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Suo Motu Statement by Prime Minister Atal Bihari Vajpayee in the Indian Parliament on May 27, 1998

Sir, I rise to inform the House of momentous developments that have taken place while we were in recess.

On 11 May, India successfully carried out three underground nuclear tests. Two more underground tests on 13 May completed the planned series of tests. I would like this House to join me in paying fulsome tribute to our scientists, engineers and defense personnel whose singular achievements have given us a renewed sense of national pride and self-confidence. Sir, in addition to the statement I make, I have also taken the opportunity to submit to the House a paper entitled "Evolution of India's Nuclear Policy".

2. In 1947, when India emerged as a free country to take its rightful place in the comity of nations, the nuclear age had already dawned. Our leaders then took the crucial decision to opt for self-reliance, and freedom of thought and action. We rejected the Cold War paradigm and chose the more difficult path of non-alignment. Our leaders also realized that a nuclear-weapon-free-world would enhance not only India's security but also the security of all nations. That is why disarmament was and continues to be a major plank in our foreign policy.

3. During the 50's, India took the lead in calling for an end to all nuclear weapon testing. Addressing the Lok Sabha on 2 April, 1954, Pt. Jawaharlal Nehru, to whose memory we pay homage today, stated "nuclear, chemical and biological energy and power should not be used to forge weapons of mass destruction". He called for negotiations for prohibition and elimination of nuclear weapons and in the interim, a standstill agreement to halt nuclear testing. This call was not heeded.

4. In 1965, along with a small group of non-aligned countries, India put forward the idea of an international non-proliferation agreement under which the nuclear weapon states would agree to give up their arsenals provided other countries refrained from developing or acquiring such weapons. This balance of rights and obligations was not accepted. In the 60's our security concerns deepened. The country sought security guarantees but the countries we turned to were unable to extend to us the expected assurances. As a result, we made it clear that we would not be able to sign the NPT.

5. The Lok Sabha debated the issue on 5 April, 1968. Prime Minister late Smt. Indira Gandhi assured the House that "we shall be guided entirely by our self-enlightenment and the considerations of national security". This was a turning point and this House strengthened the decision of the then Government by reflecting a national consensus.

6. Our decision not to sign the NPT was in keeping with our basic objectives. In 1974, we demonstrated our nuclear capability. Successive Governments thereafter have taken all necessary steps in keeping with that resolve and national will, to safeguard India's nuclear option. This was the primary reason behind the 1996 decision for not signing the CTBT, a decision that also enjoyed consensus of this House.

7. The decades of the 80's and 90's had meanwhile witnessed the gradual deterioration of our security environment as a result of nuclear and missile proliferation. In our neighborhood, nuclear weapons had increased and more sophisticated delivery systems in-

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Prime Minister's Statement . . . *(Continued from page 1)*

ducted. In addition, India has also been the victim of externally aided and abetted terrorism, militancy and clandestine war.

8. At a global level, we see no evidence on the part of the nuclear weapon states to take decisive and irreversible steps in moving towards a nuclear-weapon-free world. Instead, we have seen that the NPT has been extended indefinitely and unconditionally, perpetuating the existence of nuclear weapons in the hands of the five countries.

9. Under such circumstances, the Government was faced with a difficult decision. The touchstone that has guided us in making the correct choice clear was national security. These tests are a continuation of the policies set into motion that put this country on the path of self-reliance and independence of thought and action.

10. India is now a nuclear weapon state. This is a reality that cannot be denied. It is not a conferment that we seek; nor is it a status for others to grant. It is an endowment to the nation by our scientists and engineers. It is India's due, the right of one-sixth of humankind. Our strengthened capability adds to our sense of responsibility. We do not intend to use these weapons for aggression or for mounting threats against any country; these are weapons of self-defense, to ensure that India is not subjected to nuclear threats or coercion. We do not intend to engage in an arms race.

11. We had taken a number of initiatives in the past. We regret that these proposals did not receive a positive response from other nuclear weapon states. In fact, had their response been positive, we need not have gone in for our current testing program. We have been and will continue to be in the forefront of the calls for opening negotiations for a Nuclear Weapons Convention, so that this challenge can be dealt with in the same manner that we have dealt with the scourge of two other weapons of mass destruction – through the Biological Weapons Convention and the Chemical Weapons Convention.

12. Traditionally, India has been an outward looking country. Our strong commitment to multilateralism is reflected in our active participation in organizations like the United Nations. This engagement will continue. The policies of economic liberalization introduced in recent years have increased our regional and global linkages and my Government intends to deepen and strengthen these ties.

13. Our nuclear policy has been marked by restraint and openness. We have not violated any international agreements either in 1974 or now, in 1998. The restraint exercised for 24 years, after having demonstrated our capability in 1974, is in itself a unique example. Restraint, however, has to arise from strength. It cannot be based upon indecision or doubt. The series of tests recently undertaken by India have led to the removal of doubts. The action involved was balanced in that it was the minimum necessary to maintain what is an irreducible component of our national security calculus.

14. Subsequently, Government has already announced that India will now observe a voluntary moratorium and refrain from conducting underground nuclear test explosions. We have also indicated willingness to move towards a de-jure formalization of this declaration.

15. The House is no doubt aware of the different reactions that have emanated from the people of India and from different parts of the world. The overwhelming support of our citizens is our source of strength. It tells us not only that this decision was right but also that our country wants a focussed leadership, which attends to their security needs. This, I pledge to do as a sacred duty. We have also been greatly heartened by the outpouring of support from Indians abroad. They have, with one voice, spoken in favor of our action. To the people of India, and to Indians abroad, I convey my profound gratitude. We look to the people of India and Indians abroad for support in the difficult period ahead.

16. In this, the fiftieth year of our independence, we stand at a defining moment in our history. The rationale for the Government's decision is based on the same policy tenets that have guided us for five decades. These policies have been sustained successfully because of an underlying national consensus. It is vital to maintain the consensus as we approach the next millennium. In my statement today and in the paper placed before the House, I have elaborated on the rationale behind the Government's decision and outlined our approach for the future. The present decision and future actions will continue to reflect a commitment to sensibilities and obligations of an ancient civilization, a sense of responsibility and restraint, but a restraint born of the assurance of action, not of doubts or apprehension. Avoiding triumphalism, let us work together towards our shared objective in ensuring that as we move towards a new millenium, India will take its rightful place in the international community.

Paper laid on the table of the House on **EVOLUTION OF INDIA'S NUCLEAR POLICY**

May 27, 1998

1. On 11 May, a statement was issued by Government announcing that India had successfully carried out three underground nuclear tests at the Pokhran range. Two days later, after carrying out two more underground sub-kiloton tests, the Government announced the completion of the planned series of tests. The three underground nuclear tests carried out at 1545 hours on 11 May were with three different devices — a fission device, a low-yield sub-kiloton device and a thermonuclear device. The two tests carried out at 1221 hours on 13 May were also low-yield devices in the sub-kiloton range. The results from these tests have been in accordance with the expectations of our scientists.

2. In 1947, when India emerged as a free country to take its rightful place in the comity of nations, the nuclear age had already dawned. Our leaders then took the crucial decision to opt for self-reliance, and freedom of thought and action. We rejected the Cold War paradigm whose shadows were already appearing on the horizon and instead of aligning ourselves with either bloc, chose the more difficult path of non-alignment. This has required the building up of national strength through our own resources, our skills and creativity and the dedication of the people. Among the earliest initiatives taken by our first Prime Minister Pt. Jawaharlal Nehru, was the development of science and inculcation of the scientific spirit. It is this initiative that laid the foundation for the achievement of 11 and 13 May made possible by exemplary cooperation among the scientists from Department of Atomic Energy and Defense Research & Development Organization. Disarmament was then and continues to be a major plank in our foreign policy now. It was, in essence, and remains still, the natural course for a country that had waged a unique struggle for independence on the basis of 'ahimsa' and 'satyagraha'.

3. Development of nuclear technology transformed the nature of global security. Our leaders reasoned that nuclear weapons were not weapons of war, these were weapons of mass destruction. A nuclear weapon-free-world would, therefore, enhance not only India's security but also the security of all nations. This is the principle plank of our nuclear policy. In the absence of universal and non-discriminatory disarmament, we cannot accept a regime that creates an arbitrary division between nuclear haves and have-nots. India believes that it is the sovereign right of every nation to make a judgement regarding its supreme national interests and exercise its sovereign choice. We subscribe to the principle of equal and legitimate security interests of nations and consider it a sovereign right. At the same time, our leaders recognised early that nuclear technology offers tremendous potential for economic development, especially for developing countries who are endeavoring to leap across the technology gaps created by long years of colonial exploitation. This thinking was reflected in the enactment of the Atomic Energy Act of 1948, within a year of our independence. All the numerous initiatives taken by us since,

in the field of nuclear disarmament have been in harmony and in continuation of those early enunciations.

4. In the 50's, nuclear weapons testing took place above ground and the characteristic mushroom cloud became the visible symbol of the nuclear age. India then took the lead in calling for an end to all nuclear weapon testing as the first step for ending the nuclear arms race. Addressing the Lok Sabha on 6 April 1954, shortly after a major hydrogen bomb test had been conducted, Pt. Jawaharlal Nehru stated that "nuclear, chemical and biological energy and power should not be used to forge weapons of mass destruction". He called for negotiations for prohibition and elimination of nuclear weapons and in the interim, a standstill agreement to halt nuclear testing. The world had by then witnessed less than 65 tests. Our call was not heeded. In 1963, an agreement was concluded to ban atmospheric testing but by this time, countries had developed the technologies for conducting underground nuclear tests and the nuclear arms race continued unabated. More than three decades passed and after over 2000 tests had been conducted, a Comprehensive Test Ban Treaty was opened for signature in 1996, following two and a half years of negotiations in which India had participated actively. In its final shape, this Treaty left much to be desired. It was neither comprehensive nor was it related to disarmament.

5. In 1965, along with a small group of non-aligned countries, India had put forward the idea of an international non-proliferation agreement under which the nuclear weapons states would agree to give up their arsenals provided other countries refrained from developing or acquiring such weapons. This balance of rights and obligations was absent when the Nuclear Non-Proliferation Treaty (NPT) emerged in 1968, almost 30 years ago. In the 60's our security concerns deepened. But such was our abhorrence of nuclear weapons and such our desire to avoid acquiring them that we sought instead security guarantees from major nuclear powers of the world. The countries we turned to for support and understanding felt unable to extend to us the assurances that we then sought. That is when and why India made clear its inability to sign the NPT.

6. The Lok Sabha debated the NPT on 5 April 1968. The then Prime Minister late Smt. Indira Gandhi assured the House that "we shall be guided entirely by our self-enlightenment and the considerations of national security". She highlighted the shortcomings of the NPT whilst reemphasising the country's commitment to nuclear disarmament. She warned the House and the country "that not signing the Treaty may bring the nation many difficulties. It may mean the stoppage of aid and stoppage of help. Since we are taking this decision together, we must all be together in facing its consequences". That was a turning point. This House then strengthened the decision of the Government by reflecting a national consensus.

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Evolution of India's Nuclear Policy . . . (Continued from page 3)

7. Our decision not to sign the NPT was in keeping with the basic objective of maintaining freedom of thought and action. In 1974, we demonstrated our nuclear capability. Successive Governments thereafter have continued to take all necessary steps in keeping with that resolve and national will, to safeguard India's nuclear option. This was also the primary reason underlying the 1996 decision in the country not subscribing to the Comprehensive Test Ban Treaty (CTBT); a decision that met the unanimous approval of the House yet again. Our perception then was that subscribing to the CTBT would severely limit India's nuclear potential at an unacceptably low level. Our reservations deepened as the CTBT did not also carry forward the nuclear disarmament process. On both counts, therefore, yet again our security concerns remained unaddressed. The then Minister for External Affairs, Shri I.K. Gujral had made clear the Government's reasoning to this House during the discussions on this subject in 1996.

8. The decades of the 80's and 90's meanwhile witnessed the gradual deterioration of our security environment as a result of nuclear and missile proliferation. In our neighborhood, nuclear weapons increased and more sophisticated delivery systems were inducted. Further, in our region there has come into existence a pattern about clandestine acquisition of nuclear materials, missiles and related technologies. India, in this period, became the victim of externally aided and abetted terrorism, militancy and clandestine war through hired mercenaries.

9. The end of the Cold War marks a watershed in the history of the 20th century. While it has transformed the political landscape of Europe, it has done little to address India's security concerns. The relative order that was arrived at in Europe was not replicated in other parts of the globe.

10. At the global level, there is no evidence yet on the part of the nuclear weapon states to take decisive and irreversible steps in moving towards a nuclear-weapon-free-world. Instead, the NPT has been extended indefinitely and unconditionally, perpetuating the existence of nuclear weapons in the hands of the five countries who are also permanent members of the UN Security Council. Some of these countries have doctrines that permit the first use of nuclear weapons; these countries are also engaged in programs for modernization of their nuclear arsenals.

11. Under such circumstances, India was left with little choice. It had to take necessary steps to ensure that the country's nuclear option, developed and safeguarded over decades not be permitted to erode by a voluntary self-imposed restraint. Indeed, such an erosion would have had an irretrievably adverse impact on our security. The Government was thus faced with a difficult decision. The only touchstone that guided it was national security. Tests conducted on 11 and 13 May are a continuation of the policies set into motion that put this country on the path of self-reliance and independence of thought and action. Nevertheless, there are certain moments when the chosen path reaches a fork and a decision has to be made. 1968 was one such moment in our nuclear chapter as were 1974 and 1996. At each of these moments, we took the

right decision guided by national interest and supported by national consensus. 1998 was borne in the crucible of earlier decisions and made possible only because those decisions had been taken correctly in the past and in time.

12. At a time when developments in the area of advanced technologies are taking place at a breathtaking pace, new parameters need to be identified, tested and validated in order to ensure that skills remain contemporary and succeeding generations of scientists and engineers are able to build on the work done by their predecessors. The limited series of five tests undertaken by India was precisely such an exercise. It has achieved its stated objective. The data provided by these tests is critical to validate our capabilities in the design of nuclear weapons of different yields for different applications and different delivery systems. Further, these tests have significantly enhanced the capabilities of our scientists and engineers in computer simulation of new designs and enabled them to undertake sub-critical experiments in future, if considered necessary. In terms of technical capability, our scientists and engineers have the requisite resources to ensure a credible deterrent.

13. Our policies towards our neighbors and other countries too have not changed; India remains fully committed to the promotion of peace with stability, and resolution of all outstanding issues through bilateral dialogue and negotiations. These tests were not directed against any country; these were intended to reassure the people of India about their security and convey determination that this Government, like previous Governments, has the capability and resolve to safeguard their national security interests. The Government will continue to remain engaged in substantive dialogue with our neighbors to improve relations and to expand the scope of our interactions in a mutually advantageous manner. Confidence building is a continuous process, we remain committed to it. Consequent upon the tests and arising from an insufficient appreciation of our security concerns, some countries have been persuaded to take steps that sadden us. We value our bilateral relations. We remain committed to dialogue and reaffirm that preservation of India's security creates no conflict of interest with these countries.

14. India is a nuclear weapon state. This is a reality that cannot be denied. It is not a conferment that we seek; nor is it a status for others to grant. It is an endowment to the nation by our scientists and engineers. It is India's due, the right of one-sixth of humankind. Our strengthened capability adds to our sense of responsibility; the responsibility and obligation of power. India, mindful of its international obligations, shall not use these weapons to commit aggression or to mount threats against any country; these are weapons of self-defense and to ensure that in turn, India is also not subjected to nuclear threats or coercion. In 1994, we had proposed that India and Pakistan jointly undertake not to be the first to use their nuclear capability against each other. The Government on this occasion reiterates its readiness to discuss a "no-first-use" agreement

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with that country, as also with other countries bilaterally, or in a collective forum. India shall not engage in an arms race. India shall also not subscribe to reinvent the doctrines of the Cold War. India remains committed to the basic tenet of our foreign policy — a conviction that global elimination of nuclear weapons will enhance its security as well as that of the rest of the world. It will continue to urge countries, particularly other nuclear weapon states to adopt measures that would contribute meaningfully to such an objective.

15. A number of initiatives have been taken in the past. In 1978, India proposed negotiations for an international convention that would prohibit the use or threat of use of nuclear weapons. This was followed by another initiative in 1982 calling for a 'nuclear freeze' — a prohibition on production of fissile materials for weapons, on production of nuclear weapons, and related delivery systems. In 1988, we put forward an Action Plan for phased elimination of all nuclear weapons within a specified time frame. It is our regret that these proposals did not receive a positive response from other nuclear weapon states. Had their response been positive, India need not have gone for the current tests. This is where our approach to nuclear weapons is different from others. This difference is the cornerstone of our nuclear doctrine. It is marked by restraint and striving for the total elimination of all weapons of mass destruction.

16. We will continue to support such initiatives, taken individually or collectively by the Non-Aligned Movement which has continued to attach the highest priority to nuclear disarmament. This was reaffirmed most recently, last week, at the NAM Ministerial meeting held at Cartagena which has "reiterated their call on the Conference on Disarmament to establish, as the highest priority, an ad hoc committee to start in 1998 negotiations on a phased program for the complete elimination of nuclear weapons with a framework of time, including a Nuclear Weapons Convention." The collective voice of 113 NAM countries reflects an approach to global nuclear disarmament to which India has remained committed. One of the NAM member initiatives to which we attach great importance was the reference to the International Court of Justice resulting in the unanimous declaration from the ICJ, as part of the Advisory Opinion handed down on 8 July, 1996, that "there exists an obligation to pursue in good faith and bring to a conclusion negotiations leading to nuclear disarmament in all its aspects under strict and effective international control". India was one of the countries that appealed to the ICJ on this issue. No other nuclear weapon state has supported this judgement; in fact, they have sought to decry its value. We have been and will continue to be in the forefront of the calls for opening negotiations for a Nuclear Weapons Convention, so that this challenge can be dealt with in the same manner that we have dealt with the scourge of two other weapons of mass destruction — through the Biological Weapons Convention and the Chemical Weapons Convention. In keeping with our commitment to comprehensive, universal and non-discriminatory approaches to disarmament, India is an Original State Party to both these Conventions. Accordingly, India will shortly submit the plan of destruction of its chemical weapons to the interna-

tional authority — Organization for the Prohibition of Chemical Weapons. We fulfill our obligations whenever we undertake them.

17. Traditionally, India has been an outward looking country. Our strong commitment to multilateralism is reflected in our active participation in organizations like the United Nations. In recent years, in keeping with the new challenges, we have actively promoted regional cooperation — in SAARC, in the Indian Ocean Rim-Association for Regional Cooperation and as a member of the ASEAN Regional Forum. This engagement will also continue. The policies of economic liberalization introduced in recent years have increased our regional and global linkages and the Government shall deepen and strengthen these ties.

18. Our nuclear policy has been marked by restraint and openness. It has not violated any international agreements either in 1974 or now, in 1998. Our concerns have been made known to our interlocutors in recent years. The restraint exercised for 24 years, after having demonstrated our capability in 1974, is in itself a unique example. Restraint, however, has to arise from strength. It cannot be based upon indecision or doubt. Restraint is valid only when doubts are removed. The series of tests undertaken by India have led to the removal of doubts. The action involved was balanced in that it was the minimum necessary to maintain what is an irreducible component of our national security calculus. This Government's decision has, therefore to be seen as part of a tradition of restraint that has characterized our policy in the past 50 years.

19. Subsequent to the tests, Government has already stated that India will now observe a voluntary moratorium and refrain from conducting underground nuclear test explosions. It has also indicated willingness to move towards a de-jure formalization of this declaration. The basic obligation of the CTBT are thus met; to refrain from undertaking nuclear test explosions. This voluntary declaration is intended to convey to the international community the seriousness of our intent for meaningful engagement. Subsequent decision will be taken after assuring ourselves of the security needs of the country.

20. India has also indicated readiness to participate in negotiations in the Conference on Disarmament in Geneva on a Fissile Material Cut-off Treaty. The basic objective of this treaty is to prohibit future production of fissile materials for use in nuclear weapons or nuclear explosive devices. India's approach in these negotiations will be to ensure that this treaty emerges as a universal and non-discriminatory treaty, backed by an effective verification mechanism. When we embark on these negotiations, it shall be in the full confidence of the adequacy and credibility of the nation's weaponized nuclear deterrent.

21. India has maintained effective export controls on nuclear materials as well as related technologies even though we are neither a party to the NPT nor a member of the Nuclear Suppliers' Group. Nonetheless, India is committed to non-proliferation and the maintaining of stringent export controls

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to ensure that there is no leakage of our indigenously developed know-how and technologies. In fact, India's conduct in this regard has been better than some countries party to the NPT.

22. India has in the past conveyed our concerns on the inadequacies of the international nuclear non-proliferation regime. It has explained that the country was not in a position to join because the regime did not address our country's security concerns. These could have been addressed by moving towards global nuclear disarmament, our preferred approach. As this did not take place, India was obliged to stand aside from the emerging regime so that its freedom of action was not constrained. This is the precise path that has continued to be followed unwaveringly for the last three decades. That same constructive approach will underlie India's dialogue with countries that need to be persuaded of our serious intent and willingness to engage so that mutual concerns are satisfactorily addressed. The challenge to Indian statecraft is balancing and reconciling India's security imperatives with valid international concerns in this regard.

23. The House is aware of the different reactions that have emanated from the people of India and from different parts of the world. The overwhelming support of the citizens of India is a source of strength for the Government. It not only tells that this decision was right but also that the country wants a focused leadership, which attends to national security needs. This, the Government pledges to do as a sacred duty. The Government has also been greatly heartened by the outpouring of support from Indians abroad. They have, with one voice, spoken in favor of the Government's action. The Government conveys its profound gratitude to the citizens of India and to Indians abroad, and looks to them for support in the difficult period ahead.

24. In this, the fiftieth year of our independence, India stands at a defining moment in our history. The rationale for the Government's decision is based on the same policy tenets that have guided the country for five decades. The policies were sustained successfully because of the underlying national consensus. The present decision and future actions will continue to reflect a commitment to sensibilities and obligations of an ancient civilization, a sense of responsibility and restraint, but a restraint born of the assurance of action, not of doubts or apprehension. The **Gita** explains (Chapter VI-3) as none other can:

This passage interprets as:

“Action is a process to reach a goal; action may reflect tumult but when measured and focused, will yield its objective of stability and peace”

India's statements on Chinese reaction to nuclear tests

We have taken note of the statement issued by the Ministry of Foreign Affairs of China on 14 May in Beijing with regard to the nuclear tests conducted by India on 11 May and 13 May 1998.

India has legitimate security concerns. India cannot but take into account the offensive nuclear weapon and missile capability in our region nor the well documented history of proliferation through clandestine acquisition, taking place in our neighborhood. Assistance from external sources to the clandestine nuclear weapons and missile development program in our immediate neighborhood is well known. All this is itself a clear refutation of the allegation about the Indian tests triggering off a nuclear arms race in South Asia.

China's own record in respect of international opinion in continuing its program of nuclear tests until considered necessary for the purpose of developing its nuclear weapons, is well known. Over a period of three decades between 1964 and 1996, China conducted 45 nuclear tests, of which 23 were atmospheric. On 8 June 1996, while announcing that it would conduct yet another test, China stated that “In the world today, there still exist huge nuclear arsenals and the threat of a nuclear war caused by the first use of nuclear weapons. Against such a background, for the purpose of the supreme interests of the state and the nation, China cannot but conduct the necessary and minimum number of nuclear tests. We have all along exercised maximum restraint in conducting nuclear tests and the number of tests we have conducted is extremely limited.” It is strange that China is not willing to concede the same logic to India that it applies to itself. If China with a large nuclear arsenal built with the experience of over 44 tests felt compelled to test again in July 96, for its own security, then it should be possible to understand the rationale for India conducting a limited number of tests after a 24 year long period of voluntary restraint.

As has been pointed out in our earlier statements, India has carried out a limited number of tests in a planned series. These tests do not pose any threat to any country. India remains committed to the total elimination of nuclear weapons in a time-bound framework on a comprehensive, universal non-discriminatory and verifiable basis. We are willing to consider being an adherent to some of the undertakings of CTBT but this cannot be in a vacuum. We remain open to a dialogue in this regard.

India and China are two of the world's largest and most populous countries. We see our relationship as one in which the two sides would be responsive to dialogue to resolve outstanding differences and to the development of friendly, cooperative, good neighborly and mutually beneficial relationship with China, our largest neighbor.

Tests do not contaminate India's principles

by Shiv Shankar Mukherjee

Minister (Press, Information, and Culture), Embassy of India

appeared in the *Boston Globe* on May 24, 1998

In the flood of commentary following the underground nuclear tests conducted this month, India has been accused of a range of wrongdoings: destabilizing the region, fueling a nuclear arms race, breaking international commitments, and dealing a death blow to the Comprehensive Test Ban Treaty.

In this rush to judgment, it might help to sift through the hyperbole and look at some facts. As the International Atomic Energy Agency in Vienna said in a public statement, India has broken no international treaty or agreement in conducting these tests. And, as a non-signatory to the Non-Proliferation Treaty and the Test Ban Treaty, India is fully and legally entitled to conduct such tests.

India's track record in nuclear disarmament and the quest for a nuclear-free world is second to none. It was Prime Minister Jawaharlal Nehru who first called for a test ban treaty in 1954. It is sometimes forgotten that India was originally a sponsor of the Non-Proliferation Treaty and the Test Ban Treaty, and Indian representatives took the initiative in various international forums, including the Conference on Disarmament, in the quest for universal, nondiscriminatory, and verifiable arrangements for the elimination of weapons of mass destruction.

The reason India did not sign the Non-Proliferation Treaty and the Test Ban Treaty was because these treaties, as they finally emerged, were discriminatory between the nuclear "haves" and "have-nots," a situation of virtual nuclear apartheid. India has always rejected the central feature of these flawed treaties: that the five declared nuclear powers could continue to possess nuclear weapons, expand and refine their arsenals, while others could not.

Even so, India has always been clear that it would come on board the Comprehensive Test Ban Treaty provided it also included a commitment, including from the nuclear powers, to move toward nuclear disarmament inside a reasonable time frame. Indeed, such an intention was included in the Non-Proliferation Treaty but has been ignored by the nuclear powers. India demonstrated its nuclear capability in 1974. It exercised restraint for 24 years by not carrying out a single

test. Instead of emulating this example, the world's nuclear stockpiles grew. Pakistan, India's western neighbor that has been involved in hostilities with India three times, became a clandestine nuclear state and also embarked on an active missile program, both with assistance from China.

The Indian government's decision to conduct this limited series of tests should be viewed in the context of the deteriorating security environment in our region, particularly the growing cooperation between China and Pakistan on nuclear weapons and missile development, the continuing proliferation of nuclear weapons and delivery systems, and the lack of progress on global nuclear disarmament.

As the Indian ambassador said in an interview, there was evidence that our neighbors viewed India's nuclear option, after 24 years of restraint, as being on artificial life support, an invitation to adventurism by those hostile to India's interests. These tests demonstrated that India's nuclear option remains robust and credible. They also provide our scientists with data for computer-simulated and other tests. India has not "weaponized." It has demonstrated that it has the capability to do so.

The Indian government has committed itself to exercising the most stringent control on the export of sensitive technologies and equipment. Further, India's nuclear program is purely indigenous and has never involved clandestine or irregular acquisition of technology or components from abroad. Our track record on this has been impeccable.

All these facts are verifiable, as is the fact that India has been a democracy for the 50 years since its independence. The decision to conduct the tests is a reflection of an overwhelming national will to live within secure borders, and the government's desire to reassure its population on this score. It would be a mistake to dismiss the considered decision to test as a gimmick or a politically motivated action of the new government. Events have shown that this action has been fully supported by the people of India.

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*Press Statements on***India's Nuclear Tests**

issued on May 11 & 13, 1998

As announced by the Prime Minister this afternoon today India conducted three underground nuclear tests in the Pokhran range. The tests conducted today were with a fission device, a low yield device and a thermonuclear device. The measured yields are in line with expected values. Measurements have also confirmed that there was no release of radioactivity into the atmosphere. These were contained explosions like the experiment conducted in May 1974.

These tests have established that India has a proven capability for a weaponised nuclear program. They also provide a valuable database which is useful in the design of nuclear weapons of different yields for different applications and for different delivery systems. Further they are expected to carry Indian scientists towards a sound computer simulation capability which may be supported by sub-critical experiments if considered necessary.

The Government is deeply concerned as were previous Governments, about the nuclear environment in India's neighborhood. These tests provide reassurance to the people of India that their national security interests are paramount and will be promoted and protected. Succeeding generations of Indians would also rest assured that contemporary technologies associated with nuclear option have been passed on to them in this the 50th year of our Independence.

It is necessary to highlight today that India was in the vanguard of nations which ushered in the Partial Test Ban Treaty in 1963 due to environmental concerns. Indian representatives have worked in various international forums, including the Conference on Disarmament, for universal, non-discriminatory and verifiable arrangements for the elimination of weapons of mass destruction. The Government would like to reiterate its support to efforts to realize the goal of a truly comprehensive international arrangement which would prohibit underground nuclear testing of all weapons as well as related experiments described as 'sub-critical' or 'hydronuclear'.

India would be prepared to consider being an adherent to some of the undertakings in the Comprehensive Test Ban Treaty. But this cannot obviously be done in a vacuum. It would necessarily be an evolutionary

process from concept to commitment and would depend on a number of reciprocal activities.

We would like to reaffirm categorically that we will continue to exercise the most stringent control on the export of sensitive technologies, equipment and commodities especially those related to weapons of mass destruction. Our track record has been impeccable in this regard. Therefore we expect recognition of our responsible policy by the international community.

India remains committed to a speedy process of nuclear disarmament leading to total and global elimination of nuclear weapons. Our adherence to the Chemical Weapons Convention and the Biological Weapons Convention is evidence of our commitment to any global disarmament regime which is non-discriminatory and verifiable. We shall also be happy to participate in the negotiations for the conclusion of a fissile material cut-off treaty in the Geneva based conference on Disarmament.

In our neighborhood we have many friends with whom relations of fruitful cooperation for mutual benefit have existed and deepened over a long period. We assure them that it will be our sincere endeavor to intensify and diversify those relations further for the benefit of all our peoples. For India, as for others, the prime need is for peaceful cooperation and economic development.

Planned Series of Nuclear Tests Completed

In continuation of the planned program of underground nuclear tests begun on the 11th of May, two more sub-kiloton nuclear tests were carried out at Pokhran range at 12:21 PM on the 13th of May, 1998. The tests have been carried out to generate additional data for improved computer simulation of designs and for attaining the capability to carry out subcritical experiments, if considered necessary. The tests were fully contained with no release of radioactivity into the atmosphere.

This completes the planned series of tests. Government of India reiterates the offer to consider adhering to some of the undertakings in the CTBT, in the framework of the proposal in its statement of the 11th May, 1998.

Prime Minister's reply to the discussion in Lok Sabha on nuclear tests on May 29, 1998

Sir,

As this long discussion comes to a close, I wish to thank the honorable members who have participated in the debate. The House is unanimous in felicitating the scientists, engineers and defense personnel who contributed to the success of the tests. There is almost total unanimity that if there are economic sanctions, if loans from International Financial Institutions are stopped or if there are other attacks on India's economic sovereignty, we will face them together.

A question has been raised — why? I recall the discussion on the first test in 1974 and Indrajit Gupta would remember it as well as he was also present. There is no difference between what I said then and what I say now. Mrs. Gandhi gave the go ahead and we welcomed it along with the entire nation. It was not a collective decision nor was the opposition consulted formally. But it was a decision based on considerations of national security and provided an opportunity to our scientists. She did not even make a statement, some other minister did so and we were not dissatisfied.

There is an indication from Pakistan that in 1974 they could not respond as they were not ready. Some members say that Pakistan's tests were in response to our tests. I ask them: Can you do these tests in 16 days? You can not and there are people here who know that this is not possible. Preparations for these have gone on for years. Today there is news that a long range missile has been tested. All this has been going on for quite some time.

I did not take a decision to test one fine day. 50 years of hard work and determination are behind these tests. Our scientists and jawans have toiled in the scorching heat of Pokhran with only one feeling — national security and pride. There can be differences in a democracy but on vital matters of national security we are all together. Rajiv Gandhi said in his remarks at the Press Club on 11 October 1985: "As I have said on a number of occasions, we would not let New Delhi or any other city be flattened outPakistan's nuclear program is partly financed from abroad and if nuclear weapons are developed, they will be shared....we are not going to wait....a number of measures can be taken without actually producing nuclear weapons." This shows that the Government was concerned about these developments. Meanwhile, the great powers continued stockpiling nuclear weapons and did not heed our calls for a time-bound elimination of nuclear weapons and tried to impose a discriminatory treaty on

us. We decided together not to sign the CTBT and keep our options open.

In addition to what we learned later, inputs came from consultations with scientists on what steps to take. Nuclear weapons are weapons of mass destruction. They are meant for self-defense. Let our adversaries know that we have them and that they should not dare attack us. In 50 years, this country which has always given message of peace and has never sought anybody's territory has been attacked thrice. A nation of 100 crores cannot depend on charity for its national security.

We are for friendship but on the basis of justice and mutual respect. We have never sought to take undue advantage of our size, the Gujral doctrine is partly based on this. But this doctrine did not work with Pakistan. They did not let it happen. Their support to terrorism in India continued. We are ready to take the talks forward and resolve outstanding issues but the Dhaka understanding has not been honored. Prime Minister Nawaz Sharif's offer of yesterday is good. As I said once to a Pakistani politician, we can change history but we cannot change geography. India and Pakistan are bound together by geography. I want to make one thing very clear to my friends in Pakistan. One often hears from people who come back from a visit to Pakistan that there is a sense of insecurity that India has not accepted Pakistan's existence. There is no basis for this feeling. We want Pakistan to prosper. India and Pakistan should work together to eliminate poverty, disease and illiteracy not only from this region but throughout the world.

I told reporters yesterday that the news of the Pakistani tests did not come as a surprise and this vindicates our decision to test. We have other problems but their tests are India specific. When we call for a nuclear weapon free world, our motives are questioned. We would like Pakistan to join us in working towards this end. There is support for our position — stated or unstated — in the countries of the Third World. The majority of mankind wants peace in a world without nuclear weapons. We do not differentiate between domestic security and global security. But we should not be taken for a ride ("Should not burn our hands while performing a yajna").

I want to refer Mr. Deve Gowda to the 1996 JD Manifesto. "We will formally give a pledge of no first use of nuclear capability to Pakistan." I say to him that you have to first develop this capability before you can offer this pledge. There was a general consensus on developing

(Continued on page 10)

Prime Minister's reply to discussions . . . (Continued from page 9)

this capability. The question was "when". After yesterday's events, this should no longer be an issue.

If some of my own colleagues did not know about our decision, it does not mean that I do not have confidence in them. We could not consult widely and very few people knew about it. As somebody said that everything is leaked here, including entire reports of inquiry commissions. That we were able to maintain secrecy is a sign of national strength and shows that on vital matters we can sacrifice and we can be responsible. I was distressed to hear accusations of politicization. I have never kept party before nation in my 40 years in the opposition and will never do it as Prime Minister. Nobody should doubt my intentions. I did not ask such questions either in 1971 or in 1974. I called the liberation of Bangladesh "epoch-making". Mrs Gandhi called for elections, we lost. Elections are fought and lost governments come and go but the nations interests should be paramount.

I am glad that people are carefully reading the National Agenda for Governance and keeping a watch on our performance. But this agenda should not be misinterpreted. The agenda talks of preparedness of the armed forces, the proposed NSC and the review of the nuclear policy but it does not say that the review will wait till the armed forces are better equipped or the NSC is formed.

We are disappointed that US has displayed a lack of appreciation of India's legitimate security concerns. I wish to reiterate Government's commitment to engage with all principal interlocutors in a responsible dialogue. We remain ready to discuss and explain our position. Since 11 May, Government has taken certain initiatives:

A moratorium is in place which we are ready to consider and discuss converting into a de-jure commitment.

We have volunteered to engage in negotiations on an FMCT.

India will undertake stringent export controls on nuclear and missile related technologies as well as those relating to other weapons of mass destruction.

We have offered to discuss a no-first-use agreement with Pakistan, as also with other countries bilaterally, or in a multilateral forum.

These initiatives address substantially, a number of concerns expressed by other countries.

Concern has been expressed by some Hon'ble Members regarding China's reaction to our decision. Let me assure this House that we seek good relations with all our neighbors, including China, our largest neighbor. India and China are two of the world's largest and most populous

countries. We are linked through history and geography. We believe that the Five Principles of Peaceful Co-existence, jointly enunciated by India and China, are of continuing relevance to the development of our relations.

India, like China, is engaged in the task of economic development and realization of the legitimate aspirations of her people. Our bilateral trade and economic cooperation has grown significantly. There is considerable potential to expand our economic and commercial cooperation.

But we have some concerns. We would like the Chinese side to appreciate that our concerns need to be addressed in a meaningful manner with a view to finding early resolution. There are issues relating to India's sovereignty, territorial integrity and security that have been reflected at various levels, including highest levels. The Indian people must feel assured that friendship with China will be a factor for peace and stability and will contribute to enhancing our security. On the boundary question, we recognize that a resolution requires time and patience. But progress can, and should, be made. Our concerns regarding China's defense cooperation with Pakistan remain. Unlike India-China relations, which have shown improvement despite the difficulties of the past, Pakistan remains unreconciled to good relations with India. Our view in regard to external military assistance to Pakistan has been consistent over the last fifty years. Given Pakistan's approach to India, assistance in the defense field to Pakistan affects India's security directly and adversely. The Chinese side should pay attention to the depth of feeling on the Indian side.

On our part, we do not seek a confrontation with China. We seek a relationship in which both sides are responsive to each other's concerns. We believe that dialogue is the key to understanding; understanding is the key to resolution of differences; and resolution of differences is the key to good relations. We remain committed to the process of dialogue to resolve outstanding differences and to the development of friendly, cooperative, good neighborly and mutually beneficial relationship with China.

I am sure that even these who oppose actions would understand our position.

We are a multi-religious and multi-linguistic nation. I was listening to Prime Minister Nawaz Sharif's provocative speech on TV last night. He does not realize that India has millions of Muslim citizens who enjoy equal rights. There is no need to create such an atmosphere. If I were to be forced to do such a thing, I would prefer to resign.

Highlights of the Union Budget for 1998-99 presented by Finance Minister Yashwant Sinha

- No change in rates of personal or corporate tax
- Personal income tax exemption limit raised to Rs 50,000
- Standard deduction increased to Rs 25,000 for incomes up to Rs one lakh
- Tax free reimbursement of medical expense raised to Rs 15,000
- Levy of gift tax discontinued; gifts to come under Income Tax Act
- Petrol cess of Rs 1 per litre imposed to fund National Highways expansion.
- Customs duty on newsprint reduced to 5%
- Cigarettes to cost more but match boxes to be cheaper
- Fiscal deficit is placed at 5.6% of GDP
- Growth-oriented budget with special thrust on agriculture, rural development
- Plan allocation to agriculture increased by 58%
- Rs. 3,000 crore for rural infrastructure development fund-IV
- Government to come out with national agricultural policy paper soon
- Inflow of Foreign Direct Investment to be doubled within two years
- 90-day time-bound clearance of high value foreign investment proposals
- Limit for NRI secondary market investment in Indian companies increased from one to five per cent and limit on aggregate NRI investment raised from 5 to 10 per cent
- Persons of Indian origin holding foreign passports to get special cards granting them visa-free regime and other privileges
- Insurance Sector to be thrown open to private Indian companies
- FERA to be repealed and replaced with a new Foreign Exchange Management Act (FEMA).
- Indian Airlines to be restructured and Government holding to be brought down to 49% in 3 years
- Disinvestment of up to 74% in non-strategic public sector
- Budget allocation for education increased by 50%
- Allocation for atomic energy up by 68 per cent and space by 2 per cent
- Service tax on architects, CAs, real estate consultants
- Across the board countervailing duty on imports
- Three new schemes for tax simplification launched: Saral - one page return for all non-corporate tax payers; Samadhan for reducing litigation and quick realization of arrears and Samman for recognition of honest tax payers

Tests do not contaminate India's Principles *(Continued from page 7)*

Happily, not all commentators missed the mark, especially those whose knowledge of India is not superficial. Richard Haass of the Brookings Institution, an authority on South Asia, pointed out that "what is at stake here are ties with a country with a billion people, a large and growing market and a robust democracy. Isolating India will not serve US economic or strategic interests; nor would it weaken a government that has taken a step applauded by most Indians who wonder why the world is prepared to live with China's nuclear arsenals but not India's."

India remains committed to a total and global elimination of nuclear weapons, based on agreements that are nondiscriminatory, comprehensive, and universal. India's adherence to the Chemical Weapons Conven-

tion and Biological Weapons Convention is proof enough of its sincerity and commitment in this regard. India has also indicated its willingness to participate in the negotiations for the conclusion of a Fissile Material Cut-off Treaty in the Conference on Disarmament. But above all, despite any anticipated international outcry or sanctions, any government in India must put its national security interests above all other considerations. A secure India, with a population that is not apprehensive because of the weakness of India's defense, is a force for stability and peace in the region.

In addition, since the tests, India has formally announced a moratorium on nuclear testing and said it would join talks toward a Comprehensive Test Ban Treaty.

Joint Statement by Department of Atomic Energy and Defense Research and Development Organization

The current series of testing 5 nuclear devices during May 11-13, 1998 in the Pokhran Range is the culmination of years of pioneering work done by the Department of Atomic Energy (DAE) and the Defence Research & Development Organization (DRDO).

DAE has done pioneering R & D work in various aspects of nuclear science and technology. It has developed comprehensive indigenous capabilities in designing and building nuclear power reactors, fuel re-processing plants and many other fuel-cycle related activities. DAE has also developed and built research reactors and strongly promoted the peaceful uses of atomic energy in industry and agriculture. The Bhabha Atomic Research Centre (BARC) is one of the largest multi-disciplinary laboratories in the country with the capability to build new technological systems in a wide range of areas. The fissile material used in these 5 tests are completely indigenous, and have been produced by local mastery over the relevant technologies by DAE establishments.

DRDO is one of the largest agencies in the country which is engaged in research and development of advanced weapons and systems for the Armed Forces. DRDO is also at the forefront in a spectrum of advanced defense technologies. It has a large number of mission-oriented programs involving design, development and proving of defense systems along with Transfer of Technology to Production Agencies. DRDO's experience and expertise in explosives and explosives-related technologies and in systems engineering and integration constitute an important part in the 5 devices tested in the present campaign.

The design and development of various kinds of nuclear explosives, eg fission, boosted fission, thermonuclear and low yield, has been carried out by BARC based on more than 25 years of R & D. BARC has also worked out several new concepts like long shelf life of device components and optimization of the yield-to-weight ratio. Further, the fabrication of fissile materials to suitable shapes was also performed by BARC. The PNE experiment of May 1974 was an early and successful demonstration of India's capability in nuclear devices.

One of the laboratories of the DRDO had the task of 'weaponizing' proven designs. This activity involved

design, testing and production of advanced detonators, ruggedized high volt trigger systems, interface engineering, systems engineering and systems integration to military specifications. Three other laboratories have made contributions in aerodynamics, arming, fusing, safety interlocks, flight trials etc. DRDO has, further, conducted a series of trials and achieved the necessary operational clearances. Additionally, DRDO shouldered the burden of field engineering associated with the conduct of the 5 tests along with DAE. DRDO and DAE have effectively and efficiently coordinated and integrated their respective technological strengths in a national mission to confer the country with a capability to vacate nuclear threats.

The 3 tests conducted on May 11, 1998 were with a fission device with a yield of about 12 KT, a thermonuclear device with a yield of about 43 KT and a sub-kilo tonne device. All 3 devices were detonated simultaneously. It may be noted that the yield of the thermonuclear device tested on May 11 was designed to meet stringent criteria like containment of the explosion and least possible damage to building and structures in neighboring villages.

On May 13, 1998 two more sub-kilo tonne nuclear tests were carried out. These devices were also detonated simultaneously. The yields of the sub-kilo tonne devices were in the range of 0.2 to 0.6 KT. The tests conducted on May 11 as well as on May 13 were fully contained with no release of radioactivity into the atmosphere. The measured yields of the devices agree with expected design values. A complex software package developed by DAE has been used in device design and yield estimation. The tests conducted during May 11-13, 1998 have provided critical data for the validation of our capability in the design of nuclear weapons of different yields for different applications and different delivery systems. These tests have significantly enhanced our capability in computer simulation of new designs and taken us to the stage of sub-critical experiments in the future, if considered necessary.

DAE and DRDO would like to place on record their thanks to the Indian Army and the Indian Air Force for excellent support to the campaign. They would also like to record their gratitude to the current Government, as well as those in the past, for reposing confidence in the ability of DAE and DRDO to meet nuclear threats.

Embassy Press Release, May 22, 1998

Ambassador Naresh Chandra meets with U.S. Congressmen regarding India's nuclear tests

The Ambassador of India, Mr. Naresh Chandra, has been meeting senior U.S. Congressmen over the last few days to brief them regarding the recent underground nuclear tests conducted by India. He explained the circumstances and the security environment in its neighborhood that necessitated the tests. In particular, he rebutted strongly the allegations that have been made in some quarters about India having indulged in deception and having misled the US. He also refuted the comment made by some analysts that the tests were carried out for domestic political compulsions — that all Governments in New Delhi since 1974 had steadfastly adhered to India's position that it will not give up its nuclear option, and there has always been a national consensus on this issue which still continues to be the case.

The Ambassador emphasized India's continuing commitment towards global nuclear disarmament, and reiterated India's offer to consider adhering to some of the undertakings in the Comprehensive Test Ban Treaty (CTBT) and also to join the discussions in Geneva on the Fissile Material Cut-off Treaty (FMCT) in a constructive manner.

All the discussions have taken place in very cordial atmosphere. Many Congressmen expressed disappointment and said that it had put a burden on them in their efforts to work for better relations between India and US. They said that the US policy on non-proliferation was widely supported and that nothing should be done that fuels an arms' race. Starting from this position, all the Congressmen were good enough to consider the additional facts and considerations put up to them. After the exchanges practically all of them showed that there was need to continue the dialogue and improve understanding because there was a lot of mis-information going about and many have jumped to hasty conclusions. There was a large area of understanding of India's security needs and growing appreciation of India's case even though a lot more work would be required to bring about the necessary level of understanding in the US Congress. Some Congressmen also expressed the view that given India's tough neighborhood, it was difficult for India to give up the nuclear option. What was hopeful was the offer made by the various Congressmen to devote time to this important issue and ensure that the present situation was viewed in proper perspective based on true facts and without getting deflected by sensa-

tional press reports and motivated propaganda from some quarters. There was also unanimity that the dialogue between US and India should continue and given the goodwill that still exists it should be possible to resolve differences and improve the atmosphere, and review the need for sanctions. The Congressmen were confident that very soon the warm and fruitful relationship which had been growing in recent years would overcome this temporary setback and there would be more cooperation for resolving regional and global issues through closer interaction among the two largest democracies.

Those who the Ambassador met were House International Relations Committee Chairman, Benjamin Gilman (R-NY), Chairman of Asia-Pacific Subcommittee, Doug Bereuter (R-NE), Chairman of International Operations Appropriations Subcommittee, Sonny Callahan (R-AL), Chairman of Africa Subcommittee and Member of the House International Relations Committee, Ed Royce (R-CA), Chairman of Crimes Subcommittee and Co-Chairman of Caucus on Indian-Americans and India Bill McCollum (R-FL), Chairman of Republican Policy Committee, Jim Greenwood (R-PA), Chairman of Caucus on Indian-Americans and India, Frank Pallone (D-NJ), Congressman Howard Berman (D-CA), Ranking Member, Asia-Pacific Subcommittee, Congressman Gary Ackerman (D-NY), Ranking Member, Western Hemisphere Subcommittee and House International Relations Subcommittee, Congressman Sherrod Brown (D-OH), Member, House International Relations Committee, Congresswoman Nancy Pelosi (D-CA), Ranking Member, Foreign Operations Appropriations Subcommittee and Congressman Danny Davis (D-IL), Leading Member of the Black Caucus.

In addition, Mr. T.P. Sreenivasan, the Deputy Chief of Mission, also met Congresswoman Eva Clayton (D-NC), Ranking Member of Agriculture Committee, Congressman Tom Campbell (R-CA), Member of International Relations Committee and Congressman David Price (R-NC), Member of Appropriations Committee for similar discussions.

(Note: All Press releases, Statements and Interviews relating to India's nuclear tests can be obtained from the Embassy's web site at the following address:

<http://www.indianembassy.org/nucleartest.htm>

Summary of Finance Minister's 1998-99 Budget Speech in the Parliament on June 1, 1998

The First Budget of the BJP led alliance gives a new direction to the economy with focus on building a strong and prosperous India. It envisages a special thrust to agricultural, rural development and infrastructure. The Budget presented by the Union Finance Minister, Shri Yashwant Sinha, in Parliament today is based on key objectives underlined in the National Agenda for Governance of the BJP and its allies. The 1998-99 Budget estimates a total expenditure of Rs.268107 crore. The allocation for agriculture has been stepped up by 58 per cent, while Rural areas and Employment gets an increase of Rs.1556 crore. Allocation for Welfare has been increased by 91 per cent while that for Education doubled. Health and Family Welfare Ministry gets a 34 per cent increased allocation. The Department of Atomic Energy gets a 68 per cent increase while allocation for Space is up by 62 per cent. This Budget has special schemes to give a boost to investment and NRIs participation in development.

Agriculture and Rural Development

While emphasizing the need to reverse the decline in agriculture and strengthening of rural economy, the Finance Minister announced several initiatives in the agriculture and rural development sector. He said that top priority will be given to development of rain fed areas on a watershed basis and thus increase agricultural productivity in a sustainable manner.

All the Watershed Development Programs spread across various Ministries and Departments will be unified. The Plan allocation under this head has been increased to Rs.677 crore. The accelerated irrigation program gets a 58 per cent step up. Shri Sinha announced Rural Infrastructure Development Fund (RIDF) IV with an enhanced allocation of Rs.3,000 crore.

The NABARD's share capital has been increased by Rs.500 crore this year. While Government will give Rs.100 crore from the Budget, RBI will contribute the balance. The Finance Minister said that NABARD will be asked to expand the scope and coverage of the scheme for promotion of self help groups (SHG). Two lakh self help groups covering 40 lakh families can be assisted over the next five years through the scheme of micro credit. Ten thousand self help groups covering 2 lakh families will be assisted this year.

Rs.265 crore has been provided to carry forward the process of rehabilitation and recapitalization of regional rural banks (RRBs). Sponsor Banks are being given an enlarged role in providing management operational and restructuring support to RRBs to meet the chronic problems of over due loans faced by farmers due to circumstances beyond their control, the Finance Minister said that the Government will follow policies which help in reducing the volume of non-performing assets of Banking Sector and encourage banks to provide appropriate relief on accumulated interest in deserving cases. He said the RBI will be issuing the appropriate guidelines to the banks for hassle free settlement of old cases of over dues.

NABARD is being asked to formulate a model scheme for issue of Kisan Credit Cards to farmers on the basis of their holdings. This is to facilitate uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs.

The Finance Minister announced that the Government will soon come out with a National Agricultural Policy Paper to meet the problems faced by farmers due to laws and regulation in production, marketing and movement of agricultural commodities. The Ministry of Commerce is systematically reviewing existing controls on exports of all agricultural commodities except foodgrains. To revitalize the cooperative sector, the Government will shortly bring forward a model cooperative law to replace the multi-state cooperative societies act 1984. The Government has also accepted the proposal for exclusion of farm implements and tools from the list of items reserved for manufacture by the Small Scale Industries Sector. This is to benefit the farmers to avail a wider range of implements and tools at competitