims,



**TRIPARTITE TALKS:** Defence minister George Fernandes holding talks with Tripura Governor Lt. Gen. (ret'd) K.M. Seth in Agartala on Wednesday. Three Corps commander Lt. Gen. T.S. Shergil is seated to his left. Picture by Bapi Roy Choudhury

Mithi said the flash floods had caused untold suffering to the people and also damaged bridges, roads, government properties and hundreds of acres of cultivable land. To overcome these problems, central assistance was ur-

gently required, he said. The chief minister also requested the defence minister to set up a Sainik School in the state and added that at least 10 roads should be taken up by the Border Roads Organisations for creating infrastructure

which would contribute towards socio-economic development. Mithi urged Fernandes to provide funds to take up maintenance of porter and mule tracks and suspension bridges for proper vigilance of the border areas.

# States want role in Governors' appointment

STATESMAN NEWS SERVICE

NEW DELHI, Sept. 1. — The Inter-State Council's standing committee today recommended a constitutional amendment to make it "mandatory" for the Centre to consult state governments before appointing Governors.

The committee, however, failed to reach a consensus on placing residuary powers of legislation other than taxation in the concurrent list and decided to refer it to the full ISC meeting. It also deferred its decision on broadcasting networks issue.

"There was divergence of opinion and no consensus could be reached on the issue as recommended by the Sarkaria Commission," said the Union home minister, Mr LK Advani, who chaired the council meeting today. "It was decided that the issue of the residuary power will be placed before the full council where the chief ministers' views would be available and a final decision taken."

(He was, however, confident that consensus would be reached on at least seven recommendations of the Sarkaria Commission on Centre-state relations, UNI adds.)

It was also decided that the Commissions of Inquiry Act will be amended so that the Centre consults the states before appointing an inquiry committee against a state minister.

On the appointment of Governors, Mr Advani clarified the Centre would have over-riding powers on the matter.

He said of the 247 recommendations of the Sarkaria Commission on Centre-state relations, the government had considered 234.

The proposals yet to be taken up include the one on emergency provisions.

Quoting BR Ambedkar's speech in the Constituent Assembly on why the Constitution didn't have the word "federal" in the place of "union", Mr Advani said the Centre was keen on devolution of powers to the states. But, at the same time, "we must be cautious that the Centre is not weakened".

He said the issue of revival of the Upper House in the states would be forwarded to the ISC as the Tamil Nadu and Punjab Assemblies had "forcefully pleaded" for the creation of bicameral legislatures in their states.

Both the states had earlier opted for the abolition of the Upper House. "In view of this, the meeting felt creation or abolition of legislative councils should not be contingent upon which party is in power and there should be uniformity on the issue," the home minister said.

All the four recommendations of the Sarkaria Commission on public order duty will be referred to an ISC sub-committee, chaired by the defence minister Mr George Fernandes, as there were different opinions on the strengthening of state armed police and the mechanism of deployment of armed forces in states to support the civil administration.

The Fernandes Committee was examining the issue of emergency powers including imposition of President's rule in states.

**J&K demand:** Jammu and Kashmir government pleaded for restoration of autonomy to the state and greater devolution of powers to states at the ISC's standing committee meeting, reports UNI.

The acting chief minister and the urban development minister, Mr Ghulam Mohi-u-Din Shah, said: "No discussion on the Centre-state relations can proceed without restoration of autonomy to J&K within the framework of Article 370 of the Constitution".

He said many of the Sarkaria Commission's recommendations didn't apply to his state, but "we are in favour of greater delegation of powers."

THE STATESMAN

2 3 11



# Five districts in Bengal may be declared 'disturbed zones'

The Times of India News Service

CALCUTTA: The Trinamul Congress leadership on Sunday claimed the Union home ministry was seriously considering the idea of declaring five districts of West Bengal as "disturbed zones".



L.K. Advani

The Trinamul Congress has already put forward such a proposal before both the home ministry and the governor of West Bengal. A section of the party leaders are also in favour of imposition of Article 356 in the state.

Speaking at the end of a marathon two-hour meeting of the party's policy-making body in Calcutta, party MP Sudip Bandyopadhyay said home minister L.K. Advani had called up Trinamul Congress chief Mamata Banerjee twice on Sunday to ask her about the current political situation in West Bengal.

"He told me he was keen to meet us soon to discuss the matter. He was also categorical in stating that he felt the Left Front government in Bengal had lost its balance," Mr Bandyopadhyay said.

