

CBI arrests Ketan Parekh for Rs 137 cr. fraud

Agency officials estimate actual amount may cross Rs 800 crore

The Times of India News Service

MUMBAI/NEW DELHI: The CBI on Friday registered a case against leading Mumbai-based stockbroker Ketan Parekh, who was arrested and booked under several sections of the Indian Penal Code for criminal breach of trust and cheating. He was also charged under the Prevention of Corruption Act.

CBI sleuths simultaneously conducted searches at his residential and official premises. The raids were continuing at the time of going to press. The bank security and fraud cell of the CBI arrested Parekh from his Fort office at about 6 p.m. and he was subsequently brought to the agency's headquarters at White House in south Mumbai.

Sources said that a case had also been registered against unknown bank officials of the Bank of India who had aided in the transactions. "Eleven places were raided after a case was registered against Parekh for allegedly defrauding the Bank of India of Rs 137 crore. While the raids are continuing, we are estimating that the actual amount involved in defrauding the banks is about Rs 843 crore," a CBI official said.

The important premises which have been raided by the CBI are Panther Investrade Limited, Panther FinCap and Management Services Limited, Classic Credit Limited and its three subsidiaries—Chitrakut Company Private Limited, Goldfish Company Private Limited and Nakshatra Software Private Limited—as well as the residential premises of three stockbrokers, including Parekh, and the Mandvi Branch of the Madhavpura Mercantile Cooperative Bank Limited.

Joint director of the agency J.C. Dabbas, camping in Mumbai, and special director P.C. Sharma in New Delhi are supervising the operations and the case against Ketan Parekh, CBI officials said.

The arrest is expected to open a can of worms on underhand dealings in the stock market, banking sources said.

According to RBI sources, while the Bank of India has been forced to swallow a Rs 130 crore loss in the form of pay orders from the Madhavpura Co-operative Bank, the total shortfall to other banks could go up to Rs 800 crore. Banking sources say this is just the tip of the iceberg.

More banks, mainly those in the public sector, are expected to feel the pain as the scam unfolds. The Punjab National Bank is the second bank to admit that it has lost Rs 17 crore in encashing pay orders.

While private sector banks generally decline to accept pay orders, some of the foreign banks are expected to make small losses. Outlining Parekh's modus operandi, RBI sources said he used his connections in high places in the Madhavpura Co-opera-

tive Bank and took pay orders in the name of the Bank of India from Madhavpura's branches in Mumbai and Ahmedabad.

The pay order was submitted to the Bank of India and was encashed after deduction of the service charges. The pay orders were then sent to the Reserve Bank of India for clearances.

The Bank of India could not retrieve the money from the Madhavpura Co-operative Bank as Parekh's account did not have the required money. The entire pay order, worth Rs 130 crore, was encashed by the broker through his 'investment companies'—Classic Share & Stock Broking Services Ltd, Panther Fincap Management Services Ltd and Panther Investrade and Management Services. On March 12, the Madhavpura Bank was declared a defaulter.

Punjab National Bank (PNB) has filed a first information report with the CBI against the payment default made by co-operative banks. The bank has also filed a case under Section 138 of the Negotiable Instruments Act, PNB general manager D.P. Singh said.

The bank has a total exposure of Rs 30 crore in the market, PNB chairman S.S. Kohli said. It ran the risk of losing Rs 17 crore due to the financial problems at cooperative banks.

Pied Piper's last call

By Business Times Bureau

MUMBAI: The Ketan Parekh story smacks of *deja vu*. Nine years earlier, Harshad Mehta had similarly rocked the stock market. Both Big Bulls appear to have found gaps in the system and closed in on them. The figure that is now being quoted as a loss to the banks is in the range of Rs 850 crore. This amount is sure to grow in the days to come as more details emerge.

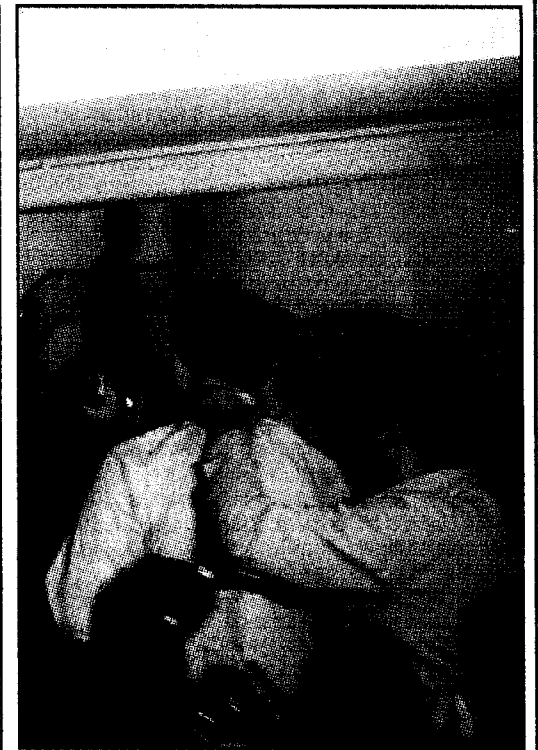
Ketan Parekh has long been a low-key but influential figure on Dalal Street and has been billed as a maker and breaker of fortunes. His penchant for technology shares is well-known. He was the pied piper who led his flock in the direction of his favourite stocks, which came to be called the K-10 index. His history dates back to 1992 and the then securities scam in which he was involved in the Canfina case. A sizable part of Parekh's investment has gone into companies focused on film production, media software programmes and the music industry.

Parekh, who is a qualified chartered accountant, ran NH Securities, a company which has been around for more than 75 years. His grandfather and father Vinubhai have all been engaged in the securities business.

TAKING THE BULL BY THE NECK



Ketan Parekh, the stock market's big bull, is taken for interrogation by the CBI to its Walkeshwar office in Mumbai on Friday evening.



BSE Sensex crashes by 147 points

Business Times Bureau

MUMBAI: The KP factor, which once sent markets soaring upwards, brought them crashing down on Friday. Rumours about broker Ketan Parekh being arrested by the CBI following his involvement in the multi-crore Madhavpura Mercantile Cooperative Bank pay-order scam sent the markets into free fall. The BSE Sensex crashed by 147 points to close at 3604. The Nifty fell by 46 points to close at 1149.

The victims included some 'K-10' stocks, led by Himachal Futuristic which hit the 16 per cent lower circuit and remained frozen there. Global Telesystems, Digital Equipment, DSQ Software and SSI lost more than 12 per cent each. Infosys, Zee, HCL Tech, NIIT, Apteck and MTNL were among the others hit.

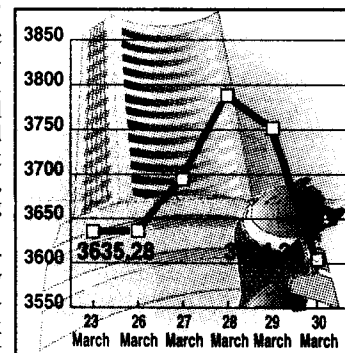
Market sources said that financiers, including banks, who may have been holding stock as collateral, had started dumping the stock and cutting their losses now that the first leg of the scam is out. Local mutual funds have started getting redemption requests. Pressures from the global market were also holding FIIs back on fresh buying. "It's a culmination of everything," said a broker. "Things are in a mess and no one knows where it's going to end." Brokers said that the market spent the whole day reacting to a swirl of

rumours. Besides rumours about the arrest of Mr Parekh, the market was reacting to rumours about the arrest of brokers who were responsible for the bear market following the Union budget.

Meanwhile, Calcutta Stock Exchange (CSE) president Kamal Parekh, vice-president K.K. Daga and six other directors resigned following the prolonged payments crisis which had gripped the bourse for the last three settlements. Securities and Exchange Board of India (SEBI) chief D.R. Mehta said on Friday that the CSE would continue to function normally, without broker-directors on its board, with six nominees representing SEBI and three from the public, besides the executive director.

In Mumbai, the Investor Grievances Forum held a seminar on Friday evening at which its president Kirit Somaiya raised a number of questions about the market scam. He noted that UTI had lent Himachal Futuristic Rs 50 crore in the form of non-convertible debentures.

"Where has that money gone?" he asked. "The role of UTI in this bull-run must also be checked." Mr Somaiya pointed out that Global Trust Bank had given ten to 12 per cent of its total loans and advances to brokers, whereas the all-India banking average of loans to brokers is 0.83 per cent.



THE TIMES OF INDIA

31 MAR 2001

Governors' nod to CBI for fresh case against Laloo

STATESMAN NEWS SERVICE

PATNA, March 30. - The Governors of Bihar and Jharkhand have granted CBI the permission to again prosecute Mr Laloo Prasad Yadav, Mr Jagannath Mishra and 174 others involved in the fodder scam.

Earlier this month, the agency sought the governors' approval to go ahead with its regular case (47A/96) dealing with the conspiracy behind the scam. The case is about fraudulent withdrawal of Rs 139 crore from a Ranchi treasury.

The CBI is likely to submit the chargesheet in its special court at Ranchi. "We have begun the process to submit the chargesheet in the case," an official said.

The CBI had sought Bihar Governor Mr Vinod Chandra Pandey's sanction to prosecute Mr Laloo Yadav, Mr Mishra and two former ministers, Mr Vidyasagar Nishad and Mr CP Verma. The agency appealed to Mr Prabhat Kumar to allow it to prosecute Mr Beck Julius (IAS) and other officers who have opted for the Jharkhand cadre.

It has also sought the permission of the state Assembly Speaker to prosecute the MLAs, Mr RK Rana and Mr Jagdish Sharma.

It had, however, not asked for Bihar Assembly Speaker's sanction to prosecute Mr Laloo Yadav for "he was the chief minister at the time of the occurrence of the crime."

Senior politicians like Congress MP Mr Rajo Singh and former Bharatiya Janata Party MLA Mr Dhruva Bhagat are among the accused.

THE STATESMAN

31 MAR 2001

RS. 130-CR. PAY-ORDER SCAM UNEARTHED; SENSEX TUMBLES

Big bull Ketan Parekh held

By Oommen A. Ninan

MUMBAI, MARCH 30. The Central Bureau of Investigation (CBI) today arrested Mr. Ketan Parekh, leading stock broker, in connection with the Rs. 130-crore pay-order scam. Equities fell sharply by 147.18 points today due to the imminent arrest of Mr. Parekh.

This is the second multi-crore scam involving banks and stock brokers after the securities scam in 1992, in which Mr. Harshad Mehta was involved.

The CBI registered a case against Mr. Parekh after Bank of India filed a complaint with the Bank Security and Fraud Cell of the agency that Mr. Parekh had defrauded it. After the case was registered, the CBI raided the residential and office premises of Mr. Parekh here since morning.

BoI, which lost Rs. 130 crores in the Madhavpura Mercantile Co-operative Bank pay-order scam, traced the orders to Mr. Parekh. He will be produced in the court tomorrow morning.

"We are contemplating filing a civil suit also with the Debt Recovery Tribunal here," the BoI Chairperson, Mr. K.V. Krishnamurthy, said.

Mr. Parekh had assured bank officials during the last two days that he would clear the entire debt. The bank asked him to bring in collateral immediately or face legal action. However, he expressed his inability to furnish securities as collateral.

Income Tax officials, during the recent raid at his premises, had seized all his securities and frozen his bank accounts. Mr. Parekh was among the six brokers whose offices and residences were raid-



ed last Friday by IT officials. Further, he lost heavily due to the present market conditions.

Three investment companies of Mr. Parekh, which run current accounts in BoI's Bombay Stock Exchange (BSE) branch, used pay-orders worth Rs. 137 crores to siphon off money. Classic Credit Ltd. used pay-orders worth Rs. 65 crores, Panther Investment Trade Ltd. Rs. 20 crores and Panther Fi-

40-1
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nancial & Capital Management Rs. 52 crores.

The pay-orders issued by the Madhavpura Mercantile Co-operative Bank, Ahmedabad, in favour of Mr. Parekh bounced on March 20, after BoI released the money to him. However, he paid off Rs. 7 crores, resulting in a Rs. 130-crore hit in the balancesheet of BoI for the year ending March 31, 2001.

The stock markets went into a free fall on the last day of the settlement on BSE as panicky investors resorted to selling. The BSE 30-Share Sensitive Index (Sensex) fell by 147.18 points to 3604.38 from its previous close of 3751.56.

The Sensex remained in the red for the entire session. The new economy stocks, many of which were the favourites of Mr. Parekh and were known as K-10, were the worst hit.

11 places searched

PTI reports:

The 38-year-old Mr. Parekh is has been lodged in a police sta-

tion. CBI sources said tonight that he was being questioned at the cell's headquarters at White House, near the Malabar Hills after he was picked up from one of his offices, Classic Share & Stock Broking Services Ltd., at Master Nagindas Road in south Mumbai.

Mr. Parekh was out when CBI officials landed at the office in the afternoon. He was placed under arrest around 5.30 p.m., a top official said. The CBI carried out searches at 11 places in the office and residential premises of Mr. Parekh and his two relatives as well as the Mandvi branch of the Ahmedabad-based Madhavpura Co-operative bank.

Mr. Parekh's relatives, Mr. Kirit K. Parekh and Mr. Navin K. Parekh, were also being questioned.

The FIR was filed in a designated court here, the sources said, adding some bank officials had also been named.

The CBI spokesperson, Mr. S.M. Khan, said latest reports indicated that the fraud could be to the tune of Rs. 843 crores, affecting three nationalised banks including BoI.

SEBI looking into issue: Sinha

The Finance Minister, Mr. Yashwant Sinha, said in Delhi that the market regulator, Securities and Exchange Board of India (SEBI), was looking into the issue, indicating that some action could be taken only after its inquiry was over.

In Kolkata, CBI sleuths launched operations at the office premises of some leading stock broking firms after Mr. Parekh's arrest.

'Loopholes exposed': Page 11

CSE elected directors quit

KOLKATA, MARCH 30. Nine elected directors today resigned from the Calcutta Stock Exchange (CSE) protesting the demutualisation proposal mooted by the Securities and Exchange Board of India (SEBI) for stock exchanges.

Stock exchange sources here said that its president, Mr. Kamal Pareikh, the vice-president, Mr. K.K. Daga, and six directors — Mr. J.M. Choudhary, Mr. Girish Mehta, Mr. Karan Bachhawat, Mr. Ajit Khandelwal, Mr. Rajendra Kumar Agrawal and Mr. Bipin Kumar Dewra — today submitted their resignation signalling a fresh crisis at the CSE.

Earlier, one of the elected directors resigned following a payment crisis that precipitated at the CSE during the last few days.

With the resignation of the nine elected members, the committee would now exist with the six public representatives, three SEBI nominees and the executive director. — UNI

THE HINDU

31 MAR 2001

TEHELKA TWIST

Jana, Advani differ on conspiracy theory

HT Correspondent
New Delhi, March 29

THE BJP is not willing to give up its conspiracy theory behind the tehelka tapes even if Home Minister L K Advani thinks the Government made a mistake in looking for a political plot behind the exposé.

New BJP chief K Jana Krishnamurthi today refused to fully endorse Advani's comment in an interview with Aaj Tak, saying: "It is too early to rule out the conspiracy angle."

In his first press conference as party president, Krishnamurthi said the conspiracy theory could be disproved only if Bangaru Laxman was found guilty by the judicial probe. "If he is found not guilty, the onus will shift to the Opposition to explain the hue and cry against the Government."

He said: "We talked about a conspiracy because Parliament was paralysed for days, wild allegations were levelled and an atmosphere of tension was built up when the Government was ready for any kind of discussion in Parliament or inquiry. If Laxman is not guilty, how does one explain the systematic attempt to denigrate the leadership of the party and the Government?"

Advani had told Aaj Tak last night: "Our first reaction that there is a conspiracy behind the tehelka tapes was a wrong one for a party in power. Perhaps it



Jana Krishnamurthi at a press conference in the Capital on Thursday.

would have been fine if we were in the Opposition." He had also said: "It's a matter of concern that fake arms dealers had such an access to our party and Government."

Said Krishnamurthi: "My impression is that Advanji commented on the 48-hour delay on the part of the Government in responding to the tehelka disclosure. He also explained that politicians were more used to reacting to print, and not to the fast-paced electronic media."

Since the tapes came to light,

BJP leaders have been speaking in different voices on the issue. While Advani had first (and later the Prime Minister) called for introspection to counter "negative influences" on the organisation, the party had officially described the Opposition campaign as a conspiracy against the Government.

What's more, the NDA Coordination Committee decided on Sunday to intensify its nationwide campaign against the Congress from April 1 to 16 to expose its plan to dislodge the Government on "false charges".

Calling for a code of ethics to guide the conduct of MPs, MLAs and other elected officials, the new BJP president said he favoured early enactment of the Lok Pal Bill, which would bring even the office of the Prime Minister within its purview.

As a first step, he said, the BJP would formulate a code of ethics for its elected representatives at the next meeting of the party's National Executive. As part of the introspection within the party following its recent conclave, a 'Virar-type' brainstorming session of senior party leaders would be held later this year.

He ruled out Laxman's expulsion or his resignation from the Rajya Sabha over the tehelka exposé. "If and when he is found guilty by the inquiry, we shall not hesitate to take any action. But the question of expulsion now doesn't arise."

THE HINDUSTAN TIMES

30 MAR 2001

Fraud charge fells Big Bull

Parekh arrested in scam rerun

OUR BUREAU

March 30: History was repeated today when Ketan Parekh, Big Bull II of the stock market, was arrested by the Central Bureau of Investigation following a criminal complaint by the government-owned Bank of India, charging the broker with cheating and fraud.

The CBI arrested him at 4 pm after a special investigating team headed by joint director J.C. Davao raided 11 offices and the residence of the broker and seized papers relating to what has come to be known as the pay-order scam.

Along with Ketan, two other members of the Parekh clan, Kirti and Kanti, were arrested. The three will be produced before a designated court in Mumbai tomorrow.

They were charged under Section 467 of the Indian Penal Code. Another case against them has been filed under Section 420 which relates to cheating and forgery. The interrogation is still on at White House, the CBI headquarters in Mumbai.

Though the arrests took place much too late to have an impact on the market, rumours of impending action against Ketan Parekh had already sent the Bombay Stock Exchange sensitive index plunging 147 points to 3604.38.

Parekh's fall is reminiscent of the collapse of the original Big Bull, Harshad Mehta, nearly a decade ago when he was brought to heel by enforcement agencies in the securities scam.

As in the Harshad Mehta affair, this time, too, money was taken out of the banking system in a fraudulent manner to play on the stock market. Instead of government securities, the instru-

ment used in the current case is the pay order. A pay order — like a draft — is issued by a bank for a specific amount after a client deposits an equivalent sum with it. This pay order is then presented to another bank, which encashes it after taking a commission.

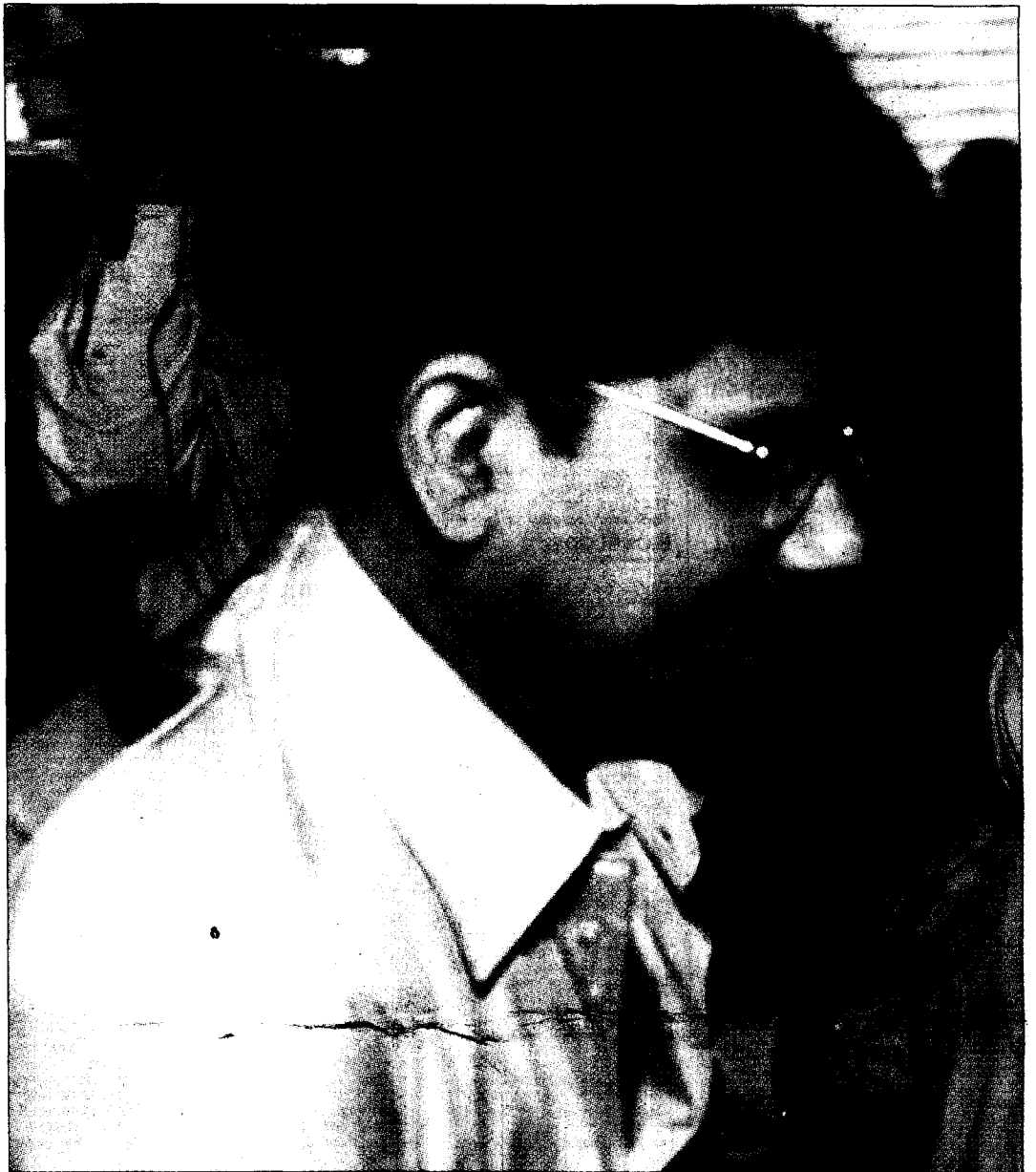
While Bank of India (BoI) has been defrauded of about Rs 137 crore, it is feared that, once the losses of other banks are toted up, the total amount may run into Rs 843 crore. Punjab National Bank, also owned by the government, is already talking about a loss of Rs 17 crore.

The origin of the fraud lies in pay orders issued by a Mumbai branch of Gujarat's Madhavpura Mercantile Co-op Bank in the names of three finance companies of Parekh. On March 8, six pay orders worth Rs 62 crore were issued to Panther Investrade, Classic Credit and Panther Fin-Cap. Seven pay orders worth another Rs 75 crore were given out, also in the names of the same companies, the next day.

When these pay orders were presented to BoI, it credited the accounts of these companies with the amount — Rs 137 crore — represented by the papers. The companies then took the money out of the accounts.

After the post-budget market crash, BoI approached Madhavpura Bank to honour its commitments, but the bank did not have the funds. On March 12, the co-operative bank was declared a defaulter, which meant that the pay orders issued by it and encashed by BoI now stood dishonoured. BoI found out later that Madhavpura Bank had released the pay orders without receiving any money from Parekh.

O.N. Singh, the executive director of BoI, said: "We filed a criminal complaint with the CBI



Ketan Parekh escorted by CBI officials after arrest. (AFP)

against Ketan Parekh stating that there was a conspiracy to cheat our bank."

Parekh was called by the bank yesterday and told to make good the default of Rs 137 crore. "He pleaded for time. A couple of months," Singh said, adding: "(But) We cannot remain mute spectators."

Parekh would perhaps have succeeded in coming up with the cash had the market not crashed, taking the value of his pet shares — known as K-10 — down drastically. It has now come to light that he might have been trapped by a bear cartel, which drove prices down, armed with insider information leaked by top BSE officials.

The CBI suspects the connivance of bank officials in the fraud, which could have been going on for some time — at least from January to March. It believes that other than Madhavpura, one foreign bank and two private banks have issued pay orders to Parekh without cash back-up.

■ See Business Telegraph, P 9

THE TELEGRAPH

3 MAR 1992

CBI freezes five accounts of V. George

BY OUR CORRESPONDENT

New Delhi, March 28: The Central Bureau of Investigation has frozen five bank accounts belonging to Congress president Sonia Gandhi's personal secretary Vincent George and his family members.

According to CBI sources, five bank accounts with deposits amounting to approximately Rs 29 lakhs in the name of Mr George, his wife Lilly George and his children Priyanna and Dennis, were frozen by the bureau in a late night operation on Tuesday.

The CBI had registered a case against Mr George last week, charging him with acquisition of disproportionate assets when he was a government employee.

Of the five bank accounts that were frozen, one at the Ansari Nagar branch of State Bank of India is in the name of Mr George, three accounts at the Moti Nagar branch of State Bank of India are in the name of Ms Lilly George, Priyanna George and Dennis George and the fifth account at the Diplomatic Enclave branch of Canara Bank in the name of Dennis George.

The case against Mr George was registered by the CBI on the evening of March 20, charging him of possessing assets disproportionate to his known sources

■ Turn to Page 2

28/3
Mathew to
President:
Please help

BY SHAHID FARIDI

New Delhi, March 28: Union home ministry director Thomas Mathew on Wednesday urged President K.R. Narayanan to direct the government to revoke "the unjust, illegal and vindictive" order of suspension served on him, saying that the charges made by the government "do not warrant or justify suspension from service."

"I most humbly request you to kindly order revocation of the... order of suspension served on me even before I have had time to give my reply to the first communication, dated March 23, 2001, seeking clarifications on the media report... A systematic effort is also on to defame me... The most serious allegation made against me without any grain of truth is that I have masterminded a conspiracy to destabilise the government," Mr Mathew has reportedly said in a letter to the President.

Mr Mathew was suspended following a report in a newspaper that alleged his links with the

■ Turn to Page 2

THE ASIAN AGE

29 MAR 2001

29 MAR 2001

V. George accounts frozen

■ Continued from Page 1

of income during the period from November 1984 to December 1990, when he was a government employee.

A preliminary inquiry in the matter had been going on since March 14, 2000. This probe had been initiated on the basis of disclosures made by former deputy director of Enforcement Directorate Ashok Aggarwal.

According to the CBI sources, during the course of the preliminary inquiry, the allegations of possessing disproportionate assets during the period that he was a government employee were substantiated. The Congress did not comment on the freezing of the George family accounts. When contacted, the spokesperson of the party, Mr S. Jaipal Reddy, said, "I will not comment."

THE ASIAN AGE

29 MAR 2001

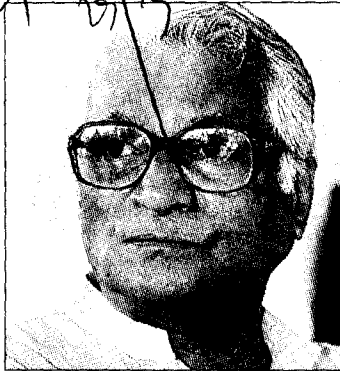
Vittal clean chit to George

New Delhi, March 28

GEORGE FERNANDES, who quit as defence minister following corruption charges, was "sincere" in his attempts to bring about transparency in defence acquisition matters, Chief Vigilance Commissioner N Vittal said today.

"As far as I know George Fernandes, my impression is that he was sincere about it. His intentions were good and he was trying to bring in greater transparency in the system and had made efforts with good intention," Vittal said in a discussion on corruption on DD.

According to a release issued by programme producers Independent Media Pvt Ltd, Vittal



said Fernandes brought in a new rule that all deals worth above Rs 75 crore would be examined by the CVC and Comptroller and Auditor General of India within one month of being clinched.

Fernandes, as the defence minister, had asked the CVC to probe four areas, Vittal said, adding about 400 files were sent on these issues to the CVC to facilitate the enquiry.

These included the issue of whether there were any middlemen despite the "no middleman" policy in any of the deals, he said, adding that the CVC would submit its report on this aspect to the government by April.

The other issues which George sought to be inquired into were allegations of corruption in Parliament made by Jayant Malhotra MP, corruption charges in navy purchases made by Rear Admiral Purohit and the defence deals worth over Rs 75 crore, Vittal added.

PTI

THE HINDUSTAN TIMES

29 MAR 2001

Cong wants Bangaru, Jaitly arrested

HT Correspondent
New Delhi, March 28

THE CONGRESS today attacked the NDA with renewed vigour on the Tehelka issue, demanding the "arrest" of former BJP chief Bangaru Laxman, ex-Samata chief Jaya Jaitly and others seen in the controversial tapes.

"The judicial inquiry (announced by the Government) cannot be an excuse for not taking action against the guilty in terms of criminal law," Congress spokesman Jaipal Reddy said. He mentioned CBI special prosecutor R. M. Tiwari's opinion that evidence on the Tehelka tapes was enough to register cases against those 'exposed' in the sting operation.

Reddy said the law must be allowed to come into operation with regard to those found guilty: "Justice has already been delayed. But it should not be denied" He said given its terms of reference, the judicial probe was a "premeditated" whitewash, a conscious exercise in political deception.

Reddy also lashed out at NDA bigwigs for making a beeline to reach to R K Jain to secure a clean chit from him. "Instead of begging Jain for a certificate of good conduct, the NDA leaders, if their conscience is clear, should initiate criminal proceedings or file defamation cases against

FALEIRO SEES BUSINESS HOUSE HAND IN EXPOSÉ

THE TEHELKA tapes are the result of a "conspiracy" hatched by a "powerful business family" in collusion with a dissatisfied section of the Vajpayee Government, alleges senior Congress Rajya Sabha member Eduardo Faleiro. He said this business family had previously been close to the party in power but has now fallen out.

Faleiro issued a statement on Wednesday urging the need for an impartial enquiry to confirm this conspiracy. He also wanted the inquiry to examine the nexus between the tehelka disclosure and the Income-Tax raids conducted in July 2000 at the residence of Samata Party president Jaya Jaitly.

"That raid, ostensibly carried out in connection with the match-fixing scandal, was aborted on instructions from above," he said. "From my experience in Government, I know raids on homes of chiefs of political parties, especially if connected with the one in power, cannot be conducted unless cleared from the very top."

He criticised the suspension order served on Thomas Mathew, a director in the Home Ministry, even before he could reply to the letter served on him. He accused the Government of being selective in its implementation of service rules pertaining to civil servants.

Rule 5(16) of the Central Civil Service (Conduct) Rules bars Government servants from being members of political parties, including the RSS and Jamat-e-Islami. However, a blind eye is turned to the fact that this rule is breached often by senior scientists and academicians working for the Government who not only participate in functions organised by these groups but also receive 'awards' given to them.

HTC, New Delhi

him," he added.

Jain's latest statement (while tendering an unconditional apology to the Finance Minister) only confirmed the "complete truthfulness" of every small bit of the video footage of Tehelka, he said.

Asked for the party's reaction on the suspension of a Home Ministry official, Thomas Mathew, Reddy said it showed

that the Government had become a nervous wreck. But he refused to comment on the CBI action freezing the bank accounts of Congress president Sonia Gandhi's private secretary, V George in a case of disproportionate assets: "We have decided not to take any more questions on the matter which does not concern the party", he said.

THE HINDUSTAN TIMES

29 MAR 2001

Enough proof in tapes, says CBI counsel

28/3
Rajnish Sharma
New Delhi, March 27

A SPECIAL Public Prosecutor with the CBI, R M Tiwari, has written to Bureau Director R K Raghvan that a case be registered against those figuring in the tehelka exposé. He has threatened to wait for about a fortnight for the CBI to initiate action, failing which he would file a writ petition demanding a case be registered.

Tiwari said there was sufficient evidence against politicians, bureaucrats, Army officers and businessmen who figured in the tehelka tapes. In a complaint written to the CBI Director on March 20, he demanded that a case be registered under the Prevention of Corruption Act and the Indian Penal Code. The complaint was received at the CBI headquarters and its acknowledgement was sent to Tiwari on March 22.

Tiwari wrote that the video footage was legally admissible. "These tapes should be seized immediately and used as evidence against these people." He also claims that it was evident from the tapes that the tehelka-tainted were involved in under-hand dealings.

He wants the CBI Director to conduct immediate raids to recover the tapes. "When Delhi Police can conduct investigations into the match-fixing case merely on the basis of telephonic

R K JAIN SAYS SORRY

R K JAIN, a key figure secretly taped by the tehelka, today said statements supposedly made by him against Finance Minister Yashwant Sinha and others were "false and incorrect". In response to a legal notice by Sinha's lawyer, the former Samata Party functionary apologised for the comments attributed to him. Meanwhile, Thomas Mathew, a director in the Union Home Ministry under investigation for alleged involvement in the tehelka disclosure, has been suspended.

PTI, New Delhi

conversation, in this case, every action has been well displayed on the tapes. In fact, these tapes are a very conclusive evidence."

Tiwari said all those figuring in the tapes had compromised the country's defence and there was an urgent need to register a case. "There is a strong possibility that those shown on the tapes will take every possible step to destroy the evidence. The CBI should immediately seize the tapes to protect evidence."

The prosecutor also contends that any case registered by the CBI under the Prevention of Corruption Act is done on the basis of source information. He holds that the tapes can be used as a source and the CBI should have taken suo motu notice of the tapes and registered a case.

THE HINDUSTAN TIMES

28 MAR 2001

NDA plans campaign to counter Tehelka

SUDESH K VERMA
STATESMAN NEWS SERVICE

NEW DELHI, March 26. — The NDA has planned an aggressive fortnight-long campaign from 1 to 15 April to counter the Congress's attack on the Tehelka revelations. They will also try and force the main Opposition to allow regular functioning of Parliament when it re-assembles for the budget session on 16 April.

The government's concern is to bring normalcy as soon as possible or this might derail the important policy decisions it wishes to take during the budget session. Also, it does not wish to give the impression that it was unable to function despite having a majority. Some NDA leaders privately expressed their worst fears — that the Congress might not al-

low Parliament to function till the Assembly polls in end April, in the hope that it would give it a decisive edge over the NDA.

The Prime Minister, Mr Atal Behari Vajpayee, is slated to address rallies in Bangalore, Mumbai, Bhubaneswar and Lucknow as part of the campaign. The Union minister, Mr LK Advani, and the former defence minister and NDA convenor, Mr George Fernandes, will focus on other state capitals.

The NDA leaders have drawn a list of 50 leaders who are to address rallies throughout the country.

The strategy, which was discussed at an informal meeting of the NDA at Mr Vajpayee's residence, was finalised today by Mr Advani, Mr Fernandes and the Union rural development minister, Mr M Venkaiah Naidu.

The focus of the campaign will be to compare the reaction of NDA leaders after allegations of corruption with the reaction of Congress leaders to corruption charges against them. While the NDA leaders have resigned and appointed an inquiry commission to know the truth, the Congress leaders never resigned, a senior BJP leader said.

The BJP has formally been kept out of the campaign and the planning had been done in the NDA's name. This is likely to save embarrassment to the BJP for omitting its former party president's name, Mr Bangaru Laxman, from the campaign. While Mr Fernandes is being given a chance to defend himself, the same privilege is being denied to Mr Laxman, some party leaders privately said.

CONG ON THE DEFENSIVE

NEW DELHI, March 26. — Congress President Mrs Sonia Gandhi's absence at an anti-BJP rally here yesterday has put her party on the defensive on the Tehelka issue.

After giving, what Mr S Jaipal Reddy described last week, "a clarion call" to party workers to campaign against the Vajpayee government, Mrs Gandhi chose to fly out of the country on the eve yesterday's rally.

"Mrs Gandhi had left for Hong Kong on the invitation of the Council of Hong Kong Indians' Association," said AICC spokesman Mr Anand Sharma.

Her absence made yesterday's rally a low-key affair and her partymen had to remain satisfied with the presence of some middle-ranking and a few small time leaders in the capital.

Mrs Gandhi, at no point of time, has associated herself with Congress rallies organised at different levels all over the country. There is no programme available with the AICC in which Mrs Gandhi would lead the Tehelka rally. On the contrary she had rescheduled her visit to Amethi which was to take place this week.

The Congress, however, hit back at the BJP for Mr Atal Behari Vajpayee's remark at the NDA rally yesterday in which he criticised Mrs Gandhi for calling him a "traitor." — SNS

Tehelka tapes inquiry

Commission 5/1 25/3
NEW DELHI, March 24. — Mr Justice K Venkataswami, a retired Supreme Court judge, will head the one-man commission to probe the Tehelka expose. It will submit its report in four months from the date of the notification's gazette publication. Mr Justice Venkataswami said the time set by the government was sufficient.

The commission's terms of reference are:

a. to probe deals in defence and other procurements referred to in the Tehelka tapes and transcripts to find if they honoured the prescribed procedures

and national security imperatives;
b. to probe whether illicit gains were made by people in public office, individuals or any organisation as alleged and if so, to what extent;
c. to suggest action against those found guilty in transactions referred to in a;
d. to probe all aspects of these allegations or any other matter which arises from or connected to or incidental to any act of commission or transaction referred to a and b. — PTI

■ Another report on page 10

Jaya charged in another case

STATESMAN NEWS SERVICE

CHENNAI, March 23. — Miss Jayalalitha and an AIADMK MP, Mr TTV Dinakaran, were charged today in a disproportionate wealth case.

They had assets worth Rs. 44 crore more than their known sources of income.

The charge-sheets, filed in the principal sessions court by the Directorate of Vigilance and Anti-corruption, ac-

cuse the two of violating the Fera by entering into a criminal conspiracy for transferring money to Dubai, Sri Lanka, Malaysia, Singapore and Hong Kong.

Miss Jayalalitha had allegedly entered into a criminal conspiracy with Mr Dinakaran, nephew of her aide Mrs Sasikala, and made investments, worth Rs 43,98,17,665, which did not match with her known sources of income. The

invested amount was over and above the disproportionate assets she has acquired in India.

Miss Jayalalitha is facing a disproportionate assets case in a special court here.

The DVAC said she had committed a "criminal misconduct" as a public servant and charged her for offences under Sec 120-B and 13(2) of IPC read with Sec 13(1)(E) of Prevention of Corruption Act (PCA). Mr Dinakaran was

charged for offences under Sec 120-B, 109 and 13(2) of IPC read with Sec 13(1)(E) of the PCA.

Probes by the DVAC and the Britain fraud office also revealed that Mr Dinakaran had acquired three companies and transferred money into their accounts with Barclays Bank's Sutton branch, London.

The judge, Mr Ashok Kumar, posted the case for further hearing on 17 April.

THE STATESMAN

9 MAR 2007

4 MAR 2007

Secrecy mustn't be used as a cover for corruption: Panel

BY OUR CORRESPONDENT

New Delhi, March 23: The standing committee on defence which presented its report in Parliament on Friday, has stated secrecy in the name of defence should not be used as a weapon to cover up corruption and inefficiency in defence procurement procedures.

The report, which comes close on the heels of the Tehelka expose, has asserted the government should examine the feasibility of setting up a broad-based high-powered committee to take a deeper look at the acquisition procedures in all its dimensions and suggest long-term measures.

The panel states, "It is observed that defence procurement procedures are coming in the way of time-bound acquisition by the armed forces where time is an important factor in equipping the armed forces, especially when India is facing an extraordinarily hostile security situation." The committee pointed out the setting up of a committee could be examined after the government takes a view on recommendations made by the defence ministry's committee, headed by the vice-chief of Army staff. The committee in its report has taken the defence min-

istry to task for entering into major purchase deals for weapon locating radars with the firm Iskra of Ukraine despite reservation expressed by the ministry of external affairs because of Ukraine's proximity to Pakistan. The committee has asked the defence ministry to keep its options open for procuring the much-needed WLRS from Germany, which has the advance technology Cobra, and other countries.

On the T-90 tank issue, the committee urged the Price Negotiating Committee to conclude its negotiations with the Russians at the earliest since a long delay may result in obsolescence of technology.

The report states the Indian Army combat in armour against Pakistan had fallen from 1.99:1 in 1993 to 1.40:1 in July, 1997. At this juncture, import of the T-90 tank with transfer of technology and upgrading production line was the only prudent solution to meet the readiness of the Army and challenges from across the border.

The committee has expressed concern over delay in the completion of the design and the development and upgradation work on MiG-21 fighter aircraft. The committee has said adequate and timely funding should be given.

THE ASIAN AGE

24 MAR 2001

'TIMING OF FIR AGAINST GEORGE RAISES DOUBTS'

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Bid to divert attention: Cong.

By Our Special Correspondent

NEW DELHI, MARCH 22. The Congress today continued its defence of Mr. Vincent George, private secretary to the party president, Ms. Sonia Gandhi, and questioned the timing of the CBI First Information Report. "The idea behind the move to file a first information report is to divert attention from the Tehelka expose," said the party spokesperson, Mr. S. Jaipal Reddy.

The Congress termed the move a "vendetta", emphasising on the timing of the CBI action, coming as it did in the midst of the Tehelka expose. The party also sought to cover its flanks, saying it was in favour of the "law taking its course".

The position is in line with the Congress stand in the case of the AIADMK's Ms. Jayalalitha and the former Bihar Chief Minister, Mr. Laloo Prasad Yadav. In both cases, the party had said a mere FIR was not enough to prove a person guilty, and that it would wait for the court verdict before taking a final position. It sought to differentiate between those involved in the Tehelka expose and Mr. Vincent George. "Here the guilt has to be proven, while those people were seen accepting money and have also confessed to having done so," said Mr. Reddy.

The Congress believes the Government has acted against Mr. George purely to try and pressure its president, and therefore it must resist the attempt. Even those critical of the functioning of Mr. George, because of the timing

of the FIR, believe action against him at this stage would amount to the Government's confession of guilt.

The Congress leaders in different ways continued to make the point that it was the Government and not the Congress which was adopting double standards.

The party also rejected the BJP

demand that the Congress president take moral responsibility for the case. It was pointed out that unlike Mr. Brajesh Mishra, Principal Secretary to the Prime Minister, Mr. George was a Congress employee working in the party president's office, and was not paid a salary by the Government unlike Mr. Mishra.

'Sonia owes an explanation'

By Our Special Correspondent

NEW DELHI, MARCH 22. The Bharatiya Janata Party today said the Congress president, Ms. Sonia Gandhi, "owes an explanation to the nation" for retaining the services of her Private Secretary, Mr. Vincent George, booked by the CBI on charges of corruption.

In an obvious attempt to deflect the heat generated by Opposition on the Vajpayee Government following the Tehelka expose, the BJP lost no time in playing up the disproportionate assets case against Mr. George, suggesting that the Congress seek the resignation of Ms. Gandhi instead of the Prime Minister.

The BJP spokesman, Mr. Vijay Kumar Malhotra, however, refused to demand Ms. Gandhi's resignation, stating that the party would gain if she remained AICC president, thereby indicating it would not let go on the opportunity to cash on it in political terms.

With the CBI filing a case against Mr. George, a matter of "public knowledge" had been confirmed, he said demanding that the Congress should stop its tirade against the Vajpayee Government.

The Congress should call off its proposed nationwide rallies against the Government, and stop stalling Parliament on "baseless and imaginary" charges.

Ridiculing the Congress reaction to the case as an act of political vendetta, Mr. Malhotra said that going by the argument the BJP was tempted to ask whether it was the Government which registered the properties which the CBI said were owned by Mr. George.

Mr. Malhotra pointed out that the statements of the former Enforcement Directorate official, Mr. Ashok Aggarwal, and Mr. Abhishek Verma, son of a former Congress MP, who were close to Mr. George, were also "serious".

Asked why the CBI had registered the case against Mr. George at this juncture, Mr. Malhotra said that while investigations were on for nearly a year, the timing of the case was a mere "coincidence".

THE HINDU

23 MAR 2001

Tehelka fires fresh salvo at Samata

HT Correspondent
New Delhi, March 22

TEHELKA TODAY released fresh footage of the exposé on defence deals to counter Samata Party's denial of the involvement of its MP Srinivasa Prasad.

The clipping shows a tehelka reporter pack a wad of notes, allegedly containing Rs 2 lakh in currency, in a newspaper sheet in the drawing room of the former Defence Minister George Fernandes before proceeding to meet Jaitly. The footage neither shows Jaitly accepting money nor central minister Srinivasa Prasad being present in the room. The packet of money is, in fact, not handed over to any person in Jaitly's presence on the portion of the tape released.

Among those present in Fernandes' drawing room, claims tehelka, was middleman Surendra Sulekha and another person in kurta pyjamas, whom the tehelka reporter allegedly mistook for Prasad.

Tejpal, editor-in-chief of tehelka.com said: "The Samata Party is trying to debunk findings of

the investigation and distract from the main findings of Operation West End."

"It is Jaitly who first named Prasad when she tells an aide present, 'Please send this to our minister, Mr Srinivasa Prasad. He is hosting the National Council...'. We have found a grab of

SJM BLASTS PMO

The Swadeshi Jagran Manch launched a blistering attack on the PMO on Thursday, saying it is manned by people "insensitive to national interest". The comments were careful to keep Atal Bihari Vajpayee out of the controversy. Detailed report on Page 9

that man on our tapes and are releasing it to the Press."

With Samata claiming Prasad was not in Delhi on the date of the deal, Tejpal added that tehelka was trying to identify this fifth aide to back its footage.

Home Ministry probe: The Union Home Ministry has ordered an inquiry into the alleged involvement of a ministry official in the tehelka's sting operation.

Centre to curb CVC powers

SFI 22/3

Corruption

STATESMAN NEWS SERVICE

NEW DELHI, March 21. — The Cabinet has approved a JPC recommendations on CVC Bill 1999, that is likely to curtail the central Vigilance Commission's authority.

The "single directive" to be restored by the government bars the CBI from probing officials of joint secretary-level and above under the Prevention of Corruption Act, without the Centre's approval.

The Supreme Court had struck down the provision on 18 December 1997, in the Vineet Narain case. It'll now be incorporated in the Bill (Clause 27). Officers experienced in probes said the move would affect the CVC's attempts to curb corruption among high-level officials.

The Cabinet last night approved all the recommendations of the joint parliamentary committee, the parliamentary affairs minister, Mr Pramod Mahajan, said today. The Bill was introduced in Parliament in December 1999, after which it was referred to the committee headed by Mr Sharad Pawar.

The committee, which undertook a "detailed examination of the Bill, turned down the central vigilance commissioner, Mr N Vittal's request that the CBI be allowed to function under the CVC. However, the CVC will continue to hold powers of "su-

perintendence" over the CBI. Besides, the CVC chairman and other members will be included in the committee that will choose the CBI chief and the enforcement director.

The government said the commission wouldn't exercise superintendence over policy matters but work under policy guidelines of the government. It has also been made mandatory for the CVC to send an annual report to the President within six months from the end of each year.

The Cabinet decided that besides the chairman or the central vigilance commissioner, the commission will have two members with 4-year tenures. The measure is likely to trim the chairman's powers to order a unilateral probe into administrative functioning.

All the members will now have a four-year term and can serve till they reach 65. Members will be considered for the chairman's post, provided the aggregate tenure remains four years.

The chairman, unlike the two other members, will not be re-appointed in the commission once he demits office. When **The Statesman** contacted Mr Vittal, due to retire in September 2002, he said: "I'm yet to know what actually were the recommendations and what the Cabinet has approved. If the government feels it needs changes, it's free to do it".

THE STATESMAN

22 MAR 2001

Govt. rejects Sonia's demand

By Our Special Correspondent

NEW DELHI, MARCH 21. The Government today rejected the Congress' request to present its views on the Tehelka tapes through Doordarshan while offering the Leader of the Opposition, Mrs. Sonia Gandhi, to join a panel discussion on the network or a debate in Parliament, which could be telecast live.

Responding to Mrs. Sonia Gandhi's letter to the Prime Minister, which was forwarded to the Information and Broadcasting Minister, Mrs. Sushma Swaraj, the Government said there was no provision to entertain such a request while maintaining the Prasar Bharti, an autonomous organisation, made its decisions.

Addressing a press conference, Mrs. Swaraj said her reply to the Congress request was based on information provided by the Prasar Bharti.

On the specific question of Mrs. Gandhi's request to allow party's authorised representative on Doordarshan, Mrs. Swaraj said: "There is no provision for it and the decision is Prasar Bharti's not mine".

The Congress spokesman, Mr. S. Jaipal Reddy, however, rubbished Mrs. Swaraj's explanation as an "essay in escapism". He said the Congress president was

totally justified in asking for time for her party to explain its position.

He said the Prasar Bharti was far from autonomous. "Every channel except Doordarshan had shown the Tehelka tapes."

Earlier, Mrs. Swaraj suggested to the Leader of Opposition to a debate in Parliament on it and said the Government would request the Speaker to allow a live telecast.

Echoing an offer made earlier by the BJP spokesman, the I & B Minister said in case Mrs. Sonia Gandhi wished to personally take part in a panel discussion which were being telecast, the Govern-

ment would nominate a person of an "appropriate stature". Prasar Bharti has agreed to allot a suitable time slot for it.

In her reply to the Leader of the Opposition, Mrs. Swaraj said since Prasar Bharti was an autonomous organisation, the Government did not interfere in its programming decisions and items for news telecasts were selected on 'newsworthiness'.

She clarified that as per Prasar Bharti, the statement of the then Defence Minister, Mr. George Fernandes, was the network's "exclusive" and because of its high news value it was picked up by other television channels within a few minutes thereafter.

On Mrs. Sonia Gandhi's charge of allowing the Prime Minister's Principal Secretary, Mr. Brajesh Mishra, and other officials address the press from the Press Information Bureau premises, she said it was the job of PIB to arrange press conferences for the Government, be it Ministers or Officers.

Responding to another letter by the CPI(M) MP, Mr. Hanan Mollah, questioning Doordarshan's decision of not telecasting the Tehelka Tapes, she said Prasar Bharti officials told her the decision was made on "newsworthiness".

Deposition for second day

NEW DELHI, MARCH 21. Mr. Mathew Samuel and Mr. Anirudh Bahal, the two-member team which carried out Tehelka.Com's sting operation on bribes in defence deals, today deposed under oath before a three-member Army Court of Inquiry probing defence officials' conduct.

The two spent over four-and-a-half hours before the court in two sessions deposing separately in the presence of all the accused officers.— PTI

THE HINDU

22 MAR 2001

HD-13
22/3

Govt. must take cue from Army: Cong.

By Our Special Correspondent

NEW DELHI, MARCH 21. The Opposition today continued to press its demand that the Government launch criminal proceedings against those seen receiving money in the Tehelka tapes expose. The main Opposition party, the Congress, once again reiterated its demand of a "criminal inquiry and arrest if necessary" against those involved.

Articulating his party's point of view this afternoon, the Congress spokesperson, Mr. S. Jaipal Reddy, said, "we are demanding criminal investigation, criminal inquiry and arrest if necessary as per the law." Pointing out that the Army chief had been prompt in acting against the officers involved, he wondered "why is similar action not being taken against the politicians involved?"

The Government also found itself under increasing pressure on the issue of allowing two senior officials of the Prime Minister's Office to address a press conference in the Press Information Bureau. The Nationalist Congress Party demanded the resignation of the Prime Minister's Principal

Secretary, Mr. Brajesh Mishra, and accused Mr. Vajpayee of abdicating "his prime ministerial responsibility".

The decision to allow Mr. Mishra and Mr. N. K. Singh to hold a press conference to rebut charges made against them and the PMO, "was a serious breach of ministerial responsibility and the Minister-civil servant relationship" the NCP general secretary and spokesperson, Mr. Devendra Nath Dwivedi, said.

Mr. Dwivedi said the principle of responsibility entailed that the Ministers remain politically accountable to parliament for the conduct of their departments, while civil servants were accountable only to their superiors. Citing constitutional and parliamentary procedures, he said a civil servant had no constitutional personality or responsibility separate or distinct from the Minister he served.

The NCP leader said the Prime Minister was "morally, constitutionally and politically answerable for the conduct of officials in the PMO as it was not an autonomous entity". Under the Constitution only the Prime Minister or

one of his Ministers could defend the PMO. Mr. Dwivedi said Mr. Mishra's offer to quit if it helped the Prime Minister "gives the impression that he regards himself not as a extra-constitutional authority but a constitutional centre of authority."

Share broker's family commits suicide

NEW DELHI, MARCH 21. An entire family of a share broker, comprising four members, committed suicide in their house in west Delhi, police said here today.

A suicide note in a post card said the share broker, Sanjay Agarwal, who used to work with a security firm at Karol Bagh, had suffered a huge loss in his business recently. The note was signed by Sanjay and his wife Sapna.

The deceased included Agarwal's wife, a nine-year old daughter and a six-year old son, Chirag.
— PTI

THE HINDU

22 MAR 2001

CBI goes after Sonja's aide

22/3
FROM OUR SPECIAL
CORRESPONDENT

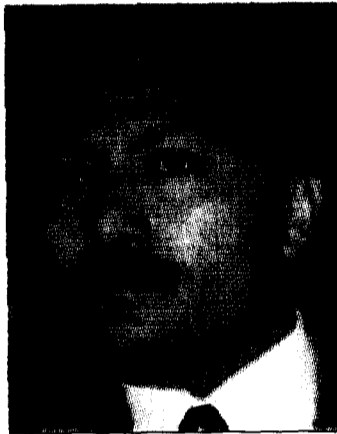
New Delhi, March 21: The CBI today slapped a disproportionate assets case against Congress president Sonia Gandhi's personal secretary Vincent George, coinciding with the Opposition's relentless onslaught on the government after the Tehelka tape scandal.

The CBI is not required to act at the behest of the Centre, but the timing of the case makes the beleaguered Vajpayee government vulnerable to charges that it has mounted a counter-offensive to silence the Opposition.

Sources said a high-level meeting was convened five days ago, after which the CBI received the nod to file the case against George. Sonia's secretary was implicated by Ashok Agarwal, a deputy director of the Enforcement Directorate, and Abhishek Verma, a former Congress MP's son. Agarwal is now an undertrial.

According to the case filed by the CBI's anti-corruption branch, George allegedly amassed disproportionate assets as private secretary to Rajiv Gandhi, when he was the Prime Minister, and therefore a public servant.

The CBI began a preliminary inquiry on March 14 last year on the basis of statements made by Agarwal, who had claimed he was closely associated with George. The bureau's FIR says that George and his family acquired moveable and immovable assets worth Rs



Vincent George

2.5 crore between November 1984 and December 1990. The acquisition of property and assets increased after George ceased to be a public servant. According to the CBI, George "could not explain" how he acquired the property and assets.

The CBI is also trying to find out whether George held any other landed property not acquired through his known sources of income. Agarwal is believed to have told the agency that he used to help George file his tax returns and would advise him on investment and property. George and his wife Lily were questioned by the CBI several times last year.

Caught off guard by the case, the Congress viewed today's development as an act of political vendetta. Senior leaders said the Vajpayee regime's retaliatory action would prove counter-productive. "Let the people judge it. The

government is refusing to act against those who openly accepted bribes. Now it is digging up an old case to settle scores and send a signal as if the main Opposition party is equally corrupt. That is just not true," an AICC general secretary said. He added that technically George was not even a *char-anna*-paying member of the Congress party, but is still an important person.

The Congress felt that if the government had acted against those named in the Tehelka tapes, the move against George would have had a ring of credibility. "We are for the law to take its course, but the government cannot have two sets of rules. If it's serious about corruption, it should act against Bangaru Laxman. The whole world has seen him accepting money," the general secretary said.

The government swung into action to control damage. Vajpayee's managers convinced ally Shiv Sena to rescind its demand for the removal of PMO officials Brajesh Mishra and N.K. Singh. The Prime Minister met a sulking Ramakrishna Hegde and almost apologised to him for being ignored for an NDA meeting.

The Samata Party got a shot in the arm as it was able to prove that its junior minister Srinivas Prasad was not present at George Fernandes' residence on December 28 when the Tehelka team is said to have paid Rs 2 lakh to Jaya Jaitly. Prasad was away in Karnataka then.

■ See Page 4

THE TELEGRAPH

22 MAR 2001

CBI case against Sonia's secy.

By Vinay Kumar

NEW DELHI, MARCH 21. The Central Bureau of Investigation (CBI) has registered a case under the Prevention of Corruption of Act against Mr. Vincent George, private secretary to the Congress president, Ms. Sonia Gandhi.

The first information report registered yesterday accused Mr. George of being in possession of assets beyond known sources of his income as a public servant. The FIR was registered under Section 13 (2) and 13 (1) (e) of the PCA, 1988.

Mr. George had been facing a preliminary inquiry by the CBI since March last year. Authoritative sources told *The Hindu* that the agency had, several times last year, questioned his wife, Ms. Lily George, on the properties shown to be in her name. The

sources said she had not been able to explain the acquisition of wealth and properties in her name. Similarly, the investigators could not get satisfactory explanations from Mr. George on how he had been able to buy prime properties, maintain bank accounts and fixed deposits beyond his legitimate means.

Details of FIR and Cong. charge on Page 13

With the CBI registering a regular case against Mr. George, the ball is now in the law courts where he would be obliged to publicly defend himself.

The broken periods during which Mr. George was a public servant were kept under "check" by the CBI during the preliminary inquiry, and the "sizeable" investments in properties in his

wife's name, his wealth tax returns and incompatibility with the income appeared sufficient reasons for the agency to go in for registration of a regular case.

According to the FIR, Mr. George was a public servant between November 1984 and November 1989 as private secretary to the then Prime Minister, Rajiv Gandhi. During December 1989 to December 1990, he was private secretary to Rajiv Gandhi as Leader of the Opposition.

For the "check period", the CBI took the total legitimate income of Mr. George, his wife Lily and children Dennis and Priyana, — to the tune of Rs. 8.84 lakhs — into account. As many as 11 fixed deposits in the names of Mrs. Lily George and their two children, up to Rs. 13.40 lakhs, were listed by the FIR.

THE HINDU

21 MAR 2001

Tehelka gives evidence

New Delhi, March 20 (PTI): Tarun Tejpal today deposed before the army's three member court of inquiry probing defence officials' conduct as revealed by the Tehelka tapes.

The Tehelka chief, who appeared for over 90 minutes, also handed over four-and-half hours of clandestinely-filmed tapes to the court.

He later told reporters that "we are not releasing any tapes at the moment... but you never know". Asked whether the portal had anything more on the issue, Tejpal said: "We are not releasing anything as yet".

After the deposition, the tehelka.com editor-in-chief said: "Army inquiry made a formal re-

quest to me to appear before it and as the signals from them were very good as to their intentions to take the probe to its logical end, I decided to cooperate with them."

He said the army's approach was dramatically opposed to the political steps which, he alleged, were aimed at stonewalling the whole issue.

Tejpal said he also handed over all the transcripts to the court, headed by Lt. Gen. S.K. Jain, director-general of Corp of EME.

Tejpal said he had deposed in the presence of suspended additional director-general, weapons and equipment, Maj. Gen. P.S.K. Chaudhary, who cross-examined him. "The general asked me, 'are you the author of the transcripts,

to which I replied no," Tejpal said.

Chaudhary, who was filmed accepting Rs 1 lakh along with a gold chain, was suspended after a preliminary inquiry.

The court began proceedings yesterday with the request to the portal to make available the controversial tapes. As the probe is constituted under the Army Act, it does not have powers to summon civilians to appear before it.

Anirudhha Bahal, a member of the Tehelka investigation team, was also present in the court. While Tejpal left after 90 minutes, the court asked Bahal to stay on for cross examination by Gen. Chaudhary. Bahal has been requested to re-appear before the court.

THE TELEGRAPH

21 MAR 2001

'PMO MERELY PERFORMS A COORDINATING ROLE'

I didn't dabble in defence deals: Brajesh Mishra

By Harish Khare

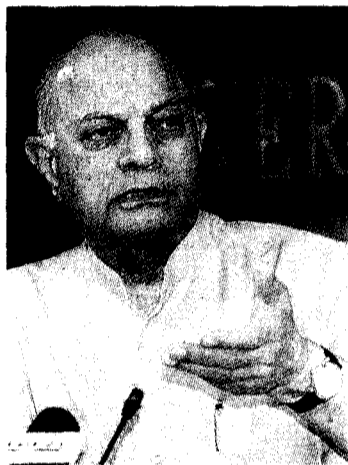
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NEW DELHI, MARCH 19. Mr. Brajesh Mishra, beleaguered Principal Secretary to a beleaguered Prime Minister, today assertively refuted the insinuation in the Tehelka tapes that he had dabbled in defence deals. He also declared that there was no need for him to put in his papers. In particular, Mr. Mishra categorically denied the suggestion made by Mr. Bangaru Laxman, former BJP president, in the tapes (which had shown Mr. Laxman bragging that he could secure Mr. Mishra's attention in this or that defence deal).

Mr. Mishra made these assertions at an extraordinary press conference, where for the first time in recent years the entire top brass of the Prime Minister's Office appeared to answer allegations. Besides Mr. Mishra, the limelight was also on Mr. N. K. Singh, who has been operating as the Officer on Special Duty in the PMO since his retirement as the Secretary (in charge of economic affairs). Two other joint secretaries, Mr. Jarnail Singh and Mr. Jawed Usmani, were also present.

Explaining why it was necessary for the officers to seek media scrutiny, Mr. Mishra noted that normally the Government would have offered a defence/explanation in Parliament, but since the two Houses were not able to function (nor were likely to function), he felt obliged to say something in defence.

The Principal Secretary made three specific points. First,



during the three years as principal secretary and during the 29 months he has been national security adviser, "on no occasion has the Prime Minister spoken to me about defence purchases".

Second, "Mr. Bangaru Laxman has never spoken to me about any defence deal or about funding his political party with

my help or that of PMO." In other words, Mr. Mishra came pretty close to calling the former BJP president a liar, but dignifiedly repeated his assertion and observed that only Mr. Laxman could answer the veracity of his babblings in the tapes.

Third, "I do not know Mr. R. K. Gupta or his son and have not had any contact with them." (Mr. Gupta is identified as a RSS national trustee in the tapes).

Notwithstanding the confident tone in Mr. Mishra's opening statement, the questions from the floor betrayed the mediapersons' undiluted cynicism. Reflective of the fall in the Prime Minister, Mr. A. B. Vajpayee's public standing were questions — perhaps for the first time in public — about the role of his foster son-in-law, Mr. Ranjan Bhattacharya.

"I have never seen Mr. Ranjan Bhattacharya in the PMO," was Mr. Mishra's response to a question about the alleged

extra-constitutional role being performed by the foster son-in-law. To a follow-up question whether Mr. Vajpayee's foster son-in-law could be misusing his presence in the former's house, Mr. Mishra noted, factually but weakly: "In my house my family members live; they do not become extra-constitutional authority."

For good measure, Mr. Mishra made it clear he did not think he had done anything wrong or irregular or unlawfully that warranted his resignation. "If it helps to strengthen the Prime Minister's hand, I will go," he said but quickly added that Mr. Vajpayee had not asked for his resignation. Nor, for that matter, was it imperative for him to give up one of the two hats he currently wore — that of the Principal Secretary and the National Security Adviser. He also deftly refused to join issue with the RSS chief, Mr. K. S. Sudarshan, who only yesterday had observed that the officers in the PMO were incompetent.

Mr. Mishra — as also Mr. N. K. Singh — took pains to impress that the PMO merely performed a coordination role and it was not there "to dictate" to the various ministries. In a detailed five-page note, the Government's position was explained in a number of recent controversial economic decisions. While this unusual essay in image-management did allow the PMO officials an opportunity to clear their names and reputation, it once again underlined the sense of tehelka-centric vulnerability within the Vajpayee establishment.

CJI to nominate retired judge

By Our Legal Correspondent

NEW DELHI, MARCH 19. The Chief Justice of India, Dr. Justice A. S. Anand, today informed the Government that he was unable to nominate a sitting judge of the Supreme Court to probe the issues arising out of the Tehelka videotapes exposure, but said he would nominate a retired judge.

Following a Cabinet decision to order a judicial probe into the controversy, the Government on March 17 requested the CJI to

recommend either a sitting or a retired judge of the Supreme Court, preferably a sitting judge, to function as a single-member Inquiry Commission.

The CJI, after consulting other judges, told the Government that in principle, sitting judges should not be spared for such inquiries. However, for nominating a retired judge of the apex court, the CJI would revert to the Government after finalising the name of such a judge.

THE HINDU

20 MAR 2001

Govt casts shadow on Tehelka tapes as Prasad finds alibi

Our Political Bureau
NEW DELHI 20 MARCH

THE GOVERNMENT is working on a major loophole in the transcript of the Tehelka.com tapes relating to the portal's December 28, 2000, meeting with Samata Party president Jaya Jaitly, during which Rs 2 lakh was allegedly paid. It plans to prove that Samata minister V. Sreenivasa Prasad, who the tapes claim was present during their reporters' 'dealings' with Ms Jaitly, was away in Mysore on the day of the meeting.

According to the introduction preceding the transcript of the conversation between the Tehelka reporters and Ms Jaitly, "the meeting has been organised by L. Surendra Sulekha. General Murgai was also there, besides member of Parliament Sreenivasa Prasad and some others." The lapse, the government feels, is apparent as the portal not only errs in referring to Mr Prasad as a mere MP, when he is actually the Union minister of state for consumer affairs, but also speaks of his



THE RIGHT WAY? Tarun Tejpal outside the army court in New Delhi on Tuesday. — PTI

presence when, in fact, he was out of Delhi for a whole two months between December 23, 2000, to February 18, 2001.

Apart from the error in identifying Mr Prasad, the government has raised doubts on two counts — the camera's failure to record the presence of persons other than Ms Jaitly in the room or even the act of

handing over of the money. Besides, Ms Jaitly's comment "please send it to our minister Mr Sreenivasa Prasad" clearly establishes that the latter was never there when the alleged Rs 2 lakh were handed over.

When contacted, one of the Tehelka investigators behind Operation West End, Mr Aniruddh Behl, admitted that his colleague Mathew Samuel may have erred in identifying the person present in Ms Jaitly's room as Mr V. Sreenivasa Prasad.

On why the investigators could not get persons other than Ms Jaitly on record or even the act of the handing over of the money, Mr Behl said the "camera used to shoot the 'deal' had a narrow angle and our focus was entirely on getting Ms Jaitly face and voice on tape."

The audio element of the amount paid is very much there on tape...at the end of the meeting, the Tehelka reporters say "that's two lakhs" to which Ms Jaitly nods and says "thank you very much."

The Economic Times

21 MAR 2001

The Indian EXPRESS

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CJI denies sitting judge for Tehelka probe

■ Only retired judge can be spared: Chief Justice Anand

PRESS TRUST OF INDIA
 NEW DELHI, MARCH 19

CHIEF Justice of India A S Anand today conveyed to the Government that he was not in a position to spare the services of a sitting judge of the Supreme Court for the probe into the Tehelka expose but would choose a retired judge for the purpose.

"The government has been informed by the Chief Justice of India that, in principle, sitting judges should not be spared for such inquiries and hence he is unable to nominate a sitting judge," an official release said today.

However, for nominating a retired Supreme Court judge to hold the inquiry, the Chief Justice has told the government that he would revert to it after he was able to finalise the name of such a judge.

The government had written to



A BHP MP wears a placard showing the names of the Congress and other parties are involved in, at Parliament on Monday. — PTI

Army inquiry begins

NEW DELHI: THE three-member high level Army court of inquiry, headed by Lt Gen S K Jain, Monday began in-camera proceedings into the sensational Tehelka tapes case against the backdrop of the Army Chief Gen S Padmanabhan's warning that the guilty would be sternly dealt with. Besides Jain, the court of inquiry has two other members, Maj Gen Mohinder Puri and Maj Gen M Mathew, both of the rank of additional director general at the Army headquarters here.

the Chief Justice on Saturday to recommend either a sitting or a retired judge of the Supreme Court, preferably a sitting judge, to function as a single-member inquiry commission.

After receiving the letter from the government, the Chief Justice is understood to have consulted his colleagues in the court and they were of the "unanimous view" that it would be difficult to spare a sitting judge.

Meanwhile, pandemonium prevailed in Parliament for the fifth consecutive day today with an unrelenting Opposition demanding resignation of the Vajpayee

CONTINUED ON PAGE 2

Samata trio back, Govt gets breather

B S NAGARAJ
 NEW DELHI, MARCH 19

THE beleaguered Vajpayee Government today found one more source of trouble in the form of a revolt by half a dozen Samata Party MPs who have attacked their party leadership's decision that the three party ministers withdraw their resignations. Most of these rebels are disgruntled because they haven't been made ministers.

Though the three ministers, Nitish Kumar, Digvijay Singh and V. Sreenivasa Prasad, withdrew their resignations and the Janata Dal (United) reaffirmed its support raising the comfort level of the government to some extent, the revolt

from within one of its allies came as bad news.

Leading the revolt, Prabhunath Singh who has been calling for the head of the PMO officials named in the Tehelka tapes, said after the Samata parliamentary party meeting: "I don't know how this happened. I have never seen a leader (George Fernandes) who takes a decision in the morning only to change it in the evening."

But the rebel MPs were reluctant to say if they were willing to split the parliamentary party but made it clear that they were still committed to the NDA.

Singh claimed that five other Lok Sabha MPs out of the 12 Samata members were also

CONTINUED ON PAGE 2

Broker ends life as CSE crisis worsens

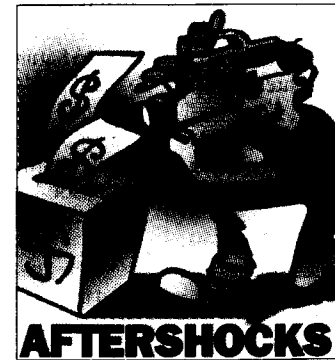
ENS ECONOMIC BUREAU
 NEW DELHI, MARCH 19

THE share market is once again on the boil. The Calcutta stock exchange's ongoing payments crisis, which saw brokers rendered unable to pay up for shares they've bought in the past, is not just taking a toll of market capitalisation. It's now beginning to assume a human dimension with sub-broker Avjit Banka and his wife committing suicide today.

And apart from the payments shortfall in the Calcutta exchange, there's a huge shortfall in the unofficial or kerb market. Sources put it in the region of around Rs 500 crore. The continuing fall in prices of HFCL and DSO, the favourites of the brokers who are unable to meet their commitments, is worsening the crisis with each passing day.

The payments shortfall is so serious that CSE President Kamal Parekh even called an emergency meeting of brokers today, and said that if need be, the Calcutta Stock Exchange building

CONTINUED ON PAGE 2



AFTERSHOCKS

Atal at allies' mercy

▶ FROM PAGE 1

Even the exit of its high-profile party president and leading minister was only accomplished due to unprecedented public pressure and arm-twisting by allies. The day was itself laden with deeper meaning: for a time, it seemed they would simply wish away the problem and deny the need to resign.

The odour of wrongdoing over defence is what is common to the late Eighties and the present day. But in many other respects, the picture in 2001 is a very different one. The BJP stands at the centre of a complex network of alliances, which are starting to unravel. The regime is still in place, though not with the kind of assurance a one-party ministry could muster.

For the saffron party, the issue has already led to changes in the internal balance of forces. The exit of Bangaru Laxman was swift. Unlike in 1996, when the leadership rallied to L.K. Advani's side, no major leader came to his support.

Having had to downplay the mandir card, the party had settled on its record in defence of the nation. The saffron card cannot be played for it will put the regime under threat. And now the call of a nation in danger will lose its vote-drawing appeal. The problem lies not in threats to survival but in a loss of face. It will not be easy to keep a straight face now when saffronites talk of corruption. The tapes will have a lifetime the hawala scandal of the Nineties did not.

Given the troubled history of the country over the last two decades, with memories of Kargil fresh in mind and insurgencies a major issue, this is but natural. Citizens are entitled to ask what kind of country we live in whose leaders are up for grabs.

Observers of provincial politics have rightly linked Mamata Banerjee's exit from the alliance. But there is more to this than realpolitik. All through her political career, she has worked to carve out a special niche in the urban middle class mind. Denied a due place in the Congress' family, she hitched her star to Vajpayee's bandwagon. She endorsed his credentials on secularism, and crucially drew from his charisma. It is the latter that has been dimmed by inept handling of the tapes. It is still too early to predict whether this is only the beginning of middle class disillusionment with the BJP.

But the climate of sleaze that hangs over the party and its parent organisation will not be so easy to shake off. Middle class opinion has been quick to gravitate towards a leader with a 'clean image' and equally fast in moving beyond this as was the case with both Rajiv and V.P. Singh. Will Vajpayee be next? If so, the implications for the loose gaggle of parties he heads is an obvious one.

The tapes will do much to redraw the bound within the ruling alliance. Old ties will come under fresh strains, and nowhere as much as between regional parties and the BJP. The last general elections clearly reflected the growing

clout of its allies. Within the NDA, the proportion of Lok Sabha seats held by the BJP declined from 70 per cent in 1998 to only 60 in 1999. The chief gainers were the state-specific parties, who held just under a third of all alliance seats. As the majority gets thinner, the BJP's dependence on them will increase. They will gain and it will pay the price.

It is still unclear what this means for the polity as a whole. One conclusion is inescapable. Even governments with a clear mandate from the people find themselves out of touch with the popular mood, not in years but in a matter of months.

Coalition politics brought with it hopes of greater transparency and more accountability. It was the hope of many that in the absence of single party hegemony, there would be more checks and balances in place. These hopes have been belied. The experiments with coalitions are far from over, but the present dispensation has not lived up to its promise.

Strangely enough, the government is being pilloried not for 'the communal danger' but for alleged graft. This in turn will be sought to be linked by rivals to the state of the economy and the condition of the under classes. A scam over defence will keep the government on the backfoot. Vajpayee will need every ounce of political acumen at his command to weather the storm as his ship sails into choppy seas.

Atal in Rajiv's shoes, minus numbers

The heroes of yesteryear end up repeating the lines of erstwhile rivals. Even when announcing his resignation, defence minister George Fernandes was unrepentant. He had done no wrong and was the subject of a political witch-hunt. All were above board: only the investigating journalists were at fault for undermining the country's integrity and the morale of the services.

The Congress sang a similar tune when questioned about the Bofors deal. It attacked the motives of the Fourth Estate when the latter dug deep. It took refuge behind the apolitical nature of the armed forces. It even planned to enact an Anti-Defamation Bill.

But the political damage that such scandals can cause is all too real. During the storm over the Bofors gun, then Prime Minister Rajiv Gandhi made a suo motu statement in the House of the People that neither he "nor any member of his family" had received any commission for the purchase of the Swedish-made howitzer.

The logic behind his plea was simple enough. Any doubt in the public mind about dishonest deals over the country's security would be politically damaging. The question was not only one of ethics or of rule-bending. It was one of political legitimacy. Once lost, it would be hard to retrieve.

Such a spectre has now come to haunt the Vajpayee government. The difference is that Rajiv had a huge 400-plus seat majority in the Lok Sabha. Even that proved to be cold comfort, once the gun became the unifying symbol for his opponents. It was the singular symbol of the distance between the regime and the people. Today's regime is

not on such firm ground in Parliament.

The National Democratic Alliance (NDA) is a combine of diverse political groups that see eye to eye on few issues and differ on their approach to many. Yet, at the heart of the enterprise was one critical view: India needed a serious effort to put together a regime that was outside the Congress.

This is what made a man like Fernandes, the giant killer of the 1960s and the champion of democratic struggle against the Emergency, so important to the alliance. More than that, he was among the first secular politicians to make common cause with the

BJP once he parted company with his erstwhile Janata Dal allies in the post-Babri phase. If the call to restore democracy had been the clarion call of the Seventies, and corruption the issue in the 1980s, the new decade saw power emerge as an end in and for itself.

Fernandes was a symbol of rebellion in one era and ceaseless compromise in the next. The Tehelka tapes point to the limits of a political alliance that made security central to its campaign. Kargil was to Vajpayee what the Bangladesh war was to Indira Gandhi.

But a party like the Samata has a different standard when called to account for its own deeds. One policy for Patna and another for Delhi; one yardstick for opponents and another for one's own party: this is the line being followed.

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Witch-hunt slur on PMO

STATESMAN NEWS SERVICE

NEW DELHI, March 17. — The *tehelka.com* chief today alleged that the Prime Minister's principal secretary, Mr Brajesh Mishra, has master-minded a "witch-hunt" against his firm and staff for exposing a shady "defence deal".

Mr Tarun Tejpal told journalists a slander campaign has begun against Tehelka. "The evidence is out in the open... they are saying we have links with the ISI, Dawood Ibrahim, the Congress and Ketan Parekh. My father, a retired Army officer, has wrongly been linked with Mr Arjun Singh (Congress leader)," Mr Tejpal said.

He alleged his sources had

SM 18/3
told Tehelka that all government organs, including the Customs and the Directorate of Revenue Intelligence, are trying to dig up something against his news portal.

Mr Tejpal said Tehelka has no affiliation with a party or business house. Mathew Samuel, one of the Tehelka reporters involved in the expose, was under surveillance and questioned six times by IB sleuths, who tried to "brainwash" him.

Another Tehelka official said Mr Mishra has held six meetings with a Cabinet minister to "fix" the portal.

But the PMO contested Tehelka's claims. No government department has "moved" Tehelka in any

manner, a PMO official said. Even the home ministry has decided not to move a defamation case against the portal after Mr Tejpal gave a written apology.

Tehelka is now trying to create another controversy, the official said. The company affairs department too said it had not made any "move" against Tehelka.

Mr Tejpal issued documents saying that his company was incorporated under the Companies Act and the shareholding pattern of his company, Buffalo Networks Private Limited. According to him, First Global owned about 14.5 per cent of the shares but it would be diluted very shortly.

THE STATESMAN

Tehelka team threatened by PMO officials, says Tejpal

BY OUR CORRESPONDENT

New Delhi, March 17: Tehelka chief Tarun J. Tejpal on Saturday said that the Prime Minister's Office has initiated a slander campaign against the investigative team responsible for the "defence scam."

Addressing a crowded press conference at his office, Mr Tejpal alleged that the principal secretary to the Prime Minister, Mr Brajesh Mishra, was behind the campaign.

He said that the basis of allegation was the feedback from various "sources."

"They have left enough footprints which could be followed," said Aniruddha Bahal, one of the two journalists who broke the story of murky defence

deals. Bahal claimed that its team members were receiving threats and alleged that government agencies had been "let loose" to nail the portal.

He said that somewhere in October, the Tehelka investigative team had found that they were being followed by Intelligence Bureau.

"We switched to cash cards to evade intelligence agencies as we knew our phones were being tapped," he said adding that another investigator Mathew had been interrogated by the intelligence bureau six times during October last year.

Asked about Mathew Samuel, who had been playing "hide-and-seek" since the expose, Mr Tejpal said "he is here but we have kept him at a secret place."

Mr Tejpal, who is managing director

and editor-in-chief of Tehelka, said that they have started receiving threats.

"We have reports that agencies like CBI, intelligence agencies, income-tax department and Enforcement Directorate have been told to dig out everything against the portal. When asked he said that their have been any direct

SPOTLIGHT

threat to Tehelka team, he replied in negative saying there were only veiled threats.

Mr Tejpal clarified that the campaign launched against Tehelka was malicious and baseless.

Referring to reports linking the news web site to Pakistan's ISI or underworld don Dawood Ibrahim, Mr Tejpal

said that the Operation West End was purely a journalistic endeavour without any backing from anybody.

He also dismissed reports which linked sensex crash at the Mumbai stock exchange with the sensation expose.

"The slander campaign has been targeted at me, my brother Minty Tejpal and Aniruddha Bahal," he said. "Even my father has not been spared, he is being linked with Congress leader Arjun Singh," he added.

The Tehelka chief said that he does not own any property apart from a house in Kumaon and also not a single share in any listed company in any stock market anywhere in the world.

Mr Tejpal said same for Aniruddha Bahal.

Mr Tejpal gave a detailed account of the share holders of the news web site tehelka.com whose parent company was Buffalo Networks Private Limited. The majority share (41.75 per cent) shares are with Tarun J. Tejpal. A share of 16.93 per cent by portal correspondent Aniruddha Bahal, and 10 per cent by Mauritius-based company, First Global Stockbroking Ltd.

He said that the a lot was being said about the money of a US-based company but that was not the truth. With Mr Tejpal as managing-director, the Buffalo Networks has full-time executive directors Aniruddha Bahal and Kumar Jit Tejpal.

The other directors include Shanker Sharma, Amitabh Bachchan, V.S. Nainaut and Khushwant Singh.

THE ASIAN AGE

18 MAR 2001

Cornered Vajpayee announces judicial inquiry

'Armsgate' is a wake-up call for the nation, says PM

The Times of India News Service

NEW DELHI: Faced with dwindling support in the Lok Sabha and buffeted by the 'armsgate' crisis, Prime Minister Atal Behari Vajpayee's NDA government on Friday night acted to contain any further damage coming its way. Acknowledging the nation's sullen mood, it announced a judicial inquiry into the allegations of sleaze in defence deals and, in a reconciliatory gesture, invited a militant opposition to "a thorough discussion in parliament".

With a portal's sting operation causing the government to lose half a dozen ministers and an important ally, the Trinamul Congress, as well as costing the BJP its president, and with the defence establishment taking action against seven erring officers, the Prime Minister, in a nationally televised address on Friday night, accepted that "what has come into view goes beyond security".

"The ease with which persons posing as arms merchants gained access to our defence personnel and politicians shows how far the cancer has spread," he said, and termed the revelations a "wake-up call". He sought to bring the controversy to a swift end because "such an important matter cannot be allowed to become a football of political calculations".

The government, the PM said, "shall do everything" to bring the guilty to account, so that "institutions of governance and our political system regain their health" and "our people's trust and faith in them are fortified". A grim-looking PM assured the nation and the opposition that he would "work to clean up the dirt that has come into view" and ensure that this was done in such a way that the country's security became stronger.

The brief televised address was the PM's first public and official reaction to what has been the most talked about subject in the nation's drawing rooms for the last three days. It came amidst intense speculation about the government's fate and after day-long confabulations culminating in formal meetings of the NDA leaders and the Union cabinet.

The decisions to launch a probe headed by a sitting judge of the supreme court and also to seek a vote of confidence in parliament next week were taken following the unanimous recommendations made by NDA leaders at their meeting. The late-evening cabinet meeting endorsed these decisions.

No more tapes: Tehelka CEO

NEW DELHI: The CEO of *tehelka.com*, which triggered the political storm that claimed defence minister George Fernandes' scalp, said on Friday that there would be further tapes.

"We are not coming out with any more tapes," Tarun Tejpal said, adding that they had screened whatever they had at a press conference on March 14. "We have nothing more," he said when asked if they had information about any other deal or involving other names. He said the Tehelka team had recorded about 100 hours of tape and had presented a compact tape of four hours at the conference.

Meanwhile, the home ministry is issuing a legal notice to Tehelka reporter Mathew Samuel asking him either to retract his statement about a scandal pertaining to border fencing or to face the consequences.

"We have vetted the legal

notice prepared by top law officers and it will be sent soon to Mr Samuel, who made the remarks in Thiruvananthapuram on March 14," top government sources said.

The legal notice to Mr Samuel comes close on the heels of an apology by Mr Tejpal distancing himself from Mr Samuel's statement. Mr Samuel had claimed that the website would soon come out with bigger disclosures.

"We have made it clear that the apology should come immediately from Mr Samuel, failing which appropriate legal proceedings will be initiated against him," the sources said. "This kind of loose talk resorted to by the website's reporter without any basis, as was confirmed by the Tehelka CEO, cannot be overlooked as the matter pertains to national security," the sources said. "Silence from the government will encourage further attempts of this nature from other quarters," they added. (PTI)

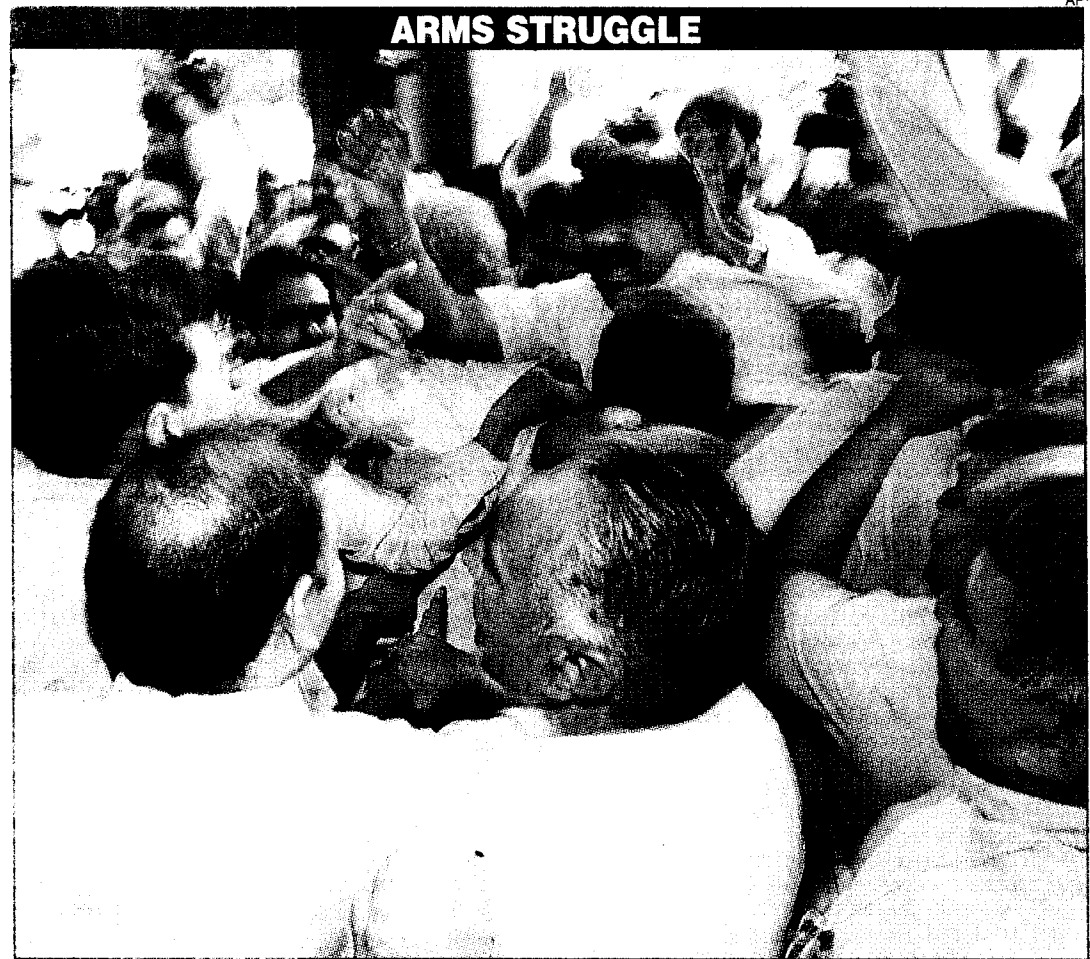
The two steps were clearly an attempt to rally behind Mr Vajpayee and fend off a challenge to his authority and position. For, in a rising crescendo, NDA allies, among them the peeved members of the Samata Party of George Fernandes and the hardline Shiv Sena, seemed to have upped their demand for an independent inquiry into 'armsgate' and have sought the removal of senior PMO officials Brajesh Mishra and N.K. Singh. They even wanted a police report filed against Mr Vajpayee's foster son-in-law Ranjan Bhattacharya. The three figure among the wheelers and dealers mentioned in the 'armsgate' tapes by former BJP president Bangaru Laxman. The pressure by the allies for action against three of Mr Vajpayee's closest aides in the PMO was seen by political observers as an indirect but sharp attack on the PM himself.

What catalysed the rapid developments was the Samata Party's decision at a pre-dawn meeting to pull out Nitish Kumar, Digvijay Singh and V. Srinivas Prasad from the Union council of ministers, disregarding the PM's refusal to accept their resignations on Thursday night tendered after the Samata Party had decided to stay with the NDA but to support the government "from the outside".

► See Edit: Tale of Two Crises, Page 12



George Fernandes with Prime Minister A.B. Vajpayee after the NDA meet on Friday.



CRUSH HOUR IN THE CAPITAL: BJP and Congress MPs clash outside parliament in New Delhi on Friday as the government continues to be rocked by the arms payment scandal.

Is this the end or the beginning of a fiasco, ask political analysts

By Smita Gupta
The Times of India News Service

NEW DELHI: The BJP-led NDA government will probably squeak through the current crisis. But with its image in tatters, its numbers depleted, open disapproval of the goings-on in the government by the RSS and the concerted attack on the PMO by the opposition, NDA partners and BJP insiders alike, political analysts sense the beginning of the end.

Of course, the present dispensation can count on the obvious reluctance of the main opposition party, the Congress, to take any step that might precipitate either a change of government or a mid-term election, as well as on the absence of political options for the NDA partners right now. But as recent events have shown, no party can be taken for granted. Even the five-member PMK suddenly quit the NDA because of differences with Tamil Nadu chief minister M. Karunanidhi and it thought joining the AIADMK-led front would be a better bet for it in the forthcoming assembly elections.

After months of crying 'wolf', the Trinamul Congress suddenly quit the NDA on Thursday, taking the high moral ground, but the timing of its departure

was clearly dictated by the fact that it too has its eyes fixed on next month's assembly polls in West Bengal.

The Samata Party is also not in a very happy frame of mind. At a late-night meeting on Thursday, it decided to press the resignations of Nitish Kumar, Digvijay Singh and V. Sreenivasa Prasad, despite the PM's rejection of them. The message was that the BJP would have to pay a political price for "capitulating to the Congress" and easing Mr Fernandes out of the cabinet.

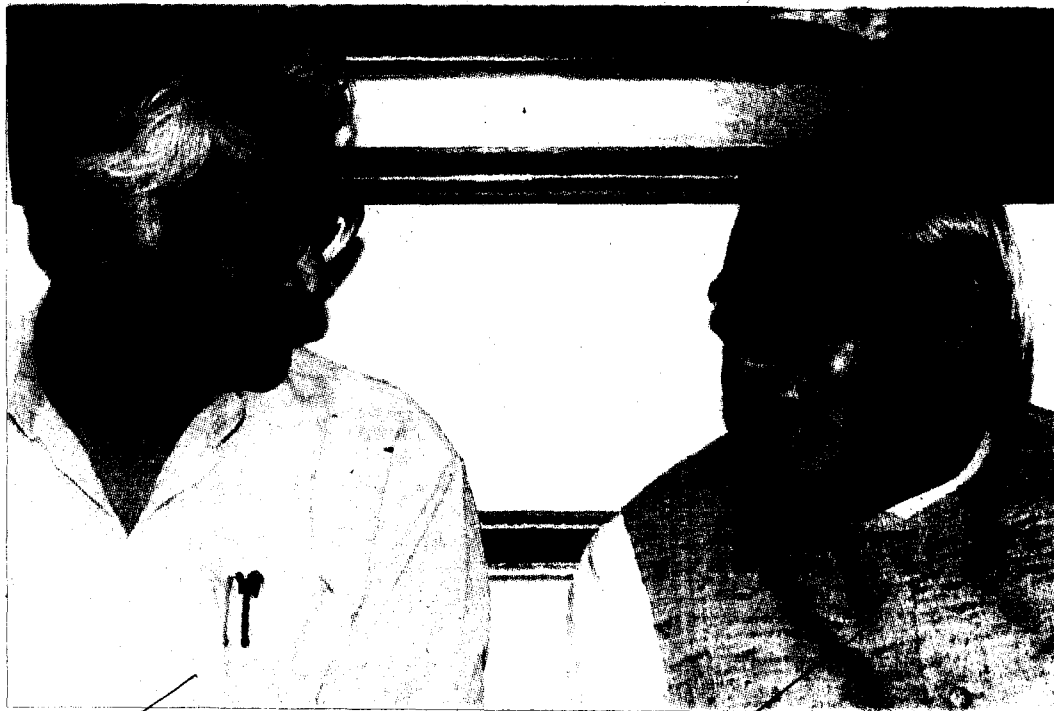
The other significant decision was that while Mr Fernandes, Mr Kumar, Mr Singh and Mr Prasad would maintain a low profile, other Samata MPs would be free to attack the government. The first sign came when Prabhunath Singh announced he and a few other MPs would be writing to Mr Vajpayee demanding the heads of national security adviser Brajesh Mishra and OSD in the PMO N.K. Singh as well a thorough inquiry into the doings of the PM's "son-in-law" Ranjan Bhattacharya.

If these demands were not acceded to, the Samata would consider its next step, he threatened. A few hours later, Mr Fernandes denied this was the official party line—he said it was the view of one MP.

THE TIMES OF INDIA

17 MAR 2001

will be back as defence minister: Advani



Mr Atal Behari Vajpayee with Mr George Fernandes in New Delhi on Friday. — AP/PTI

Govt to sue portal scribe

PRESS TRUST OF INDIA

NEW DELHI, March 16. — The home ministry will serve a legal notice on a *tehelka.com* reporter, asking him either to retract or "face the consequences" for his statement that hinted Mr LK Advani was involved in a border fence scam.

"We've vetted the legal notice by senior law officers and... (it) will be sent soon to Mathew Samuel who made the remarks against the home ministry at Thiruvananthapuram on 14 March," a senior official said.

The legal notice to Samuel will follow an apology by *tehelka.com* CEO Tarun Tejpal distancing himself from the statement made by Samuel, who had said the news portal would soon come out with bigger disclosures.

The official said: "We have made it clear that the apology should come immediately from Samuel failing which appropriate legal proceedings would be initiated against him... This kind of loose talk resorted to by the website's reporter without any basis, as was confirmed by the Tehelka CEO, could not be overlooked as the matter pertained to national security."

'No more expose'

Tehelka is not coming out with any more tapes. "We're not coming out with any more tapes," *tehelka.com* CEO, Tarun Tejpal said today. The portal had screened what it had at a press conference. "We have nothing more," he said when asked if Tehelka had "information" about other ministers or bureaucrats.

Police are guarding the *tehelka.com*'s main office, the deputy commissioner of police (south Delhi) said. Police patrol around the portal's Swami Nagar has been increased.

Resignations accepted

The President today accepted the resignations of Mr George Fernandes, Miss Mamata Banerjee and Mr Ajit Panja, a Rashtrapati Bhavan communique said. Their resignation letters were forwarded by Mr Atal Behari Vajpayee.

HC rejects PIL

Delhi High Court today dismissed a public interest litigation seeking a judicial probe into the shady "defence deal" exposed by *tehelka.com*. adds SNS.

THE STATESMAN

17 MAR 2001

Tehelka tapes appear to be true: RSS

By Our Special Correspondent

NEW DELHI, MARCH 16. The former BJP president, Mr. Bangaru Laxman, was today described by the RSS as a "failed swayamsevak" who had admitted to taking money and had resigned, even as the parent organisation of the Sangh Parivar warned of "impending financial disaster" which is "sure to overtake the country" if the Vajpayee Government failed to take firm measures.

The RSS expressed the view that the Tehelka tapes "appeared to be true" but needed to be probed to establish the facts and identify the guilty.

Speaking to presspersons here at the venue of the Akhil Bharatiya Pratinidhi Sabha, the national council meeting of the RSS, Mr. M.G. Vaidya, spokesperson, said Mr. Laxman's "failure" was not that of the system, but the individual. There could be many students in a class, not everyone passed.

However, the mother organisation continued to defend its star pupil, the Prime Minister, Mr. Atal Behari Vajpayee. But it was careful not to defend his foster son-in-law, Mr. Ranjan Bhattacharya, and his Principal Secretary, Mr. Brajesh Mishra, in the same manner. "Let alone son-in-law, how can a man be held responsible for

the actions of his own son," he asked. And he sounded a word of caution: the Government would do well to "take care of its administration."

It was Mr. Vaidya who described Mr. Laxman as a "failed

swayamsevak," signalling that the former party president had definitely fallen from grace, though the BJP continued to maintain that Mr. Laxman was innocent.

The RSS meet was planned several months ago. Unfortunately, it

has coincided with the Tehelka exposure. It was while presenting his annual report to the Council that Mr. Mohanrao Bhagwat, 'sarkaryawah' (general secretary) of the RSS, lashed out at the Government's economic policies.

He hoped no partisan considerations would be allowed to deflect Government policies from the right path.

The suggestion was that the Government should avoid the temptation of taking soft options which would put an "unbearable financial burden" on future generations and could lead to a "financial disaster".

I have been framed, says Laxman

NEW DELHI, MARCH 16. Mr. Bangaru Laxman, who quit as BJP president in the wake of Tehelka expose, today said he had been framed and implicated in the "conspiracy" and implied that detractors could be inside the party.

In an interview to Zee TV, he said these people did not like his rise to the top in the party.

Recalling that he had a humble beginning and as a Dalit he came a long way to reach the position, Mr. Laxman said his detractors did not like Muslims and Dalits flocking to the party following his presidential address in Nagpur.

To a question whether he

regretted having received the money from the portal representative, the former BJP chief said, "after all no party functions without public donations. I received the money in good faith for the party... I have no regret. Now that I am being fixed, I regret". He immediately informed the party treasurer, sent the money to him the next day and asked him to send a receipt to the donor.

On the charge of receiving bribe, Mr. Laxman said if somebody came and offered money for party fund, it could not be described as bribe but if he had asked for money it would have been treated as one. — PTI

R.K. Gupta denies role in deals

NEW DELHI, MARCH 16. Mr. Raj Kumar Gupta, who was shown by the Tehelka tapes as the person bragging about his clout to fix arms deals and proximity to the NDA Ministers and the RSS, today denied he was ever involved in any defence deals.

"Tehelka is nothing but a camera trick. They are playing a dirty game. This is nothing but a front organisation of arms dealers and other vested interests," he said in a statement.— UNI

THE HINDU

17 MAR 2001

SATURDAY, MARCH 17, 2001

STEM THE ROT

THE MUCH DELAYED resignation of Mr. George Fernandes as the Defence Minister, which should have ensued immediately after Tehelka went public with its video footage on sleaze in arms deals, has all the attributes of a desperate salvage operation by the Vajpayee Government, what with the Trinamool Congress pulling out of the coalition and quite a few other partners — notably the Telugu Desam — subtly, but firmly pushing for his exit. The facade of 'solidarity' displayed by the other constituents of the ruling National Democratic Alliance barely concealed the pressure escalating within for some credible damage control initiatives, acutely conscious as they were of the untenability of Mr. Fernandes' continuance in office and the unwisdom of persisting with the hackneyed 'conspiracy' theory. With the coalition's numbers in the Lok Sabha down — after the exit, first, of the Pattali Makkal Katchi and, now, of the Trinamool Congress — to a level that has rendered its regime critically dependent on outside support for survival, it can no longer really ignore the sentiments of the likes of the TDP or the Biju Janata Dal. Ms. Mamata Banerjee's uncompromising stand on the easing out of Mr. Fernandes must have encouraged the other regional parties in the coalition to speak up, even if they, unlike her, have desisted from taking the extreme step of walking out of the NDA; the fact that electoral calculations in the context of the coming West Bengal Assembly poll had gone into Ms. Banerjee's pull-out decision does not in any way detract from the basic validity and correctness of her line of action.

For his part, Mr. Fernandes has predictably maintained that no impropriety had been committed in the various deals cited in the expose, while mentioning how he made a time-bound scrutiny by the CVC and the CAG mandatory for

defence contracts worth Rs. 75 crores or more. More to the point than the shadow cast over his personal integrity and his declared intent to run a "clean and transparent Defence Ministry", is the shocking and sordid reality brought into sharp focus by the Tehelka tapes — that so many officials in the Ministry and in the key decision-making positions in the Army are on the take and that the very residence of the Minister served as the venue for an apparently murky monetary transaction involving his own party (Samata) chief. Surely, the big picture that emerges from the sting operation testifies to the sort of permissiveness that pervades the official establishment in an area of critical importance to national security and, as the person at the helm, Mr. Fernandes cannot absolve himself of the moral and political responsibility for the squalid state of affairs. Moreover, after the Government had moved swiftly to suspend, pending enquiry, an Army officer and three bureaucrats who had figured in the video tapes, his continuance in office would certainly have been invidious and undermined the morale of the service personnel.

With the politically contentious issue of Mr. Fernandes' resignation now out of the way, the Prime Minister, Mr. Atal Behari Vajpayee, has had no choice but to recognise the imperative of getting at the truth of the whole episode. It is just as well that the Government has decided to order a time-specific inquiry by a sitting or retired judge of the Supreme Court. Considering the sensitive nature of the issues and the high profile of the political personalities involved, the nation expects nothing less than a comprehensive probe that does not leave the real players in the sordid network unmasked.

17 MAR 2001

Bangaru is a 'failed swayamsevak': RSS

By Rajesh Ramachandran
The Times of India News Service

NEW DELHI: The Rashtriya Swayamsevak Sangh (RSS) on Friday termed Bangaru Laxman, who quit as the Bharatiya Janata Party (BJP) president in disgrace following the Tehelka expose, a "failed swayamsevak".

Addressing a press conference after the inaugural meeting of the RSS general council here, RSS spokesman M.G. Vaidya said, "A headmaster cannot be blamed for a student's failure." He was replying to a question as to whether the RSS, which terms itself a university which builds the character of its members, had failed.

The meeting termed the defence scam "unfortunate" and sought punishment for the guilty, "if what (has) appeared in the press is true". The Tehelka

episode was very much in the air at the meeting (the Akhil Bharatiya Pratinidhi Sabha). "Is R.K. Gupta still a trustee of the Keshav Smarak Trust?" a senior RSS leader was heard asking another old Delhi member. After all, Mr Gupta was on a trust of which the RSS chief is a member. Mr Gupta had claimed to be an RSS trustee who had access to Mr Vajpayee and whom the PM's foster son-in-law Ranjan Bhattacharya called "uncle".

While a senior RSS leader said the Tehelka controversy had put the entire country to shame and



not just the Sangh, another from a state capital tried to rubbish the Tehelka investigation altogether. But with the defence minister down, the focus has shifted to the alleged deal-making in the PMO, said to involve Mr Bhattacharya and national security adviser Brajesh Mishra.

As far as these two individuals were concerned, Mr Vaidya said the Prime Minister was competent to take action. Although Mr Vaidya defended Mr Vajpayee, asking how he could be responsible for the foster son-in-law's actions, he emphasised, "The government

has to take care of its administration. Those who are tainted should be punished."

Although the RSS claims that despite its discipline, it allows absolute freedom to delegates to raise issues and even force an official resolution on any subject, leaders ruled out a formal discussion on 'armsgate' during their conclave. The obvious resolutions will be on Ramjanmabhoomi, cow protection, attacks on RSS workers in Bengal and in the north-east, the Taliban's destruction of Buddhist statues and Mahavira's 2600th anniversary.

The veterans who are attending the meet include former BJP president Kushabhau Thakre, K. Govindacharya, Ashok Singhal, Acharya Giriraj Kishore, Praveen Togadia from the Vishwa Hindu Parishad and Murlidhar Rao from the Swadeshi Jagran Manch.

Centre puts bold face on taint

George scalp or Mamata exit

FROM KAY BENEDICT

New Delhi, March 14: Mamata Banerjee boycotted this evening's meeting of the ruling National Democratic Alliance as speculation grew that she might quit the coalition if defence minister George Fernandes' offer to resign was not accepted.

Mamata today wrote a three-page letter to Prime Minister Atal Bihari Vajpayee demanding acceptance of Fernandes' resignation and a probe by a joint parliamentary committee, or by a sitting judge of the Supreme Court, or by the Central Bureau of Investigation into the revelations made in the Tehelka tapes.

She said unless these were done, the Trinamul Congress "will be left with no alternative but to reconsider continuing its support to the NDA government".

"The nature of inquiry and the inquiry agency should be finalised only after consultation with NDA partners and the main Opposition party," she added.

The Vajpayee establishment tried to put up a show of "solidarity" among allies by convening an NDA meeting this evening, but the exercise was marred by another jarring note when an angry Fernandes cancelled the invitation to Ramakrishna Hegde after the defence minister's former fellow traveller in the Janata Dal publicly demanded his resignation.

Hegde, who was sore at Fernandes for being instrumental in his exclusion from the Vajpayee

government in 1999, had said that after the "incontrovertible evidences, the defence minister has no right to continue in office".

Vajpayee's trouble-shooters were desperately trying to sort things out with Mamata. Sources said the Prime Minister will get in touch with her shortly.

Placating Mamata has acquired all the more urgency with the Congress scenting an opportunity to win her away from the BJP.

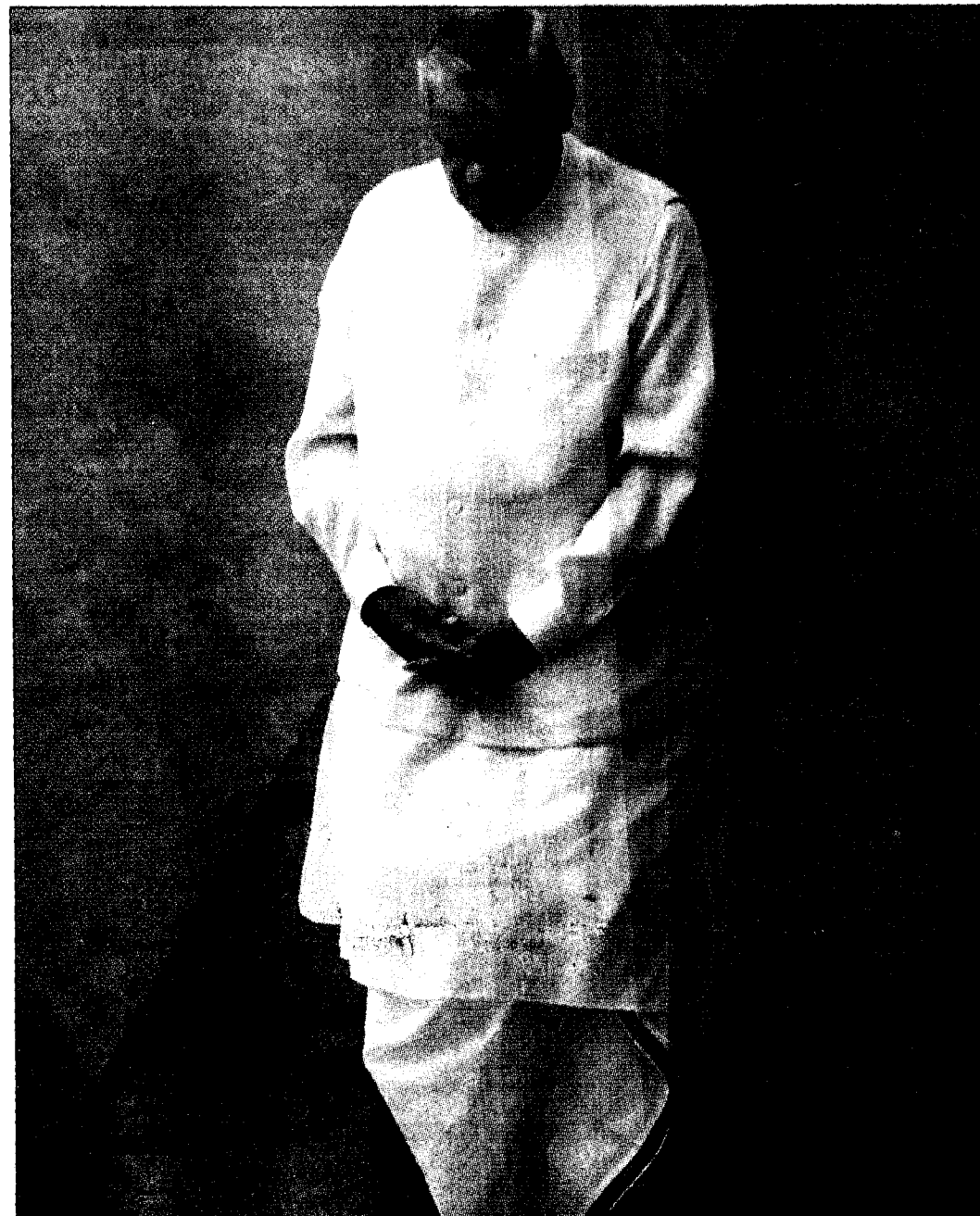
Mamata evaded the media, nominating Sudip Bandopadhyay as her spokesman. He said Trinamul would quit the NDA if all their demands were not met by the Prime Minister. Bandopadhyay added that this time the party was "serious", but was waiting for a response from Vajpayee.

Mamata, more than anyone else because of her high stakes in the coming Bengal elections, is unlikely to take any step in a hurry, preferring to see first how the government tackles the crisis and the public response.

What she is looking for are measures which will signal that this government will not tolerate corruption and is sincere about bringing the guilty to book.

"The question of reconsideration (of support to the NDA) is a political decision and it will take time. But we are serious about our demands and there will be no compromise with corruption," Bandopadhyay said.

Asked why Mamata stayed away from the NDA meeting, he said: "We wanted the letter to be discussed in her absence."



WHAT LIES BENEATH: Vajpayee at Rashtrapati Bhavan on Wednesday. (Reuters)

Tehelka promises more: target home ministry

FROM OUR SPECIAL CORRESPONDENT

New Delhi, March 14: Hours after a downcast Prime Minister sat through Opposition calls, his coalition managers this evening marshalled the support of all but one ally and decided to brazen out the hurricane unleashed by the Tehelka tapes.

The alliance ruled out the resignation of defence minister George Fernandes, whose department and party are at the centre of the scandal, while a disunited Opposition tried to mount pressure by disrupting parliamentary proceedings.

After a solidarity meeting of the coalition this evening, the Centre dubbed the Tehelka operation "a sinister conspiracy" aimed at "damaging not only the government, but also the vital economic interests of the country". Asked whether there was a conspiracy, Atal Bihari Vajpayee, who was greeted with shouts of "chor" in the Lok Sabha, said: "Dal mein kuch kaala hai (there is something fishy)."

However, the government suspended a Major-General and three defence officials named in the tapes, prompting the Opposition to wonder why action was not being taken against politicians featured in the expose.

Another ominous note was struck for the government with one of two Tehelka reporters who had carried out the eight-month-long investigation indicating that more bombshells were round the corner.

Mathew Samuel told reporters in Kerala that the portal had proof against the home ministry in a communications system contract

and "conclusive evidence on the involvement of the Prime Minister's Office in a shady defence deal". He said the next set of tapes would be made public shortly. The other reporter, Aniruddha Bahal, said in New Delhi he would not talk on the subject.

Samuel said the deal linked to the home ministry, headed by L.K. Advani, was worth Rs 1,300 crore and 25 per cent of the amount had already changed hands as commission. Samuel said senior offi-

Samuel, who said he and his wife were facing threats to life, indicated that a hidden camera was taken even inside the high-security PMO. UNI quoted Samuel as saying that Brajesh Mishra, principal secretary to the Prime Minister, had direct involvement with the West End — the fictitious company floated by Tehelka — deal. "He was basically a bureaucrat who took money for himself, politicians and the ruling party," the reporter said.

The government focused on contending that none of the Tehelka deals was actually carried out and neither was Fernandes involved. The BJP officially played down the expose as "fictitious", but the party could not counter a perception that Vajpayee's image had taken a beating.

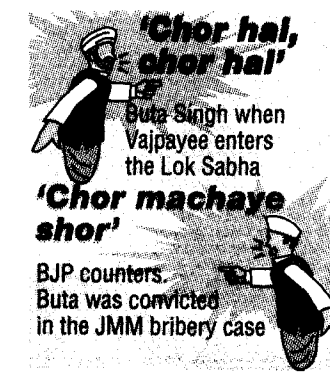
But the drooping shoulders of the government lifted somewhat after the TINA (there is no alternative) factor came to the fore during the day.

The Congress and the Left were unanimous in their stand that they would not accept any government offer for a joint parliamentary committee probe or a prolonged debate. Both want the Vajpayee government to resign.

But cracks began to surface when the Left, along with former Prime Ministers V.P. Singh and H.D. Deve Gowda, stepped up its effort to resurrect the Third Front. The front will be relaunched tomorrow in a new incarnation to mount an offensive similar to the Bofors campaign.

Since the Left courted Samajwadi Party's Mulayam Yadav, a known Sonia Gandhi baiter, the Congress was not willing to appear too friendly with the rest of the Opposition constituents.

■ See Pages 5, 6 and 9



BJP counters. Buta was convicted in the JMM bribery case

Specials in Advani's office and a retired major who was a classmate of former army chief V.P. Malik had brokered the deal.

Samuel said the deal could not have been sanctioned without the approval of the PMO. The home ministry later put out a rejoinder saying that the "allegations were mischievous".

QUOTE

One Laxman brings laurels for India, while another Laxman turns a disgrace for the nation

BUDDHADEB BHATTACHARJEE

Advani gets his own back in party

FROM RADHIKA RAMASESHAN

New Delhi, March 14: The BJP today appointed Jana Krishnamurthi as acting president, reflecting renewed attempts to realign equations in the party.

Krishnamurthi, known for his proximity to home minister L.K. Advani, takes over from Bangaru Laxman, who resigned yesterday after he was shown in the Tehelka tapes as accepting a lakh of rupees. Laxman had made it to the top post with the blessings of Prime Minister Atal Bihari Vajpayee.

BJP sources clarified that Krishnamurthi will function as the party chief and that the tag "act-

ing president" was notional. Announcing Krishnamurthi's anointment, BJP spokesman Narendra Modi said: "His appointment will be a permanent arrangement and will be ratified as per provisions of the party's constitution."

Krishnamurthi was the favourite to succeed Kushabhau Thakre as party chief last year because of his ability to articulate the BJP's views on a range of issues. His southern roots were also an advantage, but Krishnamurthi's biggest plus was his proximity to Advani, who was still thought to have the party in his grip.

The myth was broken when Vajpayee managed to push through Laxman's candidacy with a double-barrelled commendation:

he was a Dalit and a southerner who spoke Hindi fluently, unlike Krishnamurthi.

Though the Advani camp accepted Laxman, his Nagpur message, with its pro-minority overtones, made sections of the BJP uncomfortable because they felt he was trying to market himself as a "liberal" in a party of Hindutva hardliners.

For the benefit of readers and newspaper sellers, a new distribution point is being opened at Mandirtala bus stand at Shippur from 15.3.2001. For any publication requirement please enquire at the point.

"He turned the BJP headquarters upside down and made sweeping architectural changes,"

sources said, referring to Laxman taking over an entire portion of the office and redesigning it according to *Vaastu Shastra*. "And look what happened after all the *Vaastu*. He lost his job," they said.

Little wonder then that not a single BJP leader stood up for Laxman after the Tehelka revelations. Instead, within hours of the video-screening, a huge painted poster, showing Laxman with Vajpayee and Advani, was pulled down.

BJP sources admitted that the speed with which Laxman was persuaded by the Prime Minister to quit and Krishnamurthi was appointed reflected a shift in the

balance of power in the party and Advani's attempts to regain control after lying low for over a year.

Since yesterday, Advani loyalists were seen at the party headquarters and, today, two of them — Union ministers Venkaiah Naidu and Ananth Kumar — took over the office administration.

Sources said the allegations against the PMO and Vajpayee's son-in-law Ranjan Bhattacharya had "considerably undermined" the Prime Minister's position.

After ensuring Krishnamurthi's ascendancy, sources said, Advani put in a few words for Laxman at a parliamentary party meeting. Advani likened the tapes to the hawala scam and said that like him, Laxman, too, will be cleared.

Four defence officials suspended

EXPRESS NEWS SERVICE
NEW DELHI, MARCH 14

IN what has snowballed into one of the biggest scandals involving the Ministry of Defence (MoD) and senior Army officials, four persons, including Major General P S K Chaudhary, were today suspended following the revelation made by a web portal about their alleged involvement in "fixing defence deals" for money.

TEHELKA TAPES

The Army Headquarters also decided to order a Court of Inquiry, headed by a serving Lieutenant General, against the Army officials whose names have come up in the expose.

Even as the MoD dithered on taking action against Additional Defence Secretary L N Mehta, it was swift to suspend three relatively junior officers in addition to Maj Gen Chaud-

1573
PW ready for probe, debate

■ **PRIME** Minister Vajpayee said the government was ready for an inquiry into the expose of corruption charges in fictitious defence deals by tehelka.com.



"Let there be a discussion (in Parliament). We are ready for a discussion and we are ready for an inquiry," Vajpayee told reporters after holding consultations with senior cabinet colleagues including Home Minister L K Advani, Defence Minister George Fernandes and Parliamentary Affairs Minister Pramod Mahajan. "Asked to comment on Opposition's demand for the resignation of his government, Vajpayee said 'let them make a case for the resignation of the government..... This is a political demand.'"

hary, Additional Director General (Weapons and Equipment). The suspended MoD officials are Deputy Secretary H.C. Pant (staff officer in the Ordnance Factory Board), Assistant Financial Adviser Narendra Singh and section officer, Directorate General Ordnance and Supply (DGOS), P Sasi.

Sources said other serving Army officials whose involvement was suspected had been called to Delhi to appear for questioning at South Block. These include Maj Generals Satnam Singh, Director General (Operations), Kargil Sector, and Himmat Singh Ahluwalia, Additional Director General (Ordnance), Brigadier Iqbal Singh, prospective procurement officer, and Colonel Anil Sehgal, then Director, DGOS, now posted at Jabalpur.

"They are expected to arrive late in the evening today and will then be officially questioned in uniform. The suspension orders will be given to them after that. Till then action

CONTINUED ON PAGE 2

Relieve George or else, warns Mamata

PRESS TRUST OF INDIA
NEW DELHI, MARCH 14



RAILWAY Minister and Trinamool Congress President Mamata Banerjee today threatened "re-considering her support to NDA government" unless the resignation of Defence Minister George Fernandes is accepted and an investigation launched to probe the allegations in the video footage.

Demanding a probe by a joint parliamentary committee or a sitting Supreme Court judge or CBI, Banerjee said since the entire issue related to defence deals, all the officials named in the video footage



Deve Gowda, Amar Singh, VP Singh and Jyoti Basu coming out of Harkishan Singh Surjit's house in New Delhi on Wednesday - Express Photo by Praveen Jain

must not continue in office.

Since lapse of time was causing irreparable damage to the image of the government and the country internationally, it was essential that all the steps suggested by her should be initiated by the government, Banerjee said, adding "in case such actions are not taken, all India Trinamool Congress will be left with no alternative but to reconsider continuing its support to the NDA government."

In a letter to Prime Minister Atal Behari Vajpayee released to the

CONTINUED ON PG 2

CVC says tapes provide new list of arms agents

RITU SARIN
NEW DELHI, MARCH 14

THE Tehelka tapes have come at a time when the Central Vigilance Commission (CVC) is working on the final report on defence deals, an outcome of an inquiry ordered by Defence Minister George Fernandes on August 7 last year.

Nothing much was expected to come of the omnibus probe and it was no surprise that nothing did. Soon after the inquiry was ordered, the Defence Ministry forwarded a list of 380 defence deals signed since the ban on defence agents was imposed by the Rajiv Government on April 14, 1989.

It was just a few months ago that the CVC gave the Central Bureau of Investigation (CBI) its first real window of opportunity into the inquiry. The CVC sent the CBI a shortlist of around six or seven defence personnel (most of whom retired recently), whose complicity

in defence deals was known to them. The CBI was asked to look into the disproportionate assets of the personnel, but Central Vigilance Commissioner N Vittal says the result was very disappointing.

"The CBI mostly gave a clean chit to the retired personnel. It was almost as if they were being blessed by the CBI," he said, adding, "We have some of our own findings which we are compiling for the final report. Now the findings of the Tehelka team have come as a gold mine for us. Our final report will not be worth the paper it is printed on if these findings are not also looked into by us."

Vigilance Commissioner V N Mathur endorses his view. "We will get a good focus for our report from the allegations made in the transcripts and newspapers today. The allegations are very serious and we will definitely be looking into the evidential value of the transcripts before finalising our

CONTINUED ON PAGE 2

George 'tricks' Hegde to keep him off NDA meet

EXPRESS NEWS SERVICE
NEW DELHI, MARCH 14

LOK Shakti leader Ramakrishna Hegde was tricked out of the NDA meeting this afternoon, reportedly by George Fernandes' office, after he publicly demanded the Defence Minister's resignation on the Operation Westend revelations.

George Fernandes, who is also convener of the NDA, is said to have sent a letter to Hegde last night, inviting him to the meeting of coalition leaders at the Prime Minister's residence this afternoon. However, shortly before NDA leaders met today, Hegde's office allegedly got a call from Fernandes' office saying the meeting had been postponed and that a new time would be intimated. Hegde, who chose to

stay home, was, of course, aghast to find the NDA meeting had gone ahead as scheduled.

"I do not know why I was kept out, the only thing I can think of is that between last night and this afternoon, I had gone public demanding Fernandes' resignation and the institution of an inquiry into the whole affair by a sitting judge of the Supreme Court," Hegde said.

Speaking to *The Indian Express*, Hegde said: "I would have demanded Fernandes' resignation at the NDA meeting too because this is a matter of national interest and national security, but I was robbed of the opportunity in strange circumstances."

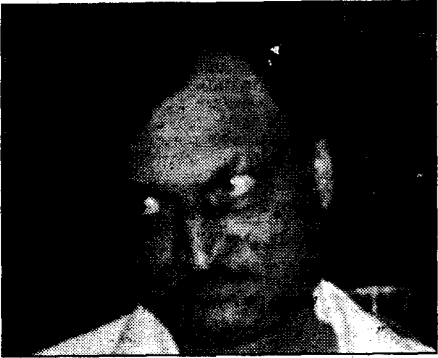
Hegde is the second NDA leader after Railway Minister and Trinamool leader Mamata Banerjee to have openly demanded that Fernandes quit office in the interests of an impartial probe.



IN GOLD BLOOD... the version of Mizanur is fiction

SOME OF THE SUPPORTING CAST

RK JAIN
WHAT HE GOT:
RS FIVE LAKH
WHEN:
JANUARY 3, 2001
WHERE:
AAKASHDEEP BUILDING



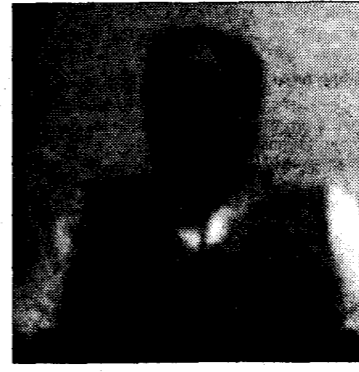
Raj Kumar Gupta, middleman, national trustee of the Rashtriya Swayamsavak Sangh



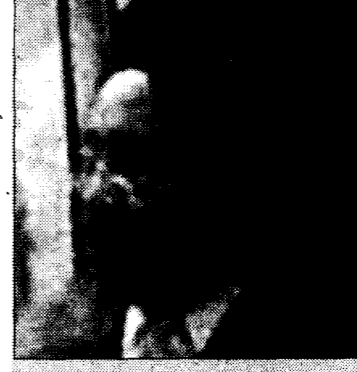
Major General Murgai (Retd), Additional Director-General, Quality Assurance



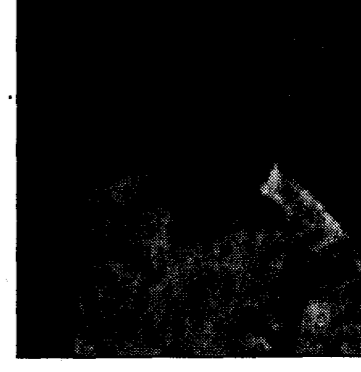
Major S.J. Singh, middleman



R K Jain, middleman, treasurer of the Samata Party



Mohinder Pal Sahni, middleman, Honorary Consul General, Belize



Colonel Anil Sehgal, Director, DGOS

Edited excerpts of Tehelka's encounter with R K Jain

K Jain: The treasurer is close to the boss because for money matters, he has to talk to the treasurer... Please consider that it is not hidden from the treasurer that the party is getting money. Money is withdrawn when I pass the cheque, when I sign it.

(Jain explains how an actual monetary transaction takes place, and how much money he made for the Samata Party and for himself)

Tehelka: You normally use Zurich or which place?

Jain: No, I normally... for this kind of transactions, I normally use a different man, a third man... He will come and sit with me. He will give me the guarantee of that amount which I'm giving it to him in his account.

Tehelka: Abroad?

Jain: I have a guarantee here... Verbal guarantee with one or two common friends... so that he can't get away.

As soon as the money is transferred, we show the slip. The money is being transferred.

Tehelka: Then he gives you the equivalent in Indian rupees...

Jain: Then he gives... That's the way they do it. Sometimes my brother needs money abroad. All right? Then I push it to my brother's account.

Jain: Jaya Jaitly is the second wife. But not officially married. She's president of the party too. So there are two defence ministers. One is George Fernandes, another is Jaya Jaitly.

Tehelka: That's cute, very cute.

Jain: And I am basically the front for Jaya Jaitly and George Fernandes. If you want, I can show you the minutes of the meetings. It is cyclostyled in our different conferences... national conferences, that whatever party needs money, Mr Jain will arrange that money and give it to the party.

Tehelka: How much funds did you manage to generate for the party so far?

Jain: Till now I think I'm worth... I have given them more than 50 crore rupees.

TEHELKA: That's two lakhs.
JAYA: Thank you very much.



JAYA JAITLY
WHAT SHE GOT:
RS TWO LAKH
WHEN:
DECEMBER 28, 2000
WHERE:
GEORGE FERNANDES' RESIDENCE

Edited excerpts of Tehelka's encounter with Jaya Jaitly

(Major General Murgai (Retd), Additional Director-General, Quality Assurance, is introducing the West End army company to Surentra Sulekha, an industrialist from Kanpur with strong links with the Defence Ministry. Sulekha has been supplying clothing to the Indian Army for the last 20 years and is close to Jaya Jaitly, Samata Party President.)

Tehelka: Now we need a political cover... Work is that, if the company... two or four companies were short-listed... The final decision will be taken by the Ministry of Defence... That means George, Mr George Fernandes.

(West End discusses with Gen Murgai how much they will pay for Sulekha's involvement in getting the letter from General Chaudhary inviting them for a final trial of their products. Gen Murgai then informs Sulekha who will get what if Jaya Jaitly is introduced to West End by Sulekha.)

Murgai: We will give two to Jaya in that. Initially, one for you and one for me. All right?

Tehelka: When can you arrange the meeting, sir?
Sulekha: I'll ask her today.

Tehelka: Make that in a hotel.

That is good. I don't want to come here if you're not coming.

Murgai (pointing to Sulekha): he's got a house in Noida.
Tehelka: Okay. She will come there?

Sulekha: Either at my house or George Fernandes' house.
Tehelka: That official house.

Sulekha: Official house... She will meet you just alone only. Nobody else will be there.

(At the meeting at Defence Minister George Fernandes' house, Surentra Sulekha, General Murgai, MP Srinivas Prasad and some others are there.)

Maj General Murgai: This company...
Jaya Jaitly: Please send this to our Minister... Mr Srinivas Prasad... he is hosting the National Council.

Tehelka: Okay, okay, okay.

Jaitly: We have two days where about 500-800 people will be going... The National Council elects the National President... That is a once in two-year affair... So that process...

We need some help because he said... You do the rest.

Tehelka: We need your blessing... also for this... our company...

Jaya Jaitly: Naturally, probably as far as I know because I don't know much about these things, but you all have to... whenever some new entry into... entrant into the field, they have to test the things.

Jaya: If there's any way... if they are refusing to test it... that's... then

we can step into the picture... If they don't, we can always say, "Look, you mustn't treat anybody unfairly. Give everybody a chance."

Because, if we try to favour anybody particularly, specially when we don't know a thing, we may be doing injustice to somebody else... But if we say, "Look, don't do justice to anybody..." And if somebody is being unfairly treated, not being called... somebody else is being favoured and you're not even being asked... then we'll say, "Look, you please do because then there's... it's in our interest... it's in the national interest to consider all..."

You then take the best, which is at the best price. So if any... that whole thing is going wrong, then we can step in if need be.

First, you'd be applying. Then, you'll naturally grab an opportunity to as them, "Look, I have applied. Are you going to respond to me at all?" If they say, "No, no, we can't, we don't know, we'll let you know and they don't sound very convincing, then we'll see.

After a reasonable time, you can chat with them and say... send then a reminder. And then if they don't, we can ask.

Murgai: You see, as Madam has mentioned in the night... those are

Jaitly: Now when that happens, we don't want anybody to feel that anybody has extra interest... Because we don't have any extra interest in anybody. We have extra interest in the good quality and good price. In the interest of the nation, so that they don't neglect you.

Tehelka: That's two lakhs. Two lakhs.

Sulekha: Thank you very much.
Jaya: Thank you very much.

BANGARU LAXMAN
WHAT HE GOT:
RS ONE LAKH
WHEN:
JANUARY 5, 2001
WHERE:
AT HIS RESIDENCE

Edited excerpts of Tehelka's encounter with Bangaru Laxman

(RSS trustee R K Gupta was asking for a sum of Rs 25 lakh for an introduction to Laxman and getting the job done. Mohinder Pal Sahni, middleman and Honorary Consul General, Belize, himself put a figure of Rs 10 lakh... H C Pant offered to take us to Laxman. Eventually, Pant sent Mohan Singh, former PS to former Minister of State for Defence Harin Pathak to introduce us Raju Venkatesh, Laxman's personal secretary.)

Tehelka: Sir, this is thermal... thermal hand-held camera.
Bangaru Laxman: Hmmm. Hmmm.

Already, I spoke to defence people... officers. Lt Gen Choudhary... and Lt Gen Dhillion also.

So they are willing to take our item, it's a very good item, compared to SCF Thomson and El-Op. They... are our competitors... Now, I need your favour to Defence Secretary.

Laxman: I know him, but at what stage is the proposal?

Tehelka: ...Already the file is with the Defence Secretary... So if Defence Secretary will agree, our company will be short-listed.

(The next meeting with Bangaru President Bangaru Laxman takes place in the New Year. By now, the token advance of Laxman has been whittled down to Rs one lakh from Rs five lakh. This after pre-

senting a gold chain to his other secretary Satyamurti and a token amount of Rs 10,000 to Raju Venkatesh.

Laxman: Sir, can... can I give you one lakh rupees for it? For a token... For the party fund.
Laxman: Hmmm.

Tehelka: I have five lakh rupees.

Laxman: Hmmm.
Tehelka: And today I give you one lakh rupees. For just the beginning. A New Year gift.

Laxman: Hmmm. Hmmm.

(Giving wads of currency notes):

Tehelka: Sir, this is a small gift...
Laxman: Oh, no, no...
Tehelka: It's a small gift for the New

Year party. Right?

Tehelka: So that time can I call my boss here?
Laxman: Tomorrow... hmmm.

Tehelka: Five 'o'clock.
Laxman: Yeah, in five 'o'clock. In here?

Tehelka: Tomorrow. Rupee or dollar?
Laxman: Dollars. You can bring dollars.

(The third meeting with Laxman took place with Alvin Souza, president of West End. Laxman was expecting a sum of around \$25,000 from West End. Here, Laxman talks about how the BJP and Vajpayee use Principal Secretary Brajesh Mishra as the guy who pushes through their deal.)

Laxman: So far, we have been taking the help of Brajesh Mishra to organise because Brajesh Mishra is there on a number of committees apart from Principal Secretary to Prime Minister... We normally turn to him because he has access to Defence, foreign and other related ministries.

Tehelka: And basically, is he the only person with influence? I'm sure you carry more influence than him?

Laxman: ...No, he deals with the bureaucracy... And also conveys the views of the bureaucracy to Prime Minister. So he is the liaison between the bureaucracy and the Prime Minister... So... therefore, whatever we tell the Prime Minister, he also normally has a word with Mishra.
Tehelka: Okay.

And then certain things he will say that "No, no, you convey this to Mishra..."

(continuing) "You pass on this information to Mishra"... That's how things are here.

Laxman: (Nodding) he is. But I'll find out all this information.



The stink plays out in papers the world over

DAWN
A sensational expose in which the head of Prime Minister Atal Behari Vajpayee's Bharatiya Janata Party (BJP) has been filmed taking one hundred thousand of rupees from two journalists posing as arms-dealers could trigger the fall of the 36-month-old alliance... In recent weeks, Advani and Fernandes had been involved in a game of one-upmanship over who calls the shots on ties with Pakistan and the Kashmir issue. One of the most politically volatile video clips is the one showing a meeting with Laxman, in which Tehelka journalists persuade him to use his influence with the defence establishment. This ends with the journalist handing over Rs 100,000 in cash to the BJP President, as what they claim is an initial payment for access.

NATION
India's ruling BJP Party was in crisis Tuesday after its President Bangaru Laxman resigned over allegations that he had accepted a Rs 100,000 bribe from journalists posing as defence contractors. Indian Army too covered itself in disgrace as a slew of generals were caught grubbing for payoffs... The film has also ripped the official story that middlemen have been barred from defence deals.

THE NEW YORK TIMES
Bangaru Laxman, president of the party that leads India's governing coalition, resigned today after Internet journalists who had posed as arms merchants for an undercover investigation said they had videotapes that showed he had accepted a bribe. The hidden cameras captured Jaya Jaitly, leader of the Samata Party, another member of the governing coalition, telling the journalists to give 200,000 rupees (\$4,350) to a party official.

THE GUARDIAN
India's defence minister, George Fernandes, last night offered to resign after a website published an investigation that appeared to show senior political figures involved in defence procurement accepting large bribes. It comes 11 days after allegations of insider trading were levelled at the Bombay stock exchanges' former president, Anand Rathi. He is accused of passing market sensitive information to other brokers.

CNN
THE chief of India's ruling party resigned on Tuesday following what he branded "malicious" allegations that he was among a string of officials who took bribes from journalists posing as arms dealers. Thrust suddenly into a political storm after the release of a secretly filmed documentary, Prime Minister Atal Behari Vajpayee's coalition government said it was prepared to launch an inquiry into the charges. Before resigning as president of Vajpayee's Bharatiya Janata Party (BJP), Bangaru Laxman denied that he had taken 100,000 rupees (\$2,144) to influence an arms procurement.

Pssst...

Bad timing

UNITED NATIONS Secretary General Kofi Annan is arriving today on what is being described as a routine visit, but he should be warned that his programme may have a few surprises. Among other things, Annan has a meeting with George Fernandes at 945 hrs in Room No 104, South Block, on Friday. Going by the hourly changes in the Fernandes' fate, there may not be anyone there on the 16th. The other plan is a call on Rajya Sabha Deputy Chairperson Najma Heptullah and Speaker of Lok Sabha G.M.C. Balayogi. Annan is also meant to watch Parliament proceedings during his visit. Now, if that scene of India as a "vibrant democracy" can be arranged, it will be something to recommend the country to the Secretary General.

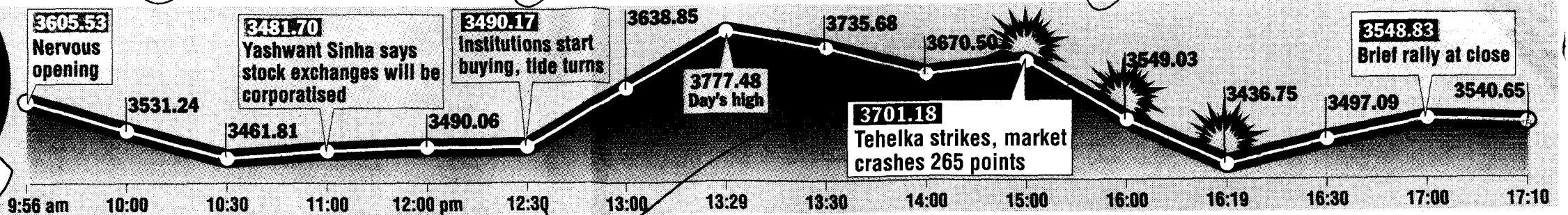
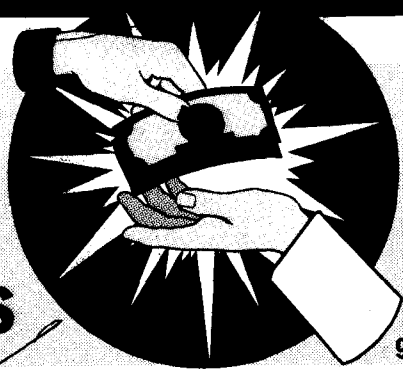
Security breach

AMONG the many things Bangaru Laxman must be rueing must be his decision recently to hire a new private security agency for the party headquarters at Ashoka Road. The agency is run by one R.K. Singh and is believed to have been handpicked by Laxman on assurances of topclass efficiency. But as it turns out, hiring the firm was as poor a decision as any Laxman may have taken. Had they done their job as efficiently as they had promised, the Tehelka spycam carried may never have slipped through to record that most damning of all images in Operation West-end: Laxman picking up a thick bundle of notes and putting it in his desk drawer.

PM's tip-off

VAJPAYEE'S outburst against the media on Monday took political circles by surprise. But now his unusual display of anger is being attributed to the Tehelka revelations. The perception in the BJP is that the PM had been tipped off by his intelligence agencies that a media bomb was waiting to burst and that's why he let fly at the press, accusing it of playing games and pursuing individual agendas. He repeated the charge again today at the BJP parliamentary party meeting when asked whether the whole thing was a conspiracy. "Daal mein kuchh kaala hai (there's a fly in the ointment)," he told his MPs. (EN)

VIDEO TAPES, SLEAZE & STOCKS



Corruption monster at Atal gate

Delhi sneezes, chill in Mumbai

OUR BUREAU

March 13: Stocks began a white-knuckle ride on a relentless roller-coaster today as scalded investors scrambled to get out of a market roiled by fears that a cloak-and-dagger expose of wheeling-dealing in defence deals could ignite a political crisis.

Shareholder wealth melted in the heat with the market capitalisation of the BSE shrinking by almost Rs 40,088 crore. The Bombay Stock Exchange's sensitive index plunged 227 points, or 6.3 per cent, to close at a 22-month low of 3540.65.

From February 28, when the budget was announced, shareholder wealth in the country has divided by a mind-boggling Rs 1,46,000 crore.

"It was like going to hell three times today," said Ramesh Damani, a BSE broker. "It was the longest day in my life."

The day had begun with a precipitous fall of almost 312 points within the first hour of trading as the market convulsed in response to Sebi's decision yesterday to debar broker-directors from the process of decision making at the BSE.

Finance minister Yashwant Sinha tried to talk up the market by unveiling a plan that promised to corporatise all bourses, arm the capital market watchdog Sebi with more powers in a bid to restore investor confidence, and extend rolling settlement to 200 category A stocks by July.

The market rallied smartly at the mid-session as the financial institutions led by the Unit Trust of India scooped up shares in a very skittish market. But soon the market was clobbered again after it learnt of the Tehelka tapes.

The roller coaster ride saw the Sensex yo-yo by over 340 points on a day when the professionally-managed National Stock exchange terminals were down for more than an hour and a half because of a technical snag, sparking rumours of a payment crisis at the premier bourse.

NSE managing director Ravi Narain told *The Telegraph* that it was a "technical glitch" which Tata Consultancy Services had to rectify. One good news that emanated from the bourse was that the pay-in formalities of brokers went off smoothly. To make up for the delay, both BSE and NSE extended trading hours till 5 pm.

But there were fresh jitters on the Calcutta stock exchange amid talk that there could be problems with the pay-out scheduled for Friday.

See Business Telegraph

WHAT THE TAPES SAY ABOUT THEM



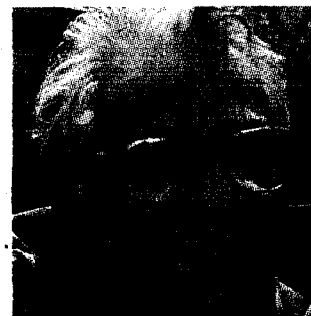
'PM told Bangaru Laxman whatever Gupta (RSS man) says, do it'



BRAJESH: Middleman says he operates from the PMO, names Brajesh Mishra and talks of 35% cut



BANGARU: Accepts Rs 1 lakh as New Year gift with promise of Rs 4 lakh more. Wants money in dollars



GEORGE: Overrules advice against buying israeli missile system. Money paid is Rs 1 crore



JAYA: Accepts Rs 1 crore for the missile system. Speaks to 'boss' (George), who says, 'Don't worry'

Politicians, bureaucrats bite bribe bait in Tehelka expose

FROM OUR SPECIAL CORRESPONDENT

New Delhi, March 13: Politicians are known to take money. Today, they were shown taking money.

The Atal Bihari Vajpayee government was shaken to its foundations after a news portal, *tehelka.com*, showed video-tapes in which politicians and bureaucrats were seen accepting or admitting to have taken bribes to fix defence deals. BJP chief Bangaru Laxman resigned after the revelations and defence minister George Fernandes offered to quit but was asked to stay on.

In the tapes, Laxman is the only top politician shown as accepting Rs 1 lakh with the promise of another Rs 4 lakh and tucking it inside his desk drawer. He admitted taking the money for the party.

The lead characters in the Tehelka tapes are the defence ministry headed by George Fernandes and the military establishment. They show Jaya Jaitly, Fernandes' friend and his party Samata's president, directing Tehelka reporters posing as arms dealers

to pay Rs 2 lakh to a person present in the room. Tehelka floated a fictitious company, West End International, supposedly based in London and dealing in arms, to trap politicians and bureaucrats who appeared willing to swing defence deals.

The fate that befell Rajiv Gandhi — who started as Mr Clean only to be sucked into the Bofors scandal — struck the BJP today, its claim of being the only clean party in the country lying in tatters. Conversations in the transcripts of the Tehelka tapes point a finger of suspicion at the Prime Minister's closest advisers and family members.

Shell-shocked by the revelations, the Cabinet sat for four hours amid Opposition calls for resignation of the Vajpayee government. BJP allies like

Trinamul asked the government to come "absolutely clean". Mamata Banerjee stayed away from the meeting, but she stands to lose the most from her association with the BJP immediately because of the impending elections in Bengal.

In the tapes, two people — Raj Kumar Gupta, an RSS patron, and R.K. Jain, Samata treasurer — drop one bombshell after another.

Laxman talks about things done through Brajesh Mishra, principal secretary to the Prime Minister. Gupta even refers to Mishra as the PM.

"Brajesh's price is one crore," Gupta says in the tapes.

The name of Ranjan Bhatnagary, Vajpayee's son-in-law, comes up in at least one place. Gupta says: "He (Ranjan) has been asked to keep

off. In one deal, I killed Ranjan and Brajesh Mishra both. Got through directly. PM blasted him."

Jain suggests Rs 1 crore was paid in an Israeli missile system deal and the money was handed over to Jaitly. Jain quotes her as saying: "I have spoken to the boss. Don't worry. He said he will make everything fine."

The Samata office-bearer goes on to name several ministers who, he claims, can be done business with. "With Sharad Yadav, with Yashwant Sinha we can do 100 per cent work... Railways' Digvijay Singh is 100 per cent, Mamata Banerjee 70 per cent... Ram Vilas Paswan again 99 per cent."

As the Tehelka tapes rolled at Delhi's Imperial Hotel this afternoon, Parliament had little time to realise their damage potential. The issue came up rather late and the House was adjourned amid turmoil. So far, the government has only promised an inquiry.

For Tehelka, this is the second coup after the secretly-made Manoj Prabhakar tapes — a technique used in Operation West End, too. The portal said it took eight months and spent Rs 11 lakh to capture on tape the wheeling and dealing.

Opposition in cry for blood

FROM OUR SPECIAL CORRESPONDENT

New Delhi, March 13: Sniffing blood at the revelations that have landed the NDA coalition in a grave crisis, the Opposition today declared that it would move heaven and earth to get rid of the Vajpayee government.

"The government must go, here and now," thundered Congress spokesperson Jaipal Reddy. Joining the main Opposition party, the CPM asked the government to quit without delay. "Bofors seems a minor scam compared to what has now been exposed," said the politburo.

The revelations by *tehelka.com* have suddenly opened up possibilities before an Opposition that has been cooling its heels since Atal Bihari Vajpayee took charge at the Centre.

The Opposition will first test its strategy in Parliament, tightening the screws on the NDA on the floor till it squirms.

In 1989, the Opposition led by V.P. Singh had led the offensive against the Rajiv Gandhi government on the Bofors gun deal. "The Bofors incident was the first of its kind of corruption in high places.

But today's revelations reflect institutionalised corruption," said an outraged CPM politburo.

The government got a taste of what to expect tomorrow when Congress chief whip Priya Ranjan Das Munshi today rushed back from the Tehelka press conference and grabbed the attention of the House by disrupting proceedings. The Left parties joined the fray and forced an adjournment for the day.

A sledge-hammer slogan the then Opposition had used against Rajiv Gandhi returned to haunt the BJP in the House. "Gali, gali mein shor hai, yeh sarkar chor hai," Congress members shouted as Das Munshi raised the issue.

In the evening, the Congress and the Left announced they would not breathe easy till the government quits. From tomorrow, the Opposition is likely to focus on a single agenda to push the ruling alliance to the wall.

It is, however, to be seen how far the Opposition will take its battle. One crucial lacuna in the Opposition's strategy is the absence of an alternative arrangement at the Centre. At the moment, the Opposition is ridden with holes.



VVS Laxman scored 168 (59 and 109 not out) runs and helped India fight back in the second innings.

Picture by Santosh Ghosh
Ilan Chappell column on Page 17
More reports on Pages 17, 20



PM can't say no. Party's getting 100 crore: Gupta

Tehelka video exposes 'defence deal'

Bangaru quits as BJP chief

STATESMAN NEWS SERVICE

NEW DELHI, March 13. - The BJP president, Mr Bangaru Laxman, today resigned in the wake of allegation made in the Tehelka tapes that he accepted money for allegedly fixing a fictitious defence deal. The Union defence minister, Mr George Fernandes, also offered to quit over the controversy but the Prime Minister turned it down saying it was not needed "now".

Mr Fernandes' offer came at a meeting of the Union Cabinet that considered the issue in detail. He is to be fielded to reply to Opposition charges if Parliament debates the issue, a source said.

After hours of hectic behind-the-scenes deliberations, the Samata Party finally issued a statement around midnight denying any involvement of its leaders in the defence deal as has been alleged by *tehelka.com*. Three of the senior Samata Party leaders - defence minister Mr George Fernandes, party president, Ms Jaya Jaitley and party treasurer, Mr Jain, have come under a cloud of suspicion following the allegations of the website.

In a statement, party spokesman Dr Shambhu Shrivastava said: "The Samata Party categorically states that it has never promoted or discussed any defence deal nor interfered in any aspect of the work of the ministry of defence. Any claim made by any one, to the contrary, is complete falsehood".

Though Mr Laxman alleged a political controversy and denied having to do anything with defence deals, he was asked to keep up the moral posture as he admitted to having taken Rs 1 lakh in cash, as shown in the Tehelka footage, for "party funds".

Mr Laxman's resignation



A man displays the report of Operation Westend, during the screening of a video recorded by *tehelka.com*, at a hotel in New Delhi on Tuesday. - AP/PTI

came after he met Mr Atal Behari Vajpayee following the Cabinet meeting at the latter's South Block office. Now, the seniormost vice-president, Mr Jana Krishnamurthy, is to officiate as party president.

Mr Laxman reportedly told Mr Vajpayee that he was ready to

face an inquiry and would return to office only after he was cleared of the charges.

Earlier, Mr Laxman defended his action before the media saying: "We do take money for party funds during election times. The party is managed through such contributions." No defence deal was, however, ever discussed, he claimed.

"There appears to be a political conspiracy since I'm a Dalit and I have been making inroads into their (Congress) political base," he said. The BJP president claimed that the presence of Congress leaders at the Tehelka press conference is a pointer to what he alleges about the party.

"How could Congress leaders have come to know about the contents of the press conference?" he asked. "The very fact that so-called traders came to meet me with hidden cameras showed they wanted to frame me", he added. "If I knew that I would not have allowed them inside my residential office."

Mr Krishnamurthy also defended him saying that there was

■ See BANGARU: page 6

ON PAGE 6

- Tehelka blows the lid off defence deals
- PMO chooses not to react
- Defence ministry refuses to comment
- Left wants Vajpayee govt to go

THE STATESMAN

GUNS, GRAFT AND VIDEOTAPE

Bangaru first to go, Jaya incommunicado

Udayan Nambodiri
New Delhi, March 13

IN A sensational exposure of the wheeling-dealing that precedes defence procurements in India, tehelka.com, an internet news site, today laid bare all that was previously in the realm of conjecture.

A select audience was treated to a four-hour-long documentary film showing top politicians, retired and serving generals and middle-men carry out a deal to sell "night vision devices" to the Indian Army by paying off the who's who in the capital's corridors of power.

Tehelka's surreptitiously filmed video showed BJP president Bangaru Laxman accepting a 'New Year's Party Donation' of Rs 1 lakh and asking for further payment in US Dollars. His counterpart in the Samata Party, Jaya Jaitly, was seen accepting double that amount. Major General P S K Choudary, additional director general, weapons and equipment - the man responsible for giving technical clearance to every weapons purchase of the Indian Army - is filmed pocketing Rs 1 lakh in his own house from the "liaison officer" of Tehelka's "decoy", christened West End International, to organise a trial evaluation letter for testing the "equipment" on offer. A senior MoD official, L M Mehta, reportedly received a bribe for teaming up with the Maj Gen Choudary to issue the letter.

Even as the 'sleaze show' was on, Parliament was rocked and both Houses were adjourned. Clearly the expose snowballed into a major political crisis for the government. The first head rolled late tonight with Laxman quitting. Defence Minister

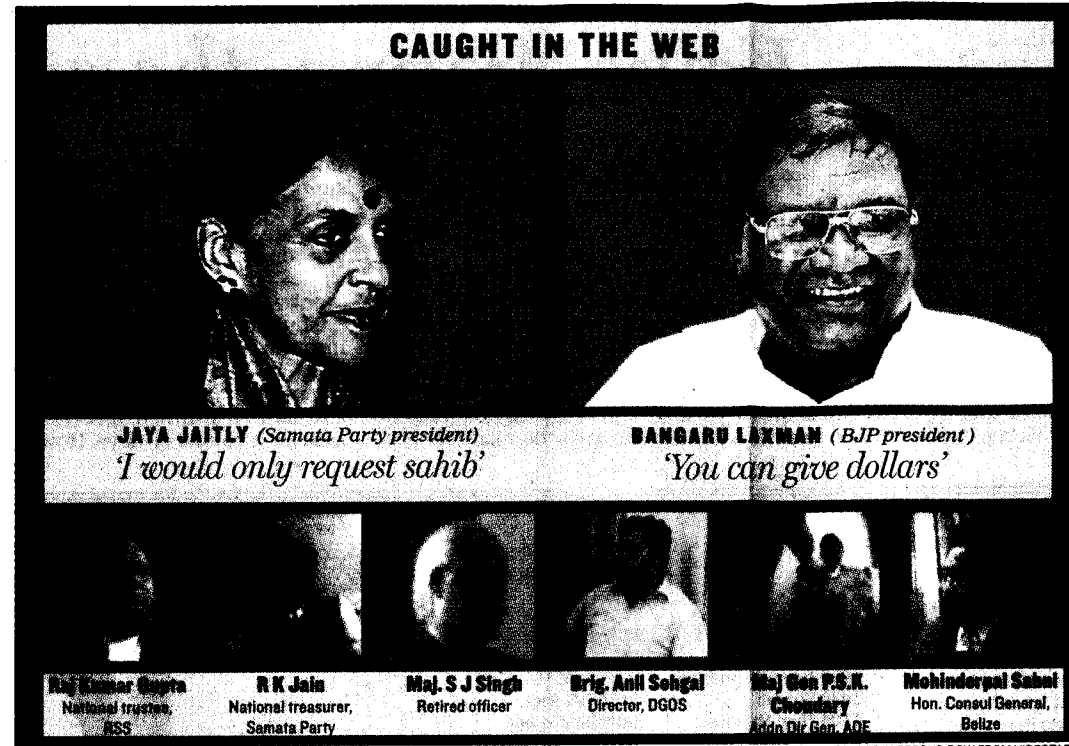
George Fernandes offered to resign while Jaitly was unavailable for comment.

Snooping cameras caught middle-rung politicians - claiming proximity to their powerful seniors - not only accepting "donations" but also talking their heads off to "representatives" of Tehelka - West End. The two reporters who posed as senior executives of the "international company" even got Laxman to sing about the role of key PMO officials in swinging dubious defence deals. Satyamurthi, PS to Laxman, frankly revealed that the BJP president had "five-six different foreign accounts".

But the biggest bombshell was dropped by the Samata Party's treasurer, R K Jain, who bragged how he raised Rs 50 crore for his party's chest while pocketing a cool percentage for himself. Fernandes had made him the party treasurer even though he was a political nobody. If one were to believe Jain, most NDA leaders holding key ministries are amenable to inducements.

The extent of the scandal was demonstrated by Jain's boast that his bid to wrest an agency agreement with the Russian aircraft company, Mapo MiG, had the blessings of Fernandes and Jaitly. He also fixed a meeting between MiG's chairman and Fernandes.

Jain's remarks flew in the face of the government's consistent stand that middlemen have been eliminated in defence deals. The documentary also casts light on the role of one R K Gupta, who claimed to be a "national trustee" of the RSS. He boasts of spending Rs 50 lakh to build the Sangh's headquarters in Delhi in 1967.



A few more heads may roll

HT Correspondent
New Delhi, March 13

INDIA HAS never seen anything quite so blatant. Millions of TV viewers saw the president of the BJP, India's ruling party, accepting a lakh of rupees in cash from a self-described arms dealer. That image, and the others like it on the Tehelka videotapes, could not have come at a worse time. No wonder that Bangaru Laxman was asked to resign.

The consequences are predictable. The Congress scents blood and thinks it can move in for the kill during this parliamentary session. Many of the allies—the Trinamool which is preparing for the Bengal elections—are openly dispirited.

And yet, there are those within

the BJP who maintain that the current scandal does not have staying power. What the videotapes prove, at the end of the day, is that the Defence Ministry is corrupt from top to bottom—and that George Fernandes has made no attempt to clean it up. It is appalling to see the Samata treasurer boast that he has collected Rs 50 crore through arms deals or that a gift of Rs 1 crore was enough to overturn Dr Abdul Kalam's opinion on a key purchase. While there is no suggestion that Fernandes has personally profited from the deals, it defies propriety for an arms dealer to gain access to party president Jaya Jaitly and to hand over Rs 2 lakh in cash to her.

But what of the BJP itself? There is speculation that A B Vajpayee was the target of the exer-

MAMATA MULLS RESIGNATION



MAMATA BANERJEE is pondering whether she should resign from the Union Cabinet following the Tehelka scoop, for staying with the BJP could hurt her chances in the Assembly polls. *Detailed report on P3*

cise. Why else, ask BJP leaders, would the men from Tehelka insist on dragging Brajesh Mishra and Ranjan Bhattacharya into so many conversations even though nobody suggests that either man should be paid off? Inevitably, given that Laxman is seen as Vajpayee's man, and that nobody from the Advani camp is mentioned, talk about the Advani-Vajpayee rift has resurfaced.

MoD: Wheeler-dealers are most welcome

Shishir Gupta
New Delhi, March 13

EVERY DEFENCE contract signed in recent memory could be under a cloud after the how-to-swing-a-defence-deal lesson offered by Tehelka.com here today. Tehelka's spycam footage confirmed what a lot of people had always suspected. That "national security" may be in the wrong hands.

In October, 1998, the then Chief of Air Staff, Air Chief Marshal Satish Sareen, had blown the whistle on a multi-crore deal for the acquisition of Inertial Navigation Global Positioning System (INGPS) for India's newly acquired Sukhoi fighters.

Air Chief Sareen had shot off a letter to George Fernandes stating that the Ministry had decided to purchase INGPS from France-based Sextant Avionique disregarding the Price Negotiation Committee's (PNC) advice that another French company Sagem be awarded the contract. A.P.J. Abdul Kalam, then scientific advisor to the Defence Minister, headed the PNC. But despite the Air Chief's protest, Sextant Avionique walked away with the coveted deal.

This evening, Samata Party treasurer R.K. Jain claimed on camera that Fernandes had swung another multi-crore deal for the purchase of Barak anti-missile defence system for the Navy by overruling Abdul Kalam.

According to Jain, the Israeli system was hurriedly pushed by the Defence Ministry after he (Jain) received slush money to the tune of Rs one crore from Suresh Nanda of the Crown Corporation.

Nanda retired as Lt. Commander from the Indian Navy and is

the son of former Naval Chief S.M. Nanda. In pushing the deal through, he overcame strong opposition not just from Kalam but also a section of the naval top brass. The Barak system was not designed to tackle supersonic anti-ship missiles, which now constitute a serious challenge to Indian vessels.

The clear involvement of arms agents in various defence deals could bring to a halt the much-needed modernisation of the Indian Air Force. Negotiations are on for the purchase of 66 Advanced Jet Trainers, upgradation of 125 MiG-21 fighter planes and the Rs 10,000 crore Sukhoi deal.

Sundry defence middlemen have also been caught making statements on camera on a number of other defence deals. They include Krasnopol laser guided ammunition for 155-mm Bofors and 130-mm field guns.

The high explosive extended range shells were, according to the expose, acquired for the Indian Army even after failing five out of six user trials. Incidentally, this ammunition was purchased to deal with the artillery's post-Kargil requirements.

It is evident that men like the Chaudhary brothers, Suresh Nanda of Crown Corporation, Major General S.P. Murgai, R.K. Jain, Lt Col Sayal and Major S.J. Singh have manipulated the system with ease. And that army generals have sacrificed national security at the altar of greed.

ON PAGE 13

- Govt should quit, says Congress
- Parliament adjourned
- RSS denies links with Gupta
- Important development, says CVC
- Bhagwat feels vindicated
- Excerpts from the transcripts
- Who got what

Shourie dares Ajit Jogi to prove graft charges in BALCO deal

NEW DELHI: Union disinvestment minister Arun Shourie on Sunday challenged Chattisgarh chief minister Ajit Jogi to make public names of those alleged to have received Rs 100 crore bribe in the BALCO deal.

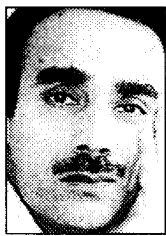
Denying Mr Jogi's allegation of corruption in selling 51 per cent government stake in Bharat Aluminium Company (BALCO) to Sterlite Industries for Rs 551.5 crore, Mr Shourie asked the public to write letters to the Central Vigilance Commissioner (CVC) to force him seek proof of charges of corruption in the disinvestment of BALCO from Chattisgarh chief minister.

"If Mr Jogi comes out with names, these officers will haul him to courts for defamation. In my opinion, the government should assist these officers to fight such baseless allegations," Mr Shourie said in a programme on a private television channel.

"Its the duty of Central Vigilance Commissioner to implement the

Prevention of Corruption Act," he said, adding disinvestment process would come clean of such controversies and would be further strengthened.

Mr Shourie warned that unnecessary delay in the process of disinvestment would prove costly to the nation.



Arun Shourie



Ajit Jogi

Asked about selling the so-called crown jewels of Air India and Indian Airlines, the minister said none of the international airlines are willing to take over the "headache" of operating 23 airplanes with a staff of 18,000.

Meanwhile, after staying all pro-

ceedings on petitions challenging the controversial disinvestment in BALCO before high courts at Delhi and Chattisgarh, the supreme court will further hear the case on Monday.

The court would also continue the proceedings on another petition filed by Centre last week in which the supreme court had restrained the Chattisgarh government from disrupting supply of water, electricity and food to BALCO plant at Korba.

In a related development, the new director of BALCO, D.K. Bandyopadhyaya on Sunday denied having any plans to declare a lock-out in the company and said he had not issued any notices for it.

Meanwhile, over 6,000 striking workers continued to ignore repeated appeals of the new management to rejoin work even as the stalemate over the 51 per cent disinvestment of the company's equity by the Centre entered the ninth day on Sunday. (PTI)

Court asks Hindujas to give payment details

By J. Venkatesan

HD-1 10/3
NEW DELHI, MARCH 9. The Delhi High Court today asked the Hinduja brothers, accused in the Rs. 64-crore Bofors payoffs case, to furnish on oath details of money they received from the company.

Mr. Justice S.K. Aggarwal, who had on February 26 reserved orders on the applications filed by the brothers seeking permission to leave India, gave this direction holding "it will be helpful to know about the status of the money while deciding the petition".

The judge granted Mr. S.P. Hinduja, Mr. G.P. Hinduja and Mr. P.P. Hinduja time till March 12 to file the affidavit giving details of their movable and immovable assets in India and posted the case to March 16. He asked the Central Bureau of Investigation (CBI) to file its reply whether the case insofar as the brothers were concerned could be split up.

During the hearing, counsel for the brothers had told the court that the amount received by them from Bofors, though not related to the gun deal, had been kept separately and invested in the various group companies. The amount had not been transferred to anyone.

It was contended that as the Hindujas had invested over Rs. 10,000 crores in India, there was no justification for the CBI apprehending that they might not return to the country to face the trial.

Counsel argued that framing of charges would be delayed as extradition proceedings against the other accused, Italian businessman, Mr. Ottavio Quattrocchi, was still pending with the Malaysian Government and a red alert notice in respect of the former Bofors president, Mr. Martin Arbo, was also pending with Interpol. When the judge wanted affidavits from the brothers, the senior counsel Mr. Kapil Sibal said it was for the CBI to furnish the relevant documents as also the letter written by a chartered accountant to the Swiss investigating agency and handed over to the CBI by the brothers.

The brothers were granted bail by the special court on the condition that they should not leave India without court permission. Following this, they filed revision petitions in the High Court seeking to set aside the trial court's order and to allow them to go abroad as they had already suffered loss in the business due to their long stay here.

THE HINDU

7 MAR 2001

7 MAR 2001

Govt puts Balco under audit scanner

FROM OUR SPECIAL
CORRESPONDENT

New Delhi, March 7: Stepping up efforts to end the controversy over the Balco sell-off, disinvestment minister Arun Shourie today asked the Comptroller and Auditor-General to scan the deal.

The striking Balco employees sprang a surprise by offering to allow skeleton staff to resume work. The workers, who have been on strike for five days, made the offer to keep the aluminium smelters from shutting down which would have caused extensive damage.

In a letter to Comptroller

and Auditor-General V.K. Shungtu, Shourie asked for officials to be assigned to go through the sale records and conduct an audit of the disinvestment in Balco.

The Centre has sold 51 per cent stake in the company to Sterlite Industries for Rs 551.50 crore. The sale sparked a controversy with the Opposition alleging that the public sector unit was undervalued.

Questions have also been raised over whether the Centre has the right to transfer mining leases in tribal areas to a private company.

Shourie had promised an audit

of all disinvestment decisions by the CAG once they had been implemented. Officials said his letter today was a follow-up to this announcement.

While the audit decision was expected, the union's offer to keep its plant smelter alive was not. Balco union officials in Korba said: "We held a discussion at the core committee of the Balco Bachao Sanyukta Abhiyan Samiti and, after that, with the management last night and decided to provide them manpower today to keep the plant cells alive."

Balco Bachao Andolan leader Brhama Singh said workers

deputed to help out "will do the job without taking any payment and the employees going inside will not mark their attendance".

The management had given a list of 125 workers needed to keep the plant "alive", he added.

But the general manager (personnel and administration), Shaheer Ahmed, said the Balco management had yet to make up its mind on the offer.

Another official said: "Although we needed manpower since the second day of the indefinite strike, we have to consider whether we can allow them inside the plant considering safety as-

pects." Following the shutdown, Balco had incurred a loss of Rs 2 crore, he added.

While restraining the Chhattisgarh government from snapping essential services to the Korba plant, the Supreme Court iterated that only the apex court would deal with the selloff controversy.

The order, issued by Judges B.N. Kirpal and V.N. Khare, came on a fresh application by the Centre that the state was helping workers disrupt the functioning of the aluminium plant.

Reacting to the restraining order, an elated Shourie said he "hoped the Chhattisgarh govern-

ment will now see reason".

The judges, who heard the case at Kirpal's residence this evening, however, allowed the Chhattisgarh revenue court to sit in judgment on the notices it had issued the Centre and Sterlite officials.

The revenue court is pursuing charges that the transfer of mining lease on tribal land to Sterlite violates law.

But the Supreme Court asked the revenue court not to issue any final judgment while the apex court was considering the intricacies of related issues. The next hearing on this petition will be on

March 12.

THE TELEGRAPH

- 8 MAR 2001

SHOURIE REJECTS DEMAND FOR JPC PROBE INTO BALCO DEAL

Sena, TDP join review call

By Our Special Correspondent

NEW DELHI, FEB. 27. The Government today found itself isolated on the Rs. 551-crore BALCO-Sterlite deal in the Rajya Sabha, when some of its allies joined the Opposition in demanding a Joint Parliamentary Committee to mandating a Joint Parliamentary Committee to go into the agreement, which was rejected outright.

The Telugu Desam Party and the Shiv Sena, both allies, joined the Opposition in criticising the deal and calling for its review.

The Disinvestment Minister, Mr. Arun Shourie's defence led to a walkout by the Opposition. Terming the agreement good, transparent and at a good price, the Minister categorically rejected the demand for a Joint Parliamentary Committee probe.

The Opposition's charge was that the Government was selling the Bharat Aluminium Company (BALCO) for an "abnormally low price", and that its methods of evaluation were "questionable".

Mr. Shourie justified the decision with statistics — the profits of the company were declining, costs of production were too high, the technology was obsolete, and besides, the Opposition also favoured disinvestment as evident from the Congress manifesto.

After asking three pointed questions, Dr. Mahmoohan Singh, Leader of the Opposition, led the walkout. The allies, who had also been very critical, however, did not join this protest.

'Wild' allegations

Mr. Shourie went on to describe allegations of corruption against the Prime Minister's Office as "wild", and said there had been no interference by the PMO. Earlier, moving a calling attention motion, the former Finance Minister, Mr. Pranab Mukherjee, felt the Government should have applied its discretionary powers instead of selling the profit-making company on the recommendations of the Disinvestment Commission. Why sell a company with a good track record?

Picking up the cue, Mr. Dipankar Mukherjee of the CPI(M) apprehended a scam behind the Government's haste in pushing the deal and said if the present tendency of obfuscation continued, disinvestment in other State units such as Indian Airlines might also meet the same fate. Mr. Mukherjee as well as other speakers such as Mr. Sanjay Nirupam (Shiv Sena) and Mr. R. Margabandhu (AIADMK) cast aspersions on the finer points of the pact with Sterlite.

Asking the Government to reconsider the

agreement, Mr. Nirupam scaled his demand to a probe by a parliamentary committee as well as examination of BALCO's disinvestment process by the CAG. Mr. J. Chittaranjan (CPI) said in the last few months the Government was in an unusual hurry to sell off all profit-making PSUs.

The TDP was harsher with its MP, Mr. C. Ramachandraiah, charging the Government with "bulldozing the nation" and said that in the absence of transparency in the deal, the Opposition was right in doubting the Government's intentions. He also wanted the company's finances examined by a House Committee.

Huge expansion costs

Defending the decision, Mr. Ram Dass Agarwal (BJP) said the company required Rs. 4,600 crores for modernisation and expansion, and the Government was not in a position to meet it. He took exception to the allegations reportedly made by the Chattisgarh Chief Minister, Mr. Ajit Jogi, and deplored his threat to cancel the mining leases of the company if it was sold to Sterlite. In a formal statement before the discussion, Mr. Shourie had offered to place all documents related to the transaction with the CAG, after the deal was completed.

BALCO deal is underhand: Jogi

NEW DELHI: Chhattisgarh chief minister Ajit Jogi on Sunday accused the Centre of indulging in "underhand dealings" to the tune of Rs 100 crore to sell off 51 per cent stake in BALCO to Sterlite Industries and alleged the Prime Minister's Office (PMO) was also involved in "irregularities".

"Some functionaries in PMO are said to have received kick-backs to the tune of Rs 100 crore for divestment of government's equity in BALCO at a throwaway price. The deal was like loot of Chhattisgarh in a day-light robbery," Mr Jogi said. When asked to name the functionaries involved in the alleged "scam", he declined to

disclose any details, but claimed that four to five people, including a top official of disinvestment ministry and a state government officer, were involved in it.

Regarding Prime Minister Atal Behari Vajpayee's reference to BALCO disinvestment deal as a "good agreement", the Congress leader said, "This gives credence and strength to the allegation of blatant corruption in the deal."

Claiming the sale of BALCO equities would have fetched at least Rs 5,000 crore, Mr Jogi said the company with a cash deposit of Rs 450 crore and annual profit of Rs 100-150 crore were being sold for a paltry Rs 551 crore. (PTI)

THE HINDUSTAN TIMES

26 FEB 2001

We will block BALCO deal: Jogi

By Javed M. Ansari

NEW DELHI, FEB. 25. The controversy over the Central Government's decision to sell BALCO shows no sign of abating. A day after the Prime Minister, Mr. A.B. Vajpayee, indicated that the deal would go through, the Chattisgarh Chief Minister, Mr. Ajit Jogi, today said his Government would bring in an official resolution in the Assembly to block the deal which reeked of corruption.

Mr. Jogi alleged that "according to rumours, an extra constitutional authority in the Prime Minister's house had benefited to the tune of Rs.100 crores." The deal was akin to "robbery in daylight" and the manner in which the Central Government was trying to push it through was lending credence to such rumours. Mr. Jogi stuck to his guns about the State

Government's right to cancel the lease and said the Cabinet had authorised him to act in the matter and now he planned to bring in a resolution in the Assembly session starting on February 27, to get legislative backing.

Describing the deal as a prestige issue with the people of his State, Mr. Jogi said just because it was a new-born Adivasi State it

Shourie's challenge: Page 13

could not be trampled upon.

Mr. Jogi said he had directed the Advocate General and his Law Secretary to look into the legal angle. His Government was well within its right to review the mining right as well as its decision to supply water and extend other facilities. "If the Centre remains adamant I have been authorised to cancel the mining lease."

Mr. Jogi said the issue had a direct impact on the Adivasi population and the company's privatisation would lead to unemployment. Feelings were running high and the trade unions had called for a bandh. Mr. Jogi said his Government would not bow to any threat from the Centre. "I am prepared for all eventualities, but I will not allow the people of Chattisgarh to be treated like this."

He sought to buttress his charge about the lack of transparency in the deal, claiming that neither the State Government nor the Chief Minister was consulted. He also criticised the Disinvestment Minister, Mr. Arun Shourie, and the BJP leader, Mr. V.K. Malhotra, for trying to put a Constitutional limit on the State Government's ability to act.

THE HINDU

26 FEB 2001

SC go-ahead for trial of Jayalalitha in SPIC case

By Our Legal Correspondent

NEW DELHI, FEB. 16. The Supreme Court today cleared the decks for commencement of the trial before a special court in Chennai against the former Tamil Nadu Chief Minister, Ms. Jayalalitha, Mr. A.C. Muthiah, industrialist, and others in the 'Rs. 28.29-crore loss SPIC disinvestment case'. *Corruption*

A Bench comprising Mr. Justice K.T. Thomas and Mr. Justice R.P. Sethi, while hearing a special leave petition filed by the CBI, suspended the Madras High Court order dated August 30, 2000, directing the special court not to proceed with the trial pending disposal of a writ appeal from Ms. Jayalalitha.

The Bench, while issuing notices to Ms. Jayalalitha, Mr. Muthiah, Chairman of SPIC, Mr. C. Ramachandran, former Industries Secretary, Tamil Nadu, and others, however, made it clear that the special court would not pronounce its judgment in the case without its prior permission.

Appearing for the CBI, the Solicitor General, Mr. Harish Salve, submitted that the direction of the High Court that the trial could go on only till the stage of framing of charges till the disposal of the appeal filed by Ms. Jayalalitha was contrary to law. He argued that as per Section 19(3)(c) of the Prevention of Corruption Act, no stay could be given directly or indirectly against the trial.

Initially the Janata Party president, Dr. Subramanian Swamy, filed a public interest writ petition al-

leging that the Tamil Nadu Industrial Development Corporation (TIDCO), which had 26 per cent shares in SPIC, lost about Rs. 77 crores because of undervaluation of the renunciation price of 2,000 convertible bonds in favour of SPIC.

He said that by not taking advantage of their right entitlement and selling the shares at the best obtainable market rate within three months of the allotment, Ms. Jayalalitha and her government had done a special favour to the then SPIC chairman, late M.A. Chidambaram and associates and correspondingly causing enormous loss to the TIDCO.

A single judge by an order in December 1997 directed Ms. Jayalalitha, M.A. Chidambaram (since deceased) and Mr. A.C. Muthiah to deposit the estimated loss amount of Rs. 28.29 crores to the State exchequer. The CBI was directed to take up the case registered by the State Vigilance and Anti Corruption Department and to ascertain the total loss that was caused to the Government and to proceed against Ms. Jayalalitha and the other accused.

On appeal from Ms. Jayalalitha, a Division Bench of the High Court stayed the single judge's order and directed the special court not to proceed with the trial of the case in which the chargesheet was filed in the special court on August 18, 2000. Against this order the CBI preferred a Special Leave Petition seeking a stay of the High Court order and permission for the special court to go ahead with the trial.

THE HINDU

17 FEB 2001

PM puts on hold Balco transfer

5/1
25/2
9.5.66
KPM

UNITED NEWS OF INDIA

NEW DELHI, Feb. 24. - The Prime Minister today directed that the controversial deal to disinvest 51 per cent of Bharat Aluminium Company Ltd shares in favour of Sterlite Industries be kept under abeyance till a discussion in Parliament, expected to be held on 1 March.

In an informal chat with reporters, Mr Atal Behari Vajpayee, however, defended the deal and denied any confusion over the proposal to sell equity shares to Sterlite.

In a significant move, the three functional directors of Balco have been directed by the government to resign from the board with immediate effect to help the process of transfer of shares to Sterlite.

Sources said the three directors, who had been nominated by the government, had tendered their resignations late last evening. They are Mr K Chatterjee, Mr P Majumdar and Mr PC Agarwal. They have reportedly tendered their resignations late last evening.

The Balco Employees Union today expressed strong suspicion over the manner in which the government had selected Sterlite. Its general secretary, Mr PN Sharma, said the disinvestment minister, Mr Arun Shourie, had recently said there were three bidders, but only two were found when the bids were opened.

Mr Sharma also said a major portion of Balco's land - 1,650 acres - were tribal land that had been transferred to Balco on the condition that the company would remain with the government as per Schedule 5 of the Constitution. He, therefore, felt the transfer of this land to a private company could entail a constitutional amendment.

THE STATESMAN

25 FEB 2001

'Nitish got Rs 1 crore from fodder fund'

SHIVNATH JHA
STATESMAN NEWS SERVICE

NEW DELHI, Feb. 24. — Did Nitish Kumar get a payoff in the fodder scam?

This startling claim was made to the CBI by Dr Shyam Bihari Sinha, an accused in the case and former Ranchi animal husbandry department's zonal joint director. Sinha, now dead, had said in his statement to the CBI that the senior Samata Party leader and Union agriculture minister got Rs 1 crore from him, to "defray expenses" to cam-

paign for 1995 Bihar Assembly polls.

The CBI recorded the statement in 1996, over four days, 20, 21, 22 and 28 May. Sinha had named the present RJD spokesman and former Samata leader, Mr Shivanand Tiwary, as another recipient — Rs 35-40 lakhs, to maintain "silence" and not disclose the department's "working".

Though the CBI has filed more than 30 charge-sheets in the fodder case, it hasn't questioned Mr Kumar.

Several attempts by the correspondent to contact Mr Kumar failed. The person who answered the phone at his

home said the minister was "out" and his time of arrival was uncertain.

In Mr Sinha's statement to the CBI, a copy of which is with **The Statesman**, Mr Tiwary's and Mr Kumar's names figure in paras five and six.

Sinha had said that in October/November 1994 he had gone to Delhi and stayed at 5/14 Sarva Priya Vihar. During this visit, Mr Umesh Singh, then the Cabinet secretariat (vigilance), Bihar, office superintendent, had told him that "Nitishji wanted some money to defray the expenses in the coming Assembly elections

(held in March 1995)".

"As communicated by Mr Umesh Singh, the demand was about one crore rupees", Sinha had said. He had further said that after his return to Ranchi he had discussed the issue with some of his AHD colleagues.

The members, the statement says, concluded that "the Samata Party may emerge as a strong political force in Bihar politics during the Assembly elections", and "Nitish Kumar was emerging as a strong leader in the party".

"The committee decided to pay one crore rupees to Shri Nitish Kumar".

Sinha's statement enumerates the modus operandi of the payment: "I again visited Delhi and directed Mr Vijay Kumar Malik to pay one crore rupees to Mr Umesh Singh for Mr Kumar. It was some time in November or December 1994 that Mr Malik paid Rs 1 crore to Mr Umesh Singh in Delhi."

"While I was in New Delhi during my this (sic) trip, Mr Nitish Kumar confirmed telephonically that Mr Umesh Singh came and met him. Mr Nitish Kumar also thanked me for the monetary help extended to him," Sinha had told CBI sleuths.

THE STATESMAN

25 FEB 2001

Centre defers signing of Balco deal

STATESMAN NEWS SERVICE

NEW DELHI, Feb. 23. - The Centre has reportedly decided to stick to its deal with Sterlite on Balco but defer signing it till the matter was discussed in Parliament.

A PIL has been filed in Delhi High Court, seeking an interim stay on any passing of the government's order on Balco. It will be heard on Monday.

The compromise formula deferring the transfer of control of the profit-making PSU was reportedly reached at a meeting of Parliament's Business Advisory Committee.

The demand for greater transparency in the deal by two key BJP allies, TDP and

Prinamul, seems to have prompted the government to agree to the formula.

The Opposition, meanwhile, could not make up its mind under what provisions and format the issue should be discussed in Parliament and what are the points it should focus on.

The TDP leader, Mr Yerran Naidu, said his party was not opposed to the disinvestment policy, but since certain doubts were raised by MPs the government should clarify them first. The Trinamul deputy leader, Mr Sudip Bandopadhyay, met Mr Shourie with similar demands.

Rajya Sabha is scheduled to discuss the issue on Tuesday, Lok Sabha on Thursday. Mr

Shourie said the government was ready for a debate even today, but the Opposition didn't want it as it would take away the time allotted for the private members' business.

Mr Nilotpal Basu (CPI-M) said in Rajya Sabha that the format of the debate was be-

■ Another report on page 10
 ■ Editorial: What price? page 8

ing discussed by Opposition leaders. He had earlier said the debate should be held under Rule 179 in Rajya Sabha.

The Congress is planning to move a motion under Rule 184 in Lok Sabha. Both the Rules require a vote in the House.

The BJP has launched a counter-offensive with the Union disinvestment minister, Mr Arun Shourie, trying to make a point-by-point rebuttal of Opposition charges.

Mr Shourie said that distorted facts were being dished about the reserves and profitability of Balco and the recommendations about its disinvestment.

He said the Centre would scrap its deal with Sterlite if anyone offers more than Sterlite's quoted price, Rs 551.50 crore. He also ruled out any parliamentary probe into the deal saying it was the executive's job to carry out commercial transactions. The Birla-owned Hindalco, he said, had offered Rs 275

crore and later walked out.

Mr Shourie denied reports that the valuation was not done in accordance with set procedures. The Balco divestment was recommended in March 1997 by the disinvestment commission and it took eight months for approved valuers to complete Balco's valuation, he said. On the fairness of the assets' valuation, he said an approved valuer had done the job.

The minister claimed Balco's equity and reserves added to Rs 704 crore, 51 per cent of which amounted to a little over Rs 350 crore. All papers about the deal would be submitted before the CAG and media for scrutiny, he said.

THE STATESMAN

24 FEB 2000

Go-slow on Balco selloff

FROM OUR SPECIAL
CORRESPONDENT

Del *29/2*
New Delhi, Feb. 23: The government today refused to commit whether it would complete the sale of Bharat Aluminium Company Ltd to Sterlite Industries over the weekend. At the same time, it stuck to its guns, saying the deal was "completely transparent and above board".

Disinvestment minister Arun Shourie hurriedly called a news conference on the Parliament premises after the Opposition brought the Lok Sabha to a halt over the selloff issue. "I will not give any commitment (on signing the deal)," Shourie told reporters.

The ambivalence seems to be a concession to not only the combined Opposition, but also key NDA constituents such as the Telugu Desam and the Trinamul Congress which have criticised the divestment.

Earlier, Shourie had made it clear that the selloff would be wrapped up by Monday and the government would get the estimated Rs 551.5 crore from the sale by the end of the financial

year on March 31.

The government will now also have to reckon with a public interest litigation challenging the sale, which was admitted in Delhi High Court today. As the issue is sub judice, it might not be able to go ahead with the sale till the court gives a clearance.

The government's main worry though is its two troublesome allies — Trinamul and TDP. Demanding transparency, Trinamul MP Sudeep Bandyopadhyay alleged the deal was "finalised in just seven days".

To pacify the allies, Shourie convened a meeting of NDA partners today. He said he talked to Desam MP Yerran Naidu. But sources said the minister also talked to Desam chief Chandrababu Naidu to win over his party.

The Congress is set to exploit the differences within the NDA. The party today announced its decision to serve a notice for a discussion under rule 184 — that allows voting in the Lok Sabha — on the Balco issue. This, the Congress hopes, will expose the cracks within the coalition.

■ See Page 8

THE TELEGRAPH

24 FEB 2001

Oppn. attacks govt. over BALCO deal, RS rocked

Deal was done in clear and transparent manner: Shourie

The Times of India News Service
NEW DELHI: The Rajya Sabha could not proceed beyond the first hour of business on Thursday after MPs from the Left parties, supported by members from the Rashtriya Janata Dal and the Samajwadi Party, created an uproar on the allegedly grossly undervalued price the government had accepted for the sale of its majority stake in Bharat Aluminium Company (BALCO).

Intervening briefly before the House was adjourned for the day, disinvestment minister Arun Shourie said the allegations had no factual basis and the government was ready for a discussion any time. The entire process had been done in a clear

and transparent manner, he said. The sale of 51 per cent of BALCO's equity to Sterlite Industries for Rs 551 crore had been cleared on Wednesday with the implementation planned for the coming Monday. This was followed by reports in some newspapers, including *The Times of India*, on Thursday morning, of the share valuation having been allegedly

done in a hurry and the final figure being much less than the real worth. Some Left MPs, on being tipped by BALCO's employees' union, had written a letter of protest on the same lines to Mr Shourie on Wednesday evening. They followed it with an urgent request to the Rajya Sabha chairman on Thursday morning for a full discussion on the topic.

And, after the close of the

Question Hour, members from these parties, supported by MPs from the Congress and the Telugu Desam, were on their feet, demanding an immediate discussion and a stoppage of the Monday sale till they were satisfied. They were told the matter had been referred to the

House's business advisory panel, but got no assurance on the demand for a sale-stoppage.

The House reconvened after lunch, and the din resumed. Mr Shourie intervened at this point and said the government was prepared for an exhaustive discussion anytime on the morrow and said all the allegations were completely off the mark.

HC order flouted, says union

The Times of India News Service

NEW DELHI: In its hurry to disinvest in the Bharat Aluminium Company (BALCO), the Centre seems to have forgotten a commitment it had made to the Delhi high court in August, 1999.

The BALCO Employees Union had filed a petition challenging the government's policy in 1999.

Ajit Jogi threatens to cancel BALCO lease

The Times of India News Service
RAIPUR: Chhattisgarh chief minister Ajit Jogi on Thursday threatened to cancel Bharat Aluminium Company's (BALCO) lease of the bauxite mines owned by the state government if the Centre went ahead with the proposed sale of the public sector unit.

He said the state government would also review the other facilities provided to the company if the sale was finalised with the Sterlite group.

Talking to journalists here, Mr

Jogi alleged that everything was not above board in the deal with the Sterlite group and that some people in high positions were involved in the deal, which was done in a haste, without consulting the state government and without any transparency. The whole deal was shrouded in mystery and some vested and unconstitutional elements had taken part in the deal, keeping their own personal interests in mind, he added.

► See Edit: Transparency Please, Page 12

THE TIMES OF INDIA

23 FEB 2001

Govt. defends BALCO deal

By Our Special Correspondent

Common

NEW DELHI, FEB. 22. The sale of a majority shareholding in the Bharat Aluminium Company Limited (BALCO) to Sterlite Industries sparked a furore in the Rajya Sabha even as Disinvestment Ministry sources sought to clarify that the deal and company valuation were completely above board. The Opposition led by the CPI(M) forced adjournment of the House for the day after lunch and the issue also figured in the Lok Sabha.

In the Upper House, the matter cropped up immediately after question hour with Mr. Kapil Sibal (Congress) and Mr. Jibon Roy (CPI-M) seeking to put on hold the transfer of assets till a discussion was held on the subject. The RJD members also joined the protest.

Such was the determination of the Opposition that the External Affairs Minister, Mr. Jaswant Singh, could not make a statement on the extension of ceasefire in Jammu and Kashmir as the House was adjourned twice by the Chair before lunch break.

The Opposition's charge received a boost when the Telugu Desam leader, Mr. C Ramachandraiah, demanded that the Government refer the deal to the Comptroller and Auditor-General of India before finalising the deal. While the TDP was not against disinvestment, it wanted a transparent method and said the objective must be to ensure maximum price for it.

CPI(M) members insisted that the Government assure that the transfer of assets would not be effected before a discussion in the House, as it would otherwise become "infructuous".

Mr. Jaswant Singh said the Government was willing for a discussion but it was for the Business Advisory Committee to allot time. Later, the Disinvestment Minister, Mr. Arun Shourie, said he was prepared for a discussion even tomorrow but was unwilling to keep the decision on hold by "bulldozing tactics" of the Opposition.

Mr. Shourie said the charges made by Opposition members was at 'variance with facts' and that the

HP-15

process to sell BALCO was going on since 1997 while actual work began two years ago.

Disinvestment Ministry sources also pointed out that the company's book value was Rs. 704 crores of which 51 per cent was Rs. 359 crores, well below the winning bid of Rs. 551.5 crores. They stressed that Jardine Fleming, the global adviser, had carried out the three traditional methods of valuation — discounted cash flow, balance sheet valuation and industry comparisons. Asset valuation, the area of controversy, was done 'for the sake of completeness', these sources said, though it was not relevant for a going concern. The discounted cash flow was the primary valuation relied upon by the strategic investor as it takes into account operational efficiency, key revenue and cost drivers, long term prospects and competitive environment.

The sources stressed that the bid received from Sterlite Industries was far in excess of the figures arrived at the three accepted valuations. They also insisted there was no question of a 'sell-out' as the Government retained 49 per cent equity and four Government directors would remain on the board as against five of Sterlite.

Cong. sees a scandal

23/2

The Congress spokesperson, Mr. Jaipal Reddy, decried the deal as smacking of a scandal and corruption. He demanded that the Government suspend the transaction till Parliament was taken into confidence about the deal. His party would continue to pursue the issue vigorously.

The Bharatiya Janata Party spokesperson, Mr. Vijay Kumar Malhotra, defended the decision as continuation of the Congress policies. But he skirted the issue of the company's evaluation and fair price for its assets. A senior BJP leader, however, asserted that such valuation was not done on the basis of cash reserves but largely on the basis of share prices.

The TDP leader, Mr. Ramachandraiah, said his suggestion through a letter for a joint parliamentary committee to create a mechanism to oversee disinvestment had been turned down by Mr. Shourie.

THE HINDU

23 FEB 2001

Quattrocchi hearing put off till 2 March

corruption *SI-8*
KUALA LUMPUR, Feb. 16. — The Malaysian High Court today adjourned till 2 March the hearing on a petition moved by Mr Ot-tavio Quattrocchi seeking quashing of his extradition order to India to stand trial in the Bofors pay-off case. *17/2*

The judge, Mr KC Vohrah, heard preliminary arguments from both his lawyers and the government in private before adjourning the proceedings.

His lawyers asked the court to quash the extradition order issued by Malaysia's home affairs minister Mr Abdullah Ahmad Badawi.

"My conscience is clear," Mr Quattrocchi said.

His lawyer Mr Muhammad Shafee Abdullah told reporters later that Mr Quattrocchi is ready for the (court) battle. "To-day we are ready. We are confident."

Mr Quattrocchi said after his arrest in Malaysia in December that his only crime was to have been a close friend of Rajiv Gandhi and his wife Sonia.

Mr Quattrocchi is on bail of 400,000 ringgit (\$ 105,263) and has also surrendered his passport. — AFP

THE STATESMAN

17 FEB 2001

17/2
SC allows CBI
cases against
JMM accused

PRESS TRUST OF INDIA 5/1

NEW DELHI, Feb. 16. - The Supreme Court today upheld a trial court order in the JMM MPs' bribery case directing the CBI to register cases against Mr Sibu Soren, Mr Suraj Mandal and Mr Simon Marandi for depositing more than Rs 1.6 crore in a bank.

The amount was allegedly disproportionate to their known sources of income.

Dismissing a petition by Mr Soren to quash the FIR registered against him on the direction of the trial court, a Division Bench, comprising Mr Justice GB Pattanaik and Mr Justice UC Banerjee, remarked: "The trial court's direction to the CBI is a perfectly legal order."

Arguing for the petitioner, advocate Mr PP Rao said Mr Soren and others had been acquitted in the case since they enjoyed immunity under Article 105(2) of the Constitution.

THE STATESMAN

17 FEB 2001

Laloo faces prosecution in more fodder cases

STATESMAN NEWS SERVICE

PATNA, Feb. 16. — The CBI is gearing up to procure the Bihar Governor's sanction to prosecute Mr Laloo Prasad Yadav and others in three more fodder scam cases.

The agency directorate has asked its Patna unit to go ahead with the formalities of prosecuting the accused persons in the regular cases 63A/96, 68 A/96 and 47A/96, all dealing with the conspiracy aspect of the scam. The CBI is now busy preparing the charge-sheet and accompanying letter to be submitted to the Governor to seek permission for prosecution of the accused persons in the RC-63A/96.

Former chief minister, Dr Jagannath Mishra, RJD legislator Mr RK Rana, former state ministers Mr Vidya Sagar Nishad and Mr CP Verma reportedly figure in the list of accused.

Three IAS officers, animal husbandry department officers and suppliers have also been named as accused. The IAS officers likely to be chargesheeted include Mr Phulchand Singh,

Mr Beck Julius and Mr Sajal Chakravarty.

The CBI will not take much time in approaching the Governor in connection with the RC-63A/96 case for it is related to the fraudulent withdrawal of Rs 45 lakh from the Bhagalpur treasury. "We are preparing the papers to approach the Governor to seek his sanction for the prosecution of the politicians involved", a CBI official said. "We will write to the personnel department at the Centre to seek the same for the IAS officers."

The RC-68A/96 and the RC-47A/96 cases are related to the fraudulent withdrawal of money from the treasuries of districts, now in Jharkhand. The CBI may have to wait for the order of the Patna High Court's three judge Bench constituted to decide on the cases to be transferred to the Jharkhand court and also those to stay in the Bihar court.

The next hearing is on 23 February.

- Editorial: The twain, page 6
- Sadhu row worries PM, page 8

THE STATESMAN

17 FEB 1997

CORRUPTION TRAP-II

Revolution Must Start At The Top

By SANKAR SEN

It is argued by some writers that corruption and bribery are necessary lubricants for a cumbersome system of administration. But this argument is flawed. Speed money belying the name has the effect of slowing down the pace of administration further. Delay will be deliberately caused in order to invite payments of bribe. This is because of the enormous discretion that many politicians and bureaucrats have over the creation, proliferation and interpretation of counter-productive regulations.

Sometimes it is argued that deregulation or privatisation are the panacea for corruption. This is not a fact. Deregulation and privatisation are not magic wands that can remove corruption overnight. Experience in countries like Russia, China and India have shown that deregulation can lead to an increase in corruption. It is seen that very often corrupt rulers may be keen to privatise state assets because of the opportunity for large one-time gains.

JOLT THE SYSTEM

And again, regulatory powers may be created paradoxically in the process of deregulation. Regulatory committees set up by the government can be corrupted by businessmen and monopolists. It is necessary that the institutional structure of regulatory agencies be determined before bidding in order to prevent manipulation.

It is necessary to devise a series of long-range strategies and short-term measures to deal with the menace of corruption. An anti-corruption revolution, if it is to be credible, must start at the top. To make an impact on the public mind, it is necessary to prosecute and punish some major corrupt figures. These are necessary to jolt the system out of the corruption trap. Unfortunately, in India till now very few corrupt political leaders or businessmen have been brought to book and hence talk of the war against corruption brings cynical reactions from the public.

Actually today, political corruption has become the mother of all kinds of corruption. Hence, some determined action against corrupt politicians is called for. Revision of the electoral law is necessary to ensure that anyone charge-sheeted or challaned in any criminal case or who has been a

history-sheeter in the records of the police should not be given tickets to contest an election.

The National Commission to Review the Working of the Constitution in its paper on the review of "Election Law processes and Reform Options" has also suggested disqualification

combat corruption. In India, the Right to Information Bill is lying in Parliament for several decades. It has still not been passed. It is essential that government policies and programmes become transparent and that the people are able to exercise their right to information. The official secrecy code is often used by those in authority to suit their whims. In developed countries, like the USA, UK and Canada, people have the right to obtain documents, barring those pertaining to the security of the state and defence matters.

One also notices international double standards in dealing with the corruption problem. There is an urgent need to ensure that all countries should declare bribery illegal regardless of whether bribes are paid to foreign officials or national residents. Cur-

rently, many European countries have declared bribery illegal when bribes are paid to their own nationals, but payments to foreigners are often regarded as necessary for business and are treated as tax deductible payments.

IT CAN BE DONE

Though corruption has become deeply entrenched, it is not impossible to get out of the corruption trap. Countries like France in the 19th century, Singapore and Hong Kong in the 20th century have completed the transition from high-corruption societies to low-corruption ones. A strong political will and a commitment to a clear anti-corruption agenda can bring about a similar outcome in India also. In Hong Kong the Independent Commission against Corruption has done a remarkable job in reducing corruption. The ICAC was given the power to investigate and prosecute corruption cases and engage in a campaign of public education. The government indicated its commitment by appointing a person of unquestioned integrity to head the ICAC and also prosecuting some big fish.

In India, the highly politicised nature of anti-corruption wings in states shows that very often they have been used for political witch-hunts rather than for catching corrupt officials. Further, lack of real statutory powers have made many of these anti-corruption agencies ineffective.



of a candidate against whom charges relating to certain crimes have been framed. Corruption flourishes because punishment is lacking. The conviction rate in India is hardly six per cent. Corruption has thus become a low-risk and high-profit activity. The Corrupt Public Servants (Forfeiture of Property) Act, 1999 is pending with the government for consideration since 4 February 1999. It is necessary to pass such an Act so that real punishment by way of confiscation of property can be enforced.

Politicians, bureaucrats, judges, military officers must be required to make detailed statements of their assets position and tax returns every year after assuming office.

CIVIL SERVANTS

Actually, if the property statements of officers are properly scrutinised, action can be initiated against many of these black sheep. Annual Property Returns are not submitted, despite clear service rules, by many civil servants. I know of a case where a very senior officer of the rank of Director General of Police did not submit APRs for 15 years and could get away by pleading ignorance of these rules. If these returns are carefully scrutinised and then followed by swift inquiries against some of the known corrupt public servants living beyond their means, it will have a deterrent impact.

An effective Right to Information Bill would go a long way to help the citizens to

(Concluded)

CORRUPTION TRAP-I

Need For Proper Vigilance Machinery

THE World Bank has defined corruption as the use of "public office for private profit". Corrupt acts include bribery, extortion, embezzlement, use of speed money etc. Generally, in our country the focus remains on the demand side of corruption and not so much on the supply side. We talk of corruption by the public servants and political leaders forgetting the role of corrupt businessmen.

It is unfortunate that with the passage of time, the corruption level in India has increased substantially. A non-government organisation Transparency International based in Berlin, has come up with the corruption perception index. It ranks countries according to the level of corruption as assessed by those who do business with the country. Last year out of 85 countries listed by the Transparency International, India's rank was 66. This year Transparency International has ranked 99 countries and our rank is 73. Thus, 19 countries were perceived to be more corrupt than India in the last year and this year, 27 countries are considered to be more corrupt.

SCOURGE

However, this marginal improvement in the position should provide no satisfaction. Transparency International has also listed countries in terms of Bribe-payers Perception Index (BPI). The BPI undertaken by Gallup International for Transparency International in 14 leading market economies shows that companies from many leading exporting countries regularly resort to bribes for expansion of their business. The BPI reveals that in a scale 0-10 where 10 reads as corruption-free exporting country, the best score among exporting countries was 8.3 while the worst was 3.1. China was seen as having the greatest willingness to pay bribes abroad followed by South Korea, Taiwan, Italy and Malaysia. Sweden, Australia, Canada achieved the most favourable results.

For a developing country like India, corruption is a scourge. It is anti-national. It seriously retards a country's economic development. The UNDP report on Human Development in South Asia 1999, The Crisis of Governance, says that if corruption levels in India were reduced to those of the Scandinavian countries, investments in the country could increase annually by 10 per cent and GDP growth by almost 1.5 per cent each year. One recent study shows that investing in a relatively corrupt country compared to a relatively honest one is equivalent to additional 15 per cent profit tax on investment.

In India, according to the current corruption levels, the implicit corruption tax on

The author is a former Director, National Police Academy.

516 By SANKAR SEN 14/2
investment is almost 20 per cent. Corruption, thus, diminishes the country's capacity for investment by reducing the resources of the government. The high potential for capital flight of illegal earnings makes corruption associated with a very negative impact on the balance of payments.

In India as well as many South Asian countries, corruption can be divided into three categories: (a) petty corruption,



(b) middling corruption, and (c) grand corruption. There is a growing perception that corruption has moved upwards from petty corruption in the 1950s to grand larceny at the highest levels of the state in the 1980s and 90s.

Corruption occurs in almost all countries, but in India, and the neighbouring countries of South Asia, corruption has certain characteristic features that make it far more sinister and damaging than corruption in other parts of the world. These features have been highlighted in the UNDP report. First, corruption in India occurs upstream and not downstream. Corruption at the top distorts fundamental decisions about policies, projects and development. In industrialised countries of the West, core decisions are taken through transparent competition and on merit even though petty corruption may occur downstream. Second, corruption in India has wings and not wheels. Most of the corrupt gains made in the region are immediately smuggled out to safe havens abroad and not ploughed back to domestic production and investments. Third, corruption in India and other Asian countries often leads to promotion and not prison.

UNACCOUNTABLE

The big fish are rarely caught. In advanced industrialised countries there is a process of accountability. Even top leaders are not spared. The frustrating aspect of the situation in India is that corrupt persons are too powerful and beyond accountability.

Fourth, corruption in countries like India, where the majority of the people live in abject poverty, can have a very unsettling impact. Combating corruption is thus not punishing some dishonest politicians but also saving human lives. Fifth, corruption increases injustice. Basic human rights and

freedom are threatened when criminal justice administration is perverted because of misuse of money power.

In Bangladesh in a survey by Transparency International, 90 per cent of the respondents pointed out that the police and judiciary were the most two corrupt institutions. It is a fact that with entrenched corruption the basic trust between citizens and the state disappears. According to a 1998 survey, 63 per cent of the respondents reported that they had to pay bribe to the court officials in order to get a verdict in their favour.

Again, there are laws and rules in existence, which perpetuate corruption and give opportunities for corrupt practices among government officials. For instance, it requires 47 different approvals to construct a building in Mumbai and a small-scale entrepreneur has to handle 32 different inspectors and 46 different documents. Malpractices remain unchecked because most of the government departments lack effective in-house vigilance machinery. Many of the government agencies have also developed institutional mechanisms that perpetuate rather than eliminate corruption. Upright officers who refuse to be corrupted are frequently transferred to unimportant jobs so that the corruption chain is not disrupted.

UNFAIR PRACTICE

In this connection it may be mentioned that the Santanam Committee on Prevention of Corruption recommended to the government that since corruption was closely related to administrative procedures and abuse of discretion, the Central Vigilance Commission should deal not merely with cases of corruption but also hear complaints against wrong, dilatory or unfair administrative exercises and procedures. The committee wrote to the then Prime Minister, Lal Bahadur Shastri that "in order to effectively deal with the problem, it is necessary to take into consideration the root causes of which the most important is the wide discretionary power which has to be exercised by the executive in carrying on the complicated work of modern administration".

However, the government of India was not in favour of empowering the CVC with the job of looking into the grievances of the citizens against unfair administrative practices and procedures. So it ordained that the CVC should only look into the matters relating to corruption. It promised that the department of administrative reforms would work out the details of such a machinery. This promise remained unfulfilled. Thus, the CVC could not play the role of the Ombudsman, an institution that exists in the UK and other Western countries.

(To be concluded)

Hindujas' plea to leave rejected

By J. Venkatesan

NEW DELHI, FEB. 1. Accepting the CBI's objections that the Hindujas might not return to India to face trial, a special court today rejected the plea of the three brothers, accused in the 'Rs.64-crore Bofors payoffs case', to leave the country.

The judge, Mr. Ajit Bharihoke, pointed out that Mr. S.P. Hinduja and Mr. G.P. Hinduja obtained British citizenship after the FIR had been filed in the Bofors case in 1990. Similarly, Mr. P.P. Hinduja obtained Swiss citizenship.

The judge said there was force in the CBI's apprehensions that they would not come back if the trial commenced and went against them. He agreed with the CBI submission that in the case of Mr. P.P. Hinduja, under Article 7 of the Federal Act on International Mutual Assistance in Criminal



NRI businessmen embroiled in the Bofors payoffs case, Mr. Srichand Hinduja and Mr. Gopichand Hinduja, speaking to reporters outside a court in Delhi on Thursday. — Reuters

Matters, "no Swiss national may, without his written consent, be

extradited or surrendered to a foreign state for prosecution or exe-

cution of sentence. The consent may be withdrawn until the time the surrender is ordered."

Notwithstanding the assertion by the Hindujas that they had fully cooperated with the CBI in the investigation, and that their absence from their business headquarters had caused a loss of billions of dollars, the judge turned down their plea.

It was the CBI's contention that they were very "evasive" and did not at all answer the main issue and that it would have to confront the brothers if new documents became available.

Counsel for the Hindujas indicated that they would file an appeal in the Delhi High Court tomorrow. Describing the special court order as "unexpected", counsel said the Hindujas had fully cooperated with CBI and that the dismissal of the applications was unfortunate.

THE HINDU

2 FEB 2001

Parliament censures Wahid

Complete Feb 02

Jakarta, Feb. 1 (Reuters): Indonesia's parliament today censured embattled President Abdurrahman Wahid for acting improperly over two graft scandals, the first step towards his possible impeachment.

The overwhelming decision, reached through agreement rather than a vote, is the most serious setback to Wahid's rocky 15-month-rule and increases speculation he will not survive politically to serve out his term which expires in 2004.

But any formal impeachment

would take months and Wahid is expected to hang on for the time being. He has denied any wrongdoing and refused calls to quit.

The 500-member parliament also decided to hand the cases over to legal authorities for further investigation, but did not elaborate.

Earlier, the parliament today endorsed a report which found that Wahid had acted improperly in two graft scandals.

Wahid's party stormed out during the 393-4 vote, drawing jeers and shouts from other legis-

lators. The move comes amid mounting frustration over Wahid's erratic 15-month rule which has largely failed to pull Indonesia out of years of political and economic mess.

Despite the seriousness of a censure, Wahid is unlikely to be forced out just yet due to the lack of a credible alternative, the long and complicated impeachment process and the risk of bloodshed.

Parliament's speaker, his deputies and party chiefs are now meeting to draft options on what action should be taken against

Wahid. The choices will later be put to the House.

During the heated debate, several parties controlling a firm majority of the chamber's 500 seats, demanded parliament formally reprimand Wahid for lying and abusing his power.

A minister said Wahid still had the support of the Cabinet. "Certainly the Cabinet supports him," research and technology minister A.S. Hikam said after a Cabinet meeting attended by Wahid and Vice-President Megawati Sukarnoputri.

THE TELEGRAPH

2 558 200

Hindujas evasive during interrogation, feels CBI

New Delhi
30 JANUARY

THE CBI told the designated court that the three Hinduja brothers had been evasive during their interrogation over nine days with regard to their alleged involvement in the Bofors payoff case and opposed their request for permission to leave India.

At the same time, CBI submitted before special judge Ajit Bharihoke that he could allow the Europe-based Srichand P. Hinduja, Gopichand P. Hinduja and Prakash P. Hinduja to go out of the country after putting appropriate conditions to secure their presence during the trial.

CBI counsel N. Natrajan said the agency fears that once the brothers were allowed to go abroad, they might not come back if the trial did not proceed as per their expectations.

However, the Hindujas' counsel said the brothers cooperated fully with the investigating agency and their absence from their home and headquarters were adversely affecting their family and global business. Srichand said "we were grilled for nine days and we answered all kinds of questions from the investigating agency to the best of our ability. They told us that there was nothing more they wanted to know from us and now they say that we were evasive. Nothing could be farther from truth."

Special judge Ajit Bharihoke, who had on January 19 granted bail to the Hindujas said he would pronounce on February 1 his verdict on their application seeking permission to go out of the country.

However, Mr Natrajan said CBI was opposed to their being



WHERE YOU GONNA RUN TO? S.P. Hinduja and P.P. Hinduja leave the Hazari Court Complex in New Delhi on Tuesday. — AP

permitted to go abroad and added the court could allow them after putting appropriate conditions to secure their presence during the

trial.

Narayanan said Prakash, a Swiss national, could take refuge under Article 7 of Swiss federal law on international mutual assistance in criminal matters, which provided that no Swiss national could be extradited without his written consent, which could even be withdrawn by him at any point of time. Hindujas' counsel Rajinder Singh said CBI's apprehension was not based on facts as the three brothers came to India to face trial voluntarily without even getting summons and went through the questioning honouring the court's direction.

Referring to the non-appearance of Italian businessman Ottavio Quattrocchi till today before the court, Me Singh said nobody knows how much time the trial would take but still the Hindujas preferred to submit themselves before the court to

show that they were innocent and that no case was made out against them.

Regarding the CBI's plea against Prakash, his counsel Amit Desai said he knew about the Article 7 but still preferred to come to India to appear before the court to make clear his bonafide.

Mr Desai with Arvind Nigam said the brothers have their stake in the Indian society and business roots in the country and would never run away from the law.

"The Hinduja brothers were among the first to avail of the People of Indian Origin (PIO) scheme floated by the Indian government so that they could come to India without even using their British passports," the counsel said and added this also should be counted by the court before deciding on their plea for going out of the country. — PTI

The Economic Times

31 JAN 2007

Anti-Wahid protesters storm Parliament

DEUTSCHE PRESS AGENTUR

JAKARTA, Jan. 29. — Riot police today fired teargas to disperse thousands of protesters who smashed through the gates of Indonesia's Parliament, while legislators inside debated whether to accept the results of a corruption probe against the President, Mr Abdurrahman Wahid.

The protesters, demanding Mr Wahid's resignation, rushed to the Parliament gates in a failed attempt to confront a few dozen of the President's supporters, allowed to gather in an outdoor parking lot.

Police fired more than a dozen rounds of teargas, forcing many of the 5,000 protesters massed in front of the House of Representatives (DPR) complex to scatter.

If the DPR's plenary committee accepts the report, it would set in motion a lengthy impeachment process against Mr Wahid. However, legislators were unexpectedly bogged down in debate about whether a special legislative committee that had investigated the President was even legal.

Meanwhile, there was confusion over the special committee formed to probe the corruption charges. Mr Wahid's National Awakening Party filed an official protest during a closed-door meeting of parliament's plenary committee, which forced a delay in the body receiving the



Anti-government student demonstrators push forward the gates of the Parliament complex after knocking it down during a mass protest in Jakarta on Monday. — AP/PTI

investigation report.

The confusion may well be part of a ploy by Mr Wahid, who has, probably, struck deals to ensure support among certain factions. The President has confidently dismissed suggestions about impeachment, repeatedly saying the committee investigating him was illegal because it did not register with the state secretariat as required under a little-known 1954 law.

The committee was formed in April 2000 to determine if Mr Wahid had ordered his per-

sonal masseur and business associate, Mr Suwondo, to invoke the President's name to get \$ 4.1 million from the state-run Food Procurement Agency, ostensibly for humanitarian aid work in restive Aceh province.

"The special committee has disregarded the Constitution," the protest statement of Mr Wahid's party said. "The special committee is illegal and doesn't have the legal force to summon any citizen as a suspect or a witness."

The committee summoned

dozens of witnesses, along with Mr Wahid who refused to appear saying he was only accountable to the People's Consultative Assembly, the nation's highest legislative body.

A leader of the Indonesian Democratic Party of Struggle which has the most seats in DPR, Mr Dimiyati Hartono, said the special committee also failed to notify legislators in writing about the results of their investigation, as required under internal rules. "I'm not taking anyone's side, but we must abide by the Constitution."

THE STATESMAN

30 JAN 2001

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Hinduja hole in Blair Cabinet

London, Jan. 24 (Agencies): British minister Peter Mandelson resigned today after getting embroiled in a passport scandal linked to Srichand Hinduja, the business tycoon accused in the Bofors case.

Late tonight, Prime Minister Tony Blair said he would review the citizenship application of Srichand to ensure it was above board.

Mandelson, the secretary of state for Northern Ireland whose silky behind-the-scenes skills earned him the nickname 'Prince of Darkness', is considered the architect of Blair's landslide election victory in 1997.

Mandelson announced his resignation shortly after a meeting with Blair, who had summoned him to "establish the facts".

The scandal exploded in London at a time when the Hinduja family, one of the wealthiest in Britain, is hitting the headlines, oceans apart, in India.

Srichand, along with his brothers Prakash and Gopichand, are now in Delhi for interrogation in the Bofors case. Prakash was questioned by the CBI today for three hours. The brothers have denied involvement in the bribery scandal.

In 1998, Hinduja met Mandelson at a party and asked about citizenship. He later made a donation of one million pounds to the Millennium Dome, the ill-fated London attraction for which Mandelson had been responsible. Srichand later received citizenship having previously been turned down.



Mandelson

Mandelson first said Srichand's inquiry had been handled by his officials. Only on Tuesday did he admit he had personally spoken to home office minister Mike O'Brien. His error meant Blair's spokesman gave wrong information. The same misinformation was passed on to parliament by a senior minister.

Mandelson today said: "I did not in any way act improperly in respect of any application. I do accept, however, I should have been clear that it was me personally and not my official who spoke to the home office minister."

In a statement from Delhi, Srichand expressed sadness at the resignation. "I have never at any time linked our support for the Faith Zone of the Millennium Dome with our request to Mr Mandelson for information," Srichand said.

Mandelson had resigned once earlier. He quit in 1998 after it was discovered that he had borrowed a large amount from former minister and millionaire Geoffrey Robinson to buy a house. His department was investigating Robinson's business affairs then.

Mandelson's departure rips a hole in Blair's administration, robbing him of his most pro-European minister and leaving the Northern Ireland peace process in the lurch.

THE TELEGRAPH

25 JAN 2001

CBI to quiz Hinduja's till Jan. 30

By Our Staff Reporter *HM*

NEW DELHI, JAN. 22. The three Hinduja brothers will remain grounded in the Capital for one more week as the CBI proceeds ahead with their further questioning in the Bofors payoffs case.

The three brothers — Srichand, Gopichand and Prakash — would be heard by the Special Judge, Mr. Ajit Bharihoke, on January 30 on their plea to go abroad to attend to their business activities.

The Special Court for CBI cases today granted one more week to the agency to further interrogate the three Hinduja brothers on several aspects relating to the alleged kickbacks received by them in their coded Swiss bank accounts from A.B. Bofors of Sweden.

The Investigating Officer (IO), Mr. Keshav Mishra, DSP, informed the Special Court that he needed at least one more week to wrap up the interrogation of the Hinduja brothers, chargesheeted in the Bofors payoffs case last October. He said the agency had so far partially interrogated Mr. Srichand Hinduja and it was yet to begin the questioning of Mr. G.P. Hinduja and Mr. P.P. Hinduja. The Judge also perused the case-diaries submitted by the Investigating Officer.

On Mr. Mishra's request, the Judge adjourned the hearing till January 30 on applications of the

brothers to go abroad. Counsel for the Hinduja brothers, Mr. Arvind Nigam, urged the court to allow any one of the brothers to go abroad if his interrogation was completed by the CBI. "You are free to move a separate application in this regard any time," the Judge said.

While Mr. Srichand Hinduja, Chairman of the Hinduja group, was questioned by the CBI for nearly two hours this morning,

Quattrocchi plea

By Amit Baruah

KUALA LUMPUR, JAN. 22. Mr. Ottavio Quattrocchi, Italian businessman wanted by India in the Bofors payoffs case, filed two separate applications through his lawyers in the Malaysian High Court here to stay ongoing proceedings in the extradition case at the sessions court and quash all extradition proceedings.

Mr. Quattrocchi's lawyers informed the sessions court of Mr. Akhtar Bin Tahir this morning that the applications were filed on Friday and that the judge adjourn the case.

After hearing arguments from the two sides, the judge adjourned proceedings in his court, pending a decision in the High Court, till Jan. 31.

Long legal battle: Page 14

the action shifted to the Special Court at Tis Hazari courts in the afternoon. The three brothers appeared before the Special Judge on January 19 and were granted bail.

According to CBI sources, Gopichand and Prakash were likely to be interrogated tomorrow. Well-placed sources said Mr. Srichand had cooperated with the CBI so far but had not been able to track down the exact course of payments made to their coded Swiss bank accounts by A.B. Bofors after it secured the contract to supply 155 MM howitzers to India in March 1986. In specific terms, the CBI is yet to know if the money was not paid for the deal with India; and if so, for which deal the Hinduja brothers received the payments.

The Hinduja's have shifted their stand on the course of commissions paid to them in the Rs. 1437 crore Bofors gun deal. From denying that they were in any way related with the Bofors contract, they recently stated that the money paid to them by the Swedish arms manufacturer was not related to the howitzer deal with India. The CBI mounted the pressure on them to come to India after it received second set of Swiss bank documents in December 1999, linking payments in the three coded accounts "Lotus", "Mont Blanc" and "Tulip" to the tune of 81 million Swedish kroners to them.

THE HINDU

23 JAN 2001

Graft charges will be probed, says Arroyo

THE PHILIPPINE INQUIRER
ASIA NEWS NETWORK

MANILA, Jan. 21. — To the question on the alleged culpability of the ex-President, Mr Joseph Estrada, in the corruption exposes that triggered his fall from power, the President, Ms Gloria Macapagal Arroyo, said there would be no reconciliation without justice, implying the charges of corruption and ill-gotten wealth will be pursued in the proper forum.

Ms Macapagal indicated that she will leave it to an anti-graft commission to handle the follow-up on these cases.

In a related development, a lawyer and former Quezon City councilor, Mr Francis Pangilinan, told a radio interview that just because Mr Estrada has been removed from office doesn't mean that the pursuit of justice will end there.

"The new administration should do the right thing by pursuing the cases against Mr Estrada and his perceived cronies. If we don't hold Mr Estrada accountable for these wrongdoings, then others who

POLICE CHIEF QUILTS

MANILA, Jan. 21. — The Philippine President, Mrs Gloria Macapagal Arroyo, today accepted the resignation of police chief, General Panfilo Lacson, whom opponents accused of human rights abuses during the reign of ex-president, Mr Joseph Estrada. — Reuters

will follow in the succeeding administrations will likewise feel that it's OK to steal, just like he did. This is the first opportunity we have to make our public officials answer for their illegal deeds. Not just Mr Estrada but also the rest of the officials who have crimes to answer for."

The Republican, Mr Raul Gonzalez, said, meanwhile, that many of his colleagues in the House of Representatives are inclined to propose measures intended at freezing the bank deposits and other economic assets of Mr Estrada, in the wake of reports that some of these assets may already have been transferred to a bank account in the USA.

Estrada left palace in a mess

REUTERS

MANILA, Jan. 21. — Mr Estrada left the Malacanang presidential palace in a rush and in a mess, an aide to his successor said today.

Mr Renato Corona, chief aide to President Arroyo, who took office on Saturday, said that Mr Estrada's own room was particular in a shambles and added "they really were rushing to get out. There was so much clutter."

The Supreme Court had removed Mr Estrada from office on Saturday after the military, police and most of his administration abandoned him. The court said that he was no longer fit to hold office.

Major Lito Tabangcura, chief of the presidential guards, said he had ordered six soldiers to clean the place up. Local television showed workers repainting white lines around a lawn and washing the marble steps.

THE STATE...

Bofors to stand trial, CBI moves in on Quattrocchi

in 2011 Corruption

The TOI News Service/Agencies

NEW DELHI: After several blank rounds, suddenly the Bofors controversy is booming again, and on several fronts at that. Swedish arms manufacturer A B Bofors, which got the controversial Howitzer gun contract in 1986, has submitted itself before the designated CBI court here to stand trial in the Rs 64-crore kickbacks case even as the investigating agency despatched an official to Malaysia to secure the extradition of Kuala Lumpur-based Italian businessman Ottavio Quattrocchi, who has been accused of receiving a huge sum to help Bofors bag the gun deal.

A CBI official on Sunday left for Malaysia to assist its counsel Cyrus Das in the extradition proceedings against Mr Quattrocchi, which is slated to begin in Kuala Lumpur on Monday. The Italian businessman was arrested by the Malaysian authorities on December 20 and later released on bail on "stringent conditions". Indian authorities say that the fact that a court in KL has "bound down" Mr Quattrocchi is a major breakthrough. The once high-flying, well-connected Italian



represented Italian firm Snam Progetti in India for several years, had left India in 1993 before the CBI could secure an arrest warrant against him from court.

CBI questions Hinduja again

The Times of India News Service

NEW DELHI: CBI officials on Sunday continued their interrogation of Hinduja group chairman Srichand Hinduja, the eldest of the three Europe-based industrialist brothers who have been named as accused in the Bofors kickbacks case. Mr Hinduja, who was questioned for around three hours during the pre-lunch session, has been asked to come in again on Monday. "Now that we have got the opportunity, we will interrogate the brothers separately," a CBI official said.

The investigating agency has alleged that former Bofors agent Win Chadha, Italian businessman Ottavio Quattrocchi and the Hindujas received 81 million Swedish kroners in their coded Swiss accounts from Bofors. The Hindujas have strongly denied the allegations, and have repeatedly claimed that the funds received by them from Bofors had no connection with the controversial 1986 gun deal.

THE TIMES OF INDIA

22 JAN 2011

Hindujas can't go abroad; SP questioned for three hours

211 STATESMAN NEWS SERVICE SC1

NEW DELHI, Jan. 20. — The CBI Special Judge, Mr Ajit Bharihoke, today rejected an application from the Hinduja brothers seeking permission to go abroad, and directed the CBI to begin interrogating them in the Rs 64-crore Bofors payoff case. *9-0 deal*

After the court order, the CBI examined Mr Srichand P Hinduja for over three hours. The two others will be examined on Sunday and Monday. Though all three brothers appeared before the CBI, Mr Prakash P Hinduja and Mr Gopichand P Hinduja were asked to leave as the "agency wanted to examine them separately", a senior CBI official said.

The judge said the Hindujas were not permitted to leave the country as the CBI wanted to interrogate them further. The CBI's special public prosecutor, Mr N Natrajan, assisted by public prosecutor, Mr Baljeet Singh, opposed the Hindujas' application to go abroad on the ground that the CBI has "only this opportunity".

Mr Natrajan said the CBI was not sure whether the three brothers "will come on the date of the next hearing".

Mr Bharihoke directed the Investigating Officer of the case, Mr Keshav Mishra, to "start the interrogation today" at 2 p.m. The judge said that if need be, the interrogation can continue on "the working hours today and Sunday, during office hours, as well as Monday morning".

Hindujas' counsel Mr Rajender Singh said: "The Hindujas have given an assurance backed by a bond and a surety that whenever they are needed in India for a hearing, they will be present."

The court will take up the matter on 22 January and directed the Investigating Officer to appear in person.

During Mr SP Hinduja's interrogation, which lasted for almost three hours and 15 minutes at the CBI headquarters, he accepted receiving money from M/s AB Bofors, but said that money "had nothing to do with the gun deal".

A five-member CBI team headed by Mr OP Galhotra, DIG, wanted to know the details of the transactions that took place in 1986 and 1988 between Mr Hinduja and Bofors. The agency says the Hindujas in 1986 had received 81 million Swedish kroners from M/s AB Bofors, which bagged the Rs 1437-crore gun contract the same year.

The Bofors accused entered the CBI headquarters at 3 p.m. accompanied by a battery

ESMAN

■ See HINDUJA: page 11

JAN 21 1991

CBI grills Hinduja

FROM R. VENKATARAMAN

New Delhi, Jan. 20: The special trial court in the Bofors case today refused to grant permission to the Hinduja brothers to leave India and ordered them to be available for interrogation by the CBI for three days starting today.

Additional sessions and district judge Ajit Bharihoke said in a brief order that the CBI should interrogate the three brothers — G.P., P.P. and S.P. — till Monday when he will take up afresh their applications seeking permission to go abroad.

The bureau was directed to file replies to the applications by Monday.

The moment the brief order was pronounced in the packed op-

en court, the Hinduja brothers were herded to the CBI headquarters here where sleuths began the interrogation which is expected to continue over the next two days.

"Normal procedure is to keep the accused inside the headquarters itself, but the Hinduja brothers might be allowed to retire to their five-star hotel at night," an officer said.

While Gopichand and Prakash Hinduja left the CBI headquarters after half an hour, Srichand stayed there for three hours.

The investigating agency has accused the brothers of receiving 81 million Swedish kroners from the now-defunct AB Bofors in the howitzer gun deal.

Bharihoke, who had granted bail to them yesterday on a bond of Rs 2 lakh and surety of like

amount, rejected their appeal to allow them to travel abroad.

The Hinduja brothers, accompanied by their counsel, entered the CBI headquarters but bureau officials said the lawyers would be kept at a distance from the brothers at the time of interrogation.

"The lawyers would be within the vicinity of the brothers but not at a hearing distance at the time of questioning," the officials said. Rajender Singh, senior counsel among the battery of lawyers hired by the corporate czars, said the brothers will be available and they will cooperate with the CBI as per the court direction.

Singh said after the hearing that the "accused have readily agreed to submit themselves before the CBI for questioning".

THE TELEGRAPH

21 JAN 2001

CBI OPPOSES PLEA FOR OVERSEAS TRIP

Hindujas granted bail

By Nirnimesh Kumar

NEW DELHI, JAN. 19. The three Hinduja brothers chargesheeted in the Rs. 65-crore Bofors payoffs case last October appeared before the Special Court for CBI cases here today. They were granted bail but asked to cooperate with the CBI in its ongoing probe in the high-profile corruption case.

The Special Judge, Mr. Ajit Bharihoke, also asked Mr. S. P. Hinduja, Mr. G. P. Hinduja and Mr. P. P. Hinduja, not to leave the country without the court's permission. He refused to take up immediately their three separate applications seeking permission to visit the U.S. tonight itself and asked them to file fresh applications indicating specific reasons. The applications will be taken up tomorrow.

The three brothers were granted bail upon their furnishing a bond for Rs. 2 lakhs each with one surety for a like amount. They were also told to appear before the CBI for further investigations as and when necessary.

Opposing the plea for their U.S. visit, the Special Public Prosecutor for the CBI, Mr. N. Natarajan, said the investigating agency would like to interrogate them separately. Each of the three accused would be questioned for three days as they had not been interrogated anytime before.

While the Geneva-based Mr. P. P. Hinduja expressed his desire to take part in the World Economic Forum summit in Davos, Mr. S. P. Hinduja wanted to visit Washington to participate in an official function. Mr. G. P. Hinduja want-



The Hinduja brothers, Mr. Srichand, Mr. Gopichand and Mr. Prakash at the CBI Court at Tis Hazari in Delhi on Friday. Photo: Sandeep Saxena

ed to be in London to attend a meeting of the Board of Directors of one of his companies.

When Mr. Bharihoke took up the case this afternoon, counsel for the three brothers, in their separate submissions, tried to impress on the judge to release the accused without formally securing their bail applications. "Any mention about their being taken into custody would affect their global business running into billions of dollars," counsel Mr. Rajinder Singh, argued.

They had come to India on their own to cooperate with the CBI and face trial even though summons had not been served on them so far.

Opposing their plea, Mr. Natarajan contended that there should not be any discrimination

in the treatment of the accused. Mr. Natarajan cited three reasons for opposing the bail plea: the brothers had never been cooperative with the CBI, they tried their best to block the CBI request to the various courts of Switzerland for handing over documents relating to their bank accounts and finally they had taken up foreign citizenship.

In a related development, the court further extended the non-bailable arrest warrants against the Italian businessman, Mr. Ottavio Quattrocchi, till January 30 after the CBI submitted that a court in Kuala Lumpur would hear its request for his extradition on January 22. The special judge posted the case to January 30 for further hearing.

THE HINDU

20 JAN 2001

CBI to send man to assist in proceedings against Ottavio

Our Political Bureau
NEW DELHI 15 JANUARY



Quattrocchi

THE CBI is sending one of its senior officials next week to Malaysia to assist its counsel in the extradition proceedings against Italian businessman Ottavio Quattrocchi, a key accused in the Rs 64-crore Bofors payoffs case.

Speaking to reporters, CBI director R.K. Raghavan on Monday asserted that the CBI official will be in the Malaysian capital next week to assist its legal counsel in the court, where Mr Quattrocchi is to present himself.

Mr Quattrocchi was arrested by Malaysian authorities on December 20 and released the same day on bail after imposing "stringent conditions". CBI officials here on Monday indicated that special director P.C. Sharma, would in all probability, be despatched to Kuala Lumpur in connection with the extradition hearing, which will come up on January 22 in a local court there. Mr Sharma has been to the Malaysian capital twice earlier pursuing the case.

Mr Quattrocchi, who represented Italian firm Snamprogetti in India for several years and was close to the Gandhi family, was chargesheeted in October last year for receiving \$7.3 million from Bofors for clinching the deal. He had fled from India in 1993 before the CBI could secure his arrest and subsequently made Malaysia his base.

The CBI director, however, refrained from making any comments on the possibility of the Hinduja brothers coming to India. The Hindujas indicated their willingness to present themselves in court on the ground that the lookout notices against them were cancelled.

Hindujas in India, to appear in court today

Corruption *5/1*
STATESMAN NEWS SERVICE

NEW DELHI, Jan. 18. *9/1* The three Hinduja brothers arrived in India today. They are to appear in the court of the Special Judge, Mr Ajit Bharihoke, tomorrow to clarify "their stand" in the Bofors case.

The Hindujas were issued summons asking them to appear before the court on 19 January after the court took cognisance of the CBI chargesheet which alleged that they had received 81 million Swedish Kroners from AB Bofors which was awarded the Rs 1,437-crore gun contract.

Hinduja counsel, Mr Ujjawal Rana, said the brothers voluntarily offered to appear before the court. "Till date, my clients have not received any summons, as claimed by the CBI. However, they have decided to appear before the court to comply with its order."

The Hindujas had filed an application seeking cancellation of the look-out notice issued by the CBI in 1993 for them so that they could come to India for the hearing.

They had sought cancellation terming the notice as "motivated and intended to harass and humiliate us". The CBI withdrew the notice on 10 January, asking immigration authorities not to detain or arrest the brothers on their arrival in India.

Seeking exemption from personal appearance in future, they had sought permission to appear before the court on separate dates on the ground that their business, spread over four continents and employing over 25,000 people, might suffer if all of them were held up in court on the same day. The court did not entertain the request for separate appearance. The application of exemption will be heard tomorrow.

The chargesheet against Hindujas was filed after a year of *the first one filed by the CBI on* 22 October, 1999. They were chargesheeted under Section 120-B (Criminal Conspiracy) and Section 420 (Cheating) of the IPC and under the Prevention of Corruption Act.

MAN

201

Wahid ignores summons to appear before Parliament

1911 Corrupt
DEUTSCHE PRESS AGENTUR

JAKARTA, Jan. 18. — The Indonesian President, Mr Abdurrahman Wahid, has ignored a summons to appear before a special parliamentary committee investigating him for corruption, saying the order was unconstitutional, his spokesman said today.

Mr Wahid's refusal to appear will escalate his year-long battle with the house of representatives (DPR), which has sent political tensions soaring, stocks and currency markets tumbling, and protesters for and against the President to the streets in recent days.

Legislators last week had summoned Mr Wahid to appear for questioning, citing a law that allows them to summon any government official.

However, the presidential spokesman, Ms Wimar Witoelar, said Mr Wahid, as head of state, was not accountable to Parliament.

"The President cannot be summoned by the DPR," Ms Witoelar said. "Should the President comply with the summons, it would be unconstitutional."

Mr Wahid told Islamic leaders during a speech in East Java last week that he would not appear.

Legislators are probing whether the President ordered his massuer to request \$4.1 million from the national food procurement agency, Bulog. The massuer allegedly invoked Mr Wahid's name to get the money, then fled with most of it.

THE STATESMAN

19 JAN 2001

Money, muscle power in polls are biggest challenge, says Vajpayee

The Times of India News Service

Sanjay Sekhri

NEW DELHI: For roughly three hours on Wednesday, the key players on the country's political stage set aside their mutual animosity to sing in unison praises of Indian democracy and, more significantly, to lament its systemic flaws and drawbacks, also in a near-unanimous fashion. One sensed, moreover, a certain urgency in the air to build a national consensus to remedy the flaws and diminish the adverse impact of the drawbacks.

At a function held to commemorate the golden jubilee of the Election Commission here, the dominant mood, after a brief spell of self-congratulations, was one of introspection. Cutting across party lines and ideological barriers, the speakers—including President K.R. Narayanan, Prime Minister Atal Behari Vajpayee, leader of the opposition Sonia Gandhi, minister of law and company affairs Arun Jaitley, Lok Sabha speaker G.M.C. Balayogi and chief election commissioner M.S. Gill—engaged in an elaborate mea culpa about the ailments that afflict the body politic.

These included, in the first place, what Mr Vajpayee described as the "malignant" trend of corruption and criminalisation of the electoral process. The increasing menace of money and muscle power posed "the greatest challenge" to Indian democracy. Elections have become prohibitively expensive. Ordinary political activists with an extraordinary record of public service could not even dream of contesting them, he said.

Mr Narayanan, on the strength of erudite references to the conduct and vision of the founding fathers of the Republic, called on political parties not to give tickets to individuals with a criminal background—a plea also made by Ms Gandhi, Mr Gill and Mr Balayogi.



FIFTY-FIFTY: Prime Minister Atal Behari Vajpayee shares the podium with Congress president Sonia Gandhi at the golden jubilee celebrations of the Election Commission in New Delhi on Wednesday.

Mr Gill, who has time and again asked political parties to draw the "Lakshman rekha", or the line of self-restraint, received a witty but most telling response from Mr Vajpayee, "*Lakshman hamare pas hain. Aap rekha keech dijiye. Hum usko manenge.*" (We have Lakshman. You draw the line. We'll observe it.)

Both the PM and the leader of the opposition focused on specific measures that needed to be taken. While Mr Vajpayee advocated a fixed tenure for Parliament and the state legislatures, Ms Gandhi asked for "concrete action" to reduce the costs of polls and to put an end to the menace of defections.

Mr Vajpayee and Ms Gandhi also concurred on the need to give women adequate representation in Parliament and the state legislatures. The PM strongly hinted that he favoured the Election Commission's suggestion that political parties should provide reservation to women when they choose candidates for elections.

THE TIMES OF INDIA

18 JAN 2001



GURU SEVA: A disciple holds the tresses of a sadhu to dry in the sun, before leaving for the Ganga Sagar mela. At Kolkata on Wednesday. — PTI

People to blame if they don't want change: CJ

OUR LEGAL CORRESPONDENT
STATESMAN NEWS SERVICE

KOLKATA, Jan. 10. — When an advocate of Calcutta High Court drew the attention of the Chief Justice, Mr AK Mathur that the striking government employees today had locked the main gates of the City Civil Court and some other courts and had thus interfered with the administration of justice the Chief Justice observed that the people of West Bengal were to blame for this because they did not want a change and had allowed a government to function for 25 years. So they would have to suffer.

The Chief Justice who sat in a Division Bench with Mr Justice Girish Gupta called for the Registrars of both the Original and Appellate Sides and asked them to issue an order to ensure that the lower courts near the High Court would function, if necessary with police protection.

The advocates, Mr Subroto Mookerjee and Mr Rajesh Kumar Ganguli who raised the issue in the court later told reporters that the City Civil Court, and the Chief Metropolitan Magistrate's court had functioned in the afternoon.

A senior employee of the High Court said that most of the employees of the High Court worked today and that the High Court's normal function was not affected in any way.

Govt staff stir

NEW DELHI, Jan. 10. — Ten employees were injured in clashes in Kerala today as work in secretariats across the country was hit by the day-long strike of state government employees protesting against the Centre's privatisation policies. The strike, called by the All-India State Government Employees' Federation, also affected work offices and courts. — PTI

■ Photograph, another report on page 3

Decks cleared for Hinduja's appearance in Bofors case

PRESS TRUST OF INDIA

NEW DELHI, Jan. 10. — Decks were cleared today for appearance of three Europe-based Hinduja brothers before the designated court in the Bofors case as the CBI said it has asked the immigration authorities not to detain or arrest them on their arrival in India.

Replying to applications filed by the Hinduja seeking cancellation of the look-out notices issued by the CBI in 1993, the agency said: "Immigration authorities have been instructed not to detain/arrest them on their arrival, so that they could appear before the court in obedience to the summonses issued."

The court had issued summonses to Mr SP Hinduja, Mr GP Hinduja and Mr PP Hinduja asking them to appear before it on 19 January after taking cognisance of the CBI charge-sheet filed on 9 October last.

The charge-sheet alleged that they had received 81 million Swedish kroners from AB Bofors which bagged the Rs 1,437-crore contract in 1986.

The Hinduja had sought cancellation of the

look-out notices terming the same as "motivated and intended to harass and humiliate them."

They had also sought permission to appear before the court on separate dates on the ground that their business might suffer if all of them appeared in court together.

Following the CBI's reply to their plea, the judge said: "Let them appear before the court on 19 January and the remaining part of their prayers would heard on that day".

Expressing their willingness to appear before the court the Hinduja had sought exemption from personal appearance in future.

The look-out notices, the Hinduja said, were an impediment in obeying the court orders.

Refuting the charges as "baseless, unfounded and unwarranted", the CBI said the request for exemption from personal appearance "was uncalled for as the applicants in the first place are required to put in their appearance in pursuance of the summonses".

However, the Hinduja had submitted that they wanted to appear before the court on their own volition despite the fact that the summonses were yet to be served on them.

State woos Naik for Haldia go-ahead to IOC

ANINDYA SENGUPTA
STATESMAN NEWS SERVICE

KOLKATA, Jan. 10. — Indian Oil Corporation won't be able to invest in Haldia Petrochemicals Ltd without the petroleum ministry's approval.

The state government is learnt to be busy wooing the petroleum minister, Mr Ram Naik, to give IOC the go-ahead.

The state heaved a sigh of relief after it was convinced of IOC's desire to be an equity partner in HPL. However, what now stands in the way is the petroleum ministry's reported stand that IOC will have to obtain technical clearance from it before making any venture in HPL.

The state has also been told that the IOC — a "navaratna" company — could be allowed to invest up to Rs 200 crore. Any move to invest more than that

will require the petroleum ministry's approval. This poured cold water on the state's hopes of an early solution to the HPL imbroglio.

The state has already talked to Mr Naik and is trying to woo him in this regard. This is because it would be difficult to find another partner if the ministry refuses to allow the IOC to invest in HPL.

The Rs 5,170-crore project is saddled with fund problems, prompting the state to look for a new equity partner. Initially, it was decided that the equity part of the project would be about Rs 2,000 crore. The three promoters — the West Bengal Industrial Development Corporation, the Tatas and The Chatterjee Group — would put in Rs 1,010 crore, while the rest would be mopped up from the capital market.

The remaining part of the

project cost — which is about Rs 3000 crore — was considered to be the debt part.

However, the state couldn't tap the capital market, citing poor market conditions as reasons. What the government found as an escape route was to take a Rs 970 crore bridge loan from the Industrial Development Bank of India.

This has now turned out to be a major setback for the state. The debt part has shot up to about Rs 4,000 crore, thus altering the debt-equity ratio.

The state now wants an interest waiver on the IDBI loan and rescheduling of debt. Whether this would be possible remains to be seen, some state government officials say. The state wants IOC's participation for a permanent

■ See HALDIA: page 4

Hindujas want lookout notice withdrawn

STATESMAN NEWS SERVICE

NEW DELHI, Jan. 7. — The three Hinduja brothers, co-accused in the multi-crore Bofors pay-off case, have sought court direction to the CBI to withdraw its "lookout notice" issued to all airports in the country.

The Hindujas expressed "willingness" to comply with the court order and appear before it on 19 January to address the "dark areas" of the supplementary chargesheet filed against them.

They pleaded the "lookout notice", directing immigration authorities at the airports to detain the brothers, was contrary to the law as "no arrest warrants had been issued against them by the trial court. The lookout notice is an impediment."

The special CBI judge, Mr Ajit Bharihoke, while taking cognisance of the supplementary chargesheet filed by the CBI on 12 December, had directed the Hinduja brothers — Mr SP Hinduja, Mr QP Hinduja and Mr PP Hinduja — to appear before him on 19 January.

Submitting that the issuance of the notice was not a proper course of action "in a free country where they are entitled to travel in and out," the Hindujas said: "They would come to India provided the CBI withdrew the look-out notice

and directed immigration authorities to remove the entries against them in their computers."

Pursuant to the CBI notice, the immigration authorities had made computer entries on the brothers at all the airports for their detention.

The court has issued notice to the CBI and posted the matter for further hearing on the applications on 10 January.

The CBI, in its 11-page supplementary chargesheet filed on 9 October last year, had accused the Hindujas of receiving 81 million Swedish kroners from Swedish arms manufacturer M/s AB Bofors, which had supplied 155 mm howitzer field guns to India.

Earlier, the Hindujas, through their counsel, had pleaded to address the court — they wanted to convince the court that they were falsely implicated in the case — before it decided on taking cognisance. Mr Bharihoke, however, rejected their submissions.

The chargesheet against the brothers came a year after the first one was filed in the 14-year-old case naming Italian businessman, Mr Ottavio Quattrocchi, former Bofors agent Mr Win Chadha, former defence secretary Mr SK Bhatnagar, former Bofors chief Mr Martin Ardbo and the Bofors company.

THE STATESMAN

8 JAN 2001