He made it clear that there was no question of Ms Banerjee's resigning as the railway minister at present. Observers said the resignation threat could be a pressure tactic by the Trinamul Congress to force the Cen-

tre to intervene in West Bengal.

"Our leader Mamata Banerjee has clearly told Mr Vajpayee that she is finding it difficult to continue as a senior minister in the NDA government. All of us feel very awkward particularly when people in Keshpur, Sabang or Pingla ask us why the Centre is not doing anything to punish rampaging CPM cadres," the MP said. Ms Banerjee is scheduled to leave for a two-day visit to the trouble-torn areas of Midnapore, Bankura and Birbhum from Monday. After her return, the policy-making body will meet on September 7 to assess the situation.

Soon after the railway minister leaves for Midnapore, a joint Trinamul Congress-BJP delegation will meet governor Viren J. Shah to formally submit a memorandum demanding that parts of Bankura, Midnapore, Hooghly, North 24 Parganas and Birbhum be declared disturbed zones. The Congress has also been invited to join the delegation.

Mr Bandyopadhyay said Trinamul Congress leaders would leave no stone unturned to ensure that the Centre took steps against the Left Front government.

Mayor Subrata Mukherjee, also present in the meeting, said a full-scale civil war had broken out in West Bengal and state-sponsored terrorism had led to a total constitutional breakdown. "We must save democracy in West Bengal at all costs," Mr Mukherjee said.

THE TIMES OF INDIA

5 SEP 2000

# Fernandes to visit West Bengal

By Our Special Correspondent

**NEW DELHI, SEPT. 6.** Concerned over the incidents of violence in West Bengal over the recent months, the Centre today decided to depute the Defence Minister, Mr. George Fernandes, to visit the Left Front-ruled State and make an assessment of the law and order situation there.

Mr. Fernandes is scheduled to visit Calcutta on Friday, official sources said here. The decision to send Mr. Fernandes was taken at a high-level meeting, chaired by the Prime Minister, Mr. A. B. Vajpayee, on the eve of his U.S. visit. The meeting was attended by the Union Home Minister, Mr. L. K. Advani, the Home Secretary, Mr. Kamal Pande, and other senior officials.

It was also decided to send a team of the Home Ministry officials to West Bengal at a later date. With the Union Railway Minister and Trinamool Congress chief, Ms. Mamata Banerjee, camping in Calcutta and raising the issue of deteriorating law and order situation, the NDA Government was bound to take notice of one of its key allies in coalition.

## Basu not to contest

By Our Special Correspondent

**CALCUTTA, SEPT. 6.** The West Bengal Chief Minister, Mr. Jyoti Basu, will not contest the Assembly elections scheduled for April, 2001.

"I am not going to contest the

coming Assembly elections," Mr. Basu told presspersons at Writers' Buildings, the State headquarters, today.

Mr. Basu made this statement when presspersons sought his reaction to the Union Railway Minister, Ms. Mamata Banerjee's challenge to him to contest the Assembly elections in the State.

Ms. Banerjee, also the Trinamool Congress leader, claimed at a public meeting in Bankura district that "Mr. Basu's deposit would be forfeited if he contested again from his constituency, Satgachhia (in South 24-Parganas district)".

The 86-year-old Chief Minister's announcement came at a time when the Press is busy speculating on the possibility of his retirement from active politics this month. It is widely speculated that he would resign from the Chief Minister's office after September 15 on health grounds.

Though Mr. Basu would resign from office, he would, however, campaign for the Left Front nominees in the Assembly elections, CPI(M) leaders said.

"How can she foresee my defeat when I would not be contesting the elections," he commented.

Describing Ms. Banerjee as "a violent lady", Mr. Basu challenged the BJP-led Centre to impose President's Rule under Article 356 on West Bengal as demanded by Ms. Banerjee and her aides.

THE HINDU

27 SEP 2000

# Advani signals Bengal trip

FROM OUR SPECIAL  
CORRESPONDENT

New Delhi, Sept. 7: Home minister L.K. Advani has assured Bengal BJP leaders that he could consider visiting the violence-scarred districts after going through the report to be submitted by George Fernandes.

Fernandes, the NDA convener, will tour the areas tomorrow. The decision to send Fernandes was taken by Prime Minister A.B. Vajpayee hours before he left for the US in an effort to buy peace with ally Mamata Banerjee. The Trinamul chief, who wants President's rule in Bengal, has threatened to pull out of the government if it does not take "drastic action" against the Left Front regime.

The BJP, while stopping short

of calling for Central rule, has demanded that the state be declared a "disturbed" area.

The bloodspill continued with a CPM worker killed in a fresh burst of violence in Keshpur in Midnapore. Fernandes is scheduled to address a rally in the district tomorrow along with Mamata. He will also visit Bankura. (See Page 8)

Advani said the Centre was looking into all aspects of the problem in Bengal. "We are studying all legal and constitutional aspects," the minister told the three-member delegation of BJP leaders from the state. He added that the government was "serious" about tackling the issue and "appropriate action would be taken at an appropriate time".

Though Advani told the lead-

ers that he could visit the state, the home ministry said it was not aware of any such plan.

Bengal BJP chief Asim Ghosh, who, along with state vice-president Muzaffar Khan, was here to explain to senior leaders the "bad situation", said party chief Bangaru Laxman, too, has lined up a trip to the state from September 23.

Laxman will address a seminar on the "terrorism let loose in West Bengal in collusion with the state machinery" and then go around some of the troubled areas.

The delegation also met chief election commissioner M.S. Gill and demanded a "free and fair" election either in January or February. Ghosh and his colleagues made a pitch for the deployment of Central forces and asked Gill to

bring over polling personnel from other states to prevent the state coordination committee personnel from conducting the elections.

The state team claimed that Advani was also in touch with some senior Congress leaders, but the AICC high command scoffed at the statement. Ghosh, however, said he hoped the "Congress would realise how irreversible the situation in Bengal had become".

"We are trying to persuade the Congress to come out of its narrow political groove," he added.

Ghosh tried to make light of the defection of former BJP general secretary Paras Dutta to the Trinamul and insisted that the exit of one individual would not affect ties. He said the party agreed with its ally that Bengal was a fit case for Central rule.

THE TELEGRAPH

- 8 SEP 2000

# Judge' George verdict: Bengal situation grave

NDA convenor to visit Midnapore  
today on fact-finding mission

HT Correspondent  
Mumbai/Calcutta, September 7

ON THE eve of his visit to West Bengal, Defence Minister George Fernandes, who is also the convenor of the National Democratic Alliance, played the Trinamool Congress tune and expressed serious concern over the "deteriorating" law and order situation in the State.

Speaking to reporters here, Mr Fernandes said "the situation in West Bengal is indeed grave. Mamata Banerjee's cavalcade was attacked. Poor and innocent people are being killed. There are plenty of instances where CPI-M supporters and activists have attacked defenceless and poor people. I am going there to assess the situation".

Mr Fernandes's comments must have been music for Ms Banerjee's ears as she has all along been crying hoarse on the "anarchy" prevailing in the Left Front-ruled State.

And she indeed was thankful to the Centre, the Prime Minister in particular, for taking "a serious view of the worsening law and order situation".

Talking to *The Hindustan Times* over the telephone from Midnapore, the Trinamool leader said: "This step (of sending Mr Fernandes to West Bengal) ought to have been taken earlier. It would have saved many lives and brought peace to the affected areas."

"Unless the Centre intervenes, the situation is bound to deteriorate. In the last three days, I have visited areas in Midnapore,

Bankura and Hooghly where my workers are at the receiving end of CPI (M) terror. So many of them have lost their homes. The law and order machinery has completely broken down. I want George to see for himself how bad things are," Ms Banerjee said.

Mr Fernandes is expected to reach Calcutta early tomorrow. He will take a helicopter to Kalaikunda and reach Midnapore where he will tour some of the affected villages.

"We are happy with the Centre's decision. The Union Government is finally reacting. We believe peace can return to Midnapore, Hooghly, Bankura, Burdwan and

Birbhum only if these districts are declared disturbed and Article 356 is imposed in the State," Trinamool policy making body chairman Pankaj Banerjee said.

Mr Fernandes's visit comes a month after an NDA team led by Dr Venugopalacharya visited Midnapore to take stock of the law and order situation.

That team recently submitted its report to Mr Fernandes and the Home Ministry.

The CPI (M) is in the least fazed by Mr Fernandes's proposed visit. "It's a political stunt and a tactic to pressure the State Government," CPI(M) central committee member Nirupam Sen said. "We are not bothered. Let them do what they want to."

"This is a democratic country and everything moves according to the Constitution and not on the whims of an individual," Mr Sen added.

Chief Minister Basu had recently dared the Centre to impose President's rule in Bengal.



Related report on Page 3

THE HINDUSTAN TIMES

8 SEP 2000

# Centre stings Bengal with 2-page missive

BY CHANDAN NANDY AND  
TAMAL SENGUPTA

Sept. 8: The Centre today moved with speed to please a miffed Mamata Banerjee, firing a two-page letter to the Bengal government that contained an ambivalent threat of action if violence continued in parts of the state.

The advisory was despatched by the home ministry tonight immediately after defence minister George Fernandes returned to Delhi after a whirlwind tour of the troubled areas, taking in his stride the apparent snub delivered by Mamata who was not present to greet him.

During his visit, Fernandes spoke of the difficulties in imposing President's rule or even in declaring five districts as disturbed areas, but lost no time in working out with home minister L.K. Advani the step the Centre can realistically take to upbraid the state government and pacify Mamata.

In its advisory, the home ministry said it would "not remain a silent spectator" if the violence went unchecked. It expressed dissatisfaction with the reports on law and order so far sent by the state and asked it to keep the Centre "apprised" of the situation.

The strongly-worded letter from home secretary Kamal Pande to Bengal chief secretary Manish Gupta asked the government to immediately despatch an updated and a more detailed report on political clashes.

The advisory followed an almost hour-long meeting between Advani and Fernandes who went to see the home minister straight from the airport. Fernandes is believed to have told Advani that the political clashes were worse than what he has seen or experienced in Bihar.

After touring over 180 km across Keshpur, Garbeta and Chandrakona, Fernandes said: "Even

my kurta and pajama are soaked in tears of the women I met."

"Mamata has been repeatedly telling me and the Union government about CPM atrocities. Initially, I did not believe her. But today I was really moved and shocked," he said.

That was about as far as he could possibly go to address the concerns expressed by Mamata, who welcomed Fernandes's comments about the CPM's "rule of terror" but chose to be silent on his explanation why the Centre cannot take the extreme measures she is demanding.

About clamping President's rule, Fernandes said: "The Cabinet had undertaken a similar exercise in Bihar and you all know the after-effects." He also nearly dismissed the option of issuing an ordinance declaring five districts as "disturbed".

Home ministry officials said all through this year the state's response to the Centre's advisories has been "at best lukewarm". While the state has been sending "cursory" reports on the worst-affected districts of Midnapore, Bankura, Birbhum, Burdwan and Hooghly, intelligence inputs provide a grim picture of the "dimensions" the clashes could assume, especially before the Assembly elections due early next year.

The advisory says Bengal has not only failed to provide a "comprehensive" account of the ground situation but also in giving an "objective" view of "deteriorating" law and order, which, in the words of the advisory, is "unprecedented".

Fernandes said: "Clashes are not taking place. Rather, CPM workers are constantly attacking people belonging to the minority community and scheduled castes and tribes. They have been on the offensive in Trinamul-dominated areas."

■ See Page 10

THE TELEGRAPH

9 SEP 2001

# Democracy has failed in Bengal, says Fernandes

Arindam Sarkar  
Midnapore, September 8

9 Centre State  
HCT 9/9

**PARLIAMENTARY DEMOCRACY** has failed in the State, Defence Minister and NDA convenor George Fernandes gave this verdict after touring some of the violence-hit areas of the district today.

But Fernandes stopped short of making any comment on whether he would advise imposing Article 356 or declaring some districts of the State "disturbed". The Centre has to consider the pros and cons of any decision, was all that Fernandes was willing to say on the issue.

The Defence Minister clarified his statement made in Assam, when he is reported to have said that West Bengal is not a fit case for Article 356. "I did not exactly say that. I said Bengal should not become another Bihar, where we imposed Article 356 and had to withdraw it," he said.

"The situation here is indeed very serious. I have spoken to a cross-section of the people and what I heard made me feel really sorry. I am very disturbed by what I saw during my trip to some places in Midnapore. I am convinced this is not a political fight

between the CPI(M) and the Trinamool Congress," the Defence Minister said.

"The truth is Scheduled Castes, Scheduled Tribes and Muslims, who are supporting the Trinamool, are facing the brunt of the CPI(M) attacks," he added.

Fernandes will submit a detailed report to Home Minister L K Advani tomorrow. The Centre would take a decision on it only after the Prime Minister returns from the US. "Mamata (Banerjee) repeatedly told us that the situation was worsening by the day. We did not attach much importance to it. But what I saw today proves that democracy has failed," the Union minister said.

"What amused me were the new red flags planted along the route I took to Keshpur. Perhaps, the CPI(M) men had done it to welcome me or maybe they were trying to show off their strength. I want to apologise to Mamata for not reacting earlier to her pleas."

Mamata Banerjee was happy with the Defence Minister's visit. "He fixed his own schedule. He directly interacted with people and took notes on their condition. He did his best within the limited time," she said.

Related reports, photo on Page 3

THE HINDUSTAN TIMES

9 SEP 2000

# 'Art. 356 one of our options in Bengal'

HTC and PTI  
New Delhi, September 10

9/10/90

THE CENTRE today said it will examine all options including imposition of President's Rule in West Bengal where the situation was worse than in Bihar as the "whole structure of the constitution is under attack" there.

Defence Minister George Fernandes said that Constitutional machinery has broken down in West Bengal, endangering the very existence of the "democratic structure" in the state. However, the two-volume report, which he submitted to Home Minister L.K. Advani, made no recommendation of Central intervention of any kind.

Mr Fernandes, who visited West Bengal as NDA convenor last Friday, was circumspect about the survival of democracy there "if the frightening political violence in the State was linked to the forthcoming Assembly polls".

Mr Fernandes' tour of Bengal was restricted to visiting three villages in Midnapore. But he

## Basu slams Fernandes

CHIEF MINISTER Jyoti Basu on Sunday slammed Defence Minister George Fernandes for saying that the situation in the State is worse than that in Bihar. Basu dubbed it as "politically motivated". He said the comment was made to pamper Trinamool Congress that has eight members in Parliament.

Detailed report on Page 3

claimed that his conclusions were based on an overview gathered in the course of interaction with a cross section of people.

Even as the Defence Minister advocated a cautious approach, Mr Advani averred that even the Trinamool hadn't demanded Central rule in the State.

That any action would have to wait till the Prime Minister's return from America was evident from Mr Advani's light-hearted comment

that right now only two members (himself and Mr Fernandes) of the Cabinet Committee on Security were present in the country. The others are part of the Indian delegation to the US.

Mr Advani said that the Centre has sent three advisories seeking the Jyoti Basu Government's assessment of the law and order scenario. "But we are yet to hear from them," he said, adding that the Home Ministry would study the report before deciding its future moves.

According to Mr Fernandes, the conduct of CPI-M cadres and the local administration's tendency to collude with the ruling front's aggressive supporters was most worrying.

Without meaning to create panic, the Defence Minister said of Ms Banerjee: "I am worried for her life... A whole lot of people I met in West Bengal requested me to caution her against moving without adequate security cover."

In Calcutta, Chief Minister Jyoti Basu described as 'irregular and motivated' Mr Fernandes' comment that the state's law and order situation was worse than that of Bihar.

THE HINDUSTAN TIMES

17 SEP 2000

# Govt to weigh central rule

New Delhi

10 SEPTEMBER

652/11/9  
Vajpayee

**T**HE CENTRE said on Sunday that it will examine all options including imposition of President's Rule in West Bengal where the situation was worse than in Bihar since the "whole structure of the Constitution is under attack" there.

Home minister L.K. Advani and defence minister George Fernandes made some harsh remarks about the law and order situation in West Bengal after Mr Fernandes submitted his report on the Left Front rule following his recent visit to Midnapore.

Mr Fernandes was deputed by Prime Minister Atal Behari

Vajpayee, before his departure to the US, to visit the trouble-torn areas of West Bengal following complaints by Trinamul Congress leader Mamata Banerjee.

Mr Advani said the Centre had sent three "advisories" to the state for improving the situation but there had been no response so far. Lashing out at the CPI(M) for the violence in the state, Mr Fernandes said democracy was on the verge of extinction in the state. "Whatever I saw and heard during my visit to some villages in Midnapore, was the most terrifying experience of my political life," he added.

Quoting Mr Advani after the presentation of the report, Mr

Fernandes said: "All options will be examined and the Cabinet will take a decision on the situation in West Bengal." He said the home minister had briefed the Prime Minister on the matter.

Asked how he would compare the situation in West Bengal to that of Bihar, he said: "If Bihar is at number nine, West Bengal is at 10. This is because in Bihar the ruling party itself is not attacking the people."

He parried specific questions on whether he favoured imposition of President's Rule in the state. He said: "Any decision will have to be taken with great circumspection. To say anything on the issue is to talk out of turn."

Asked whether the law and order machinery has broken down in West Bengal, Mr Fernandes said: "Forget about machinery, the whole structure of the Constitution is under attack there."  
— PTI



# Centre keeps 'all options' open on West Bengal

By Our Special Correspondent

NEW DELHI, SEPT. 10. The Union Home Minister, Mr. L.K. Advani, today said that the Centre would consider all options in West Bengal in response to the violence allegedly resorted to by CPI(M) cadres on Trinamool Congress supporters there. However, the Centre is highly unlikely to resort to Article 356.

Clear indications to this effect were given both by Mr. Advani and the Defence Minister, Mr. George Fernandes. Asked whether the Centre would consider imposing Central rule on the State after Mr. Fernandes submitted his report to him, Mr. Advani first said that even the Trinamool Congress had not demanded it. However, when it was pointed out that it had, he said all options would be considered by the Centre.

A final decision would have to be taken by the Cabinet, Mr. Advani said. He would go through the report submitted by Mr. Fer-



The Defence Minister, Mr. George Fernandes, presenting a report on the law and order situation in West Bengal to the Union Home Minister, Mr. L.K. Advani, in New Delhi on Sunday. — Photo: Anu Pushkarna

Motivated, says Basu: Page 13

Fernandes, who toured the affected areas of the State on September 8 at the instance of the Prime Minister, Mr. A.B. Vajpayee. Mr. Advani said he had briefed Mr. Vajpayee — presently in the United States — about the situation in West Bengal over phone. Also, three advisories had been sent by the Home Ministry to the State Government in regard to the situation. The tone and tenor of Mr. Fernandes' replies at the press conference on the issue of Central rule was identical to that of Mr. Advani's. He said he had not made any recommendation and

had only placed before the Home Minister his assessment of the situation, described by him as both grim and dreadful. He said the situation in the areas visited by him was worse than the one in Bihar. On a scale of 10, he would give 10 points to West Bengal and 9 to Bihar.

## Once bitten in Bihar

Yet, he did not want a repeat of a bitter Bihar-like experience where the NDA invoked Article 356 and could not sustain it. A decision, however, would be taken by the Cabinet.

What was worse, he said, was that members of the party which had been in power for 24 years were resorting to violence against the weaker sections — Dalits, Adivasis and Muslims — for support-

ing the Trinamool Congress. And the victims had nowhere to go for justice — the local administration was not ready to act.

He said democracy in West Bengal was facing the worst threat ever. It would fade away if something was not done to correct the situation immediately. "I do not know how to apologise to Ms. Mamata Banerjee. I wish we had taken her seriously earlier when she was complaining about the deterioration of the situation. It was really, really bad."

## Laxman to visit Bengal

PTI reports:

The BJP president, Mr. Bangaru Laxman, will visit Hooghly and Midnapore on September 23, the BJP State vice-president, Mr. Muzaffar Khan, told reporters here.

THE HINDU

17 SEP 1990

# Basu dares Centre to invoke Art 356

PRESS TRUST OF INDIA  
CALCUTTA, SEPT 11

WEST Bengal Chief Minister Jyoti Basu today described the report of Defence Minister George Fernandes on the law and order situation in the state as "full of lies" and dared the Centre to take any action.

Stating that his government had received the report from the Centre, Basu said "it is full of lies" and he would personally reply to it. "I told the Chief Secretary not to reply. I will reply tomorrow".

Challenging the Centre to take any step, the Chief Minister told reporters at the Writers' Buildings: "I have never seen such a thing. Let them do the worst. The people will give the reply." On Fernandes' remark that West Bengal's law and order was worse than Bihar's, Basu said "he (Fernandes) is from Bi-

har. He is aware of the situation in that State". But the state government has the CII report which described the state's law and order as the best in the country, he said. To a question on threat to Railway Minister and Trinamool party leader

Mamata Banerjee's life, Basu said "like me, she also belongs to 'Z' category. This type of security keeps vigil on the concerned Minister for 24 hours. When the Minister goes out for any meeting, the security personnel also accompany him or

her," Basu said.

Fernandes had said in his report that after viewing the situation in the state "I am really worried for the life of Mamata."

"Speaking untruth is their habit, what can I do?", the Chief Minister asked.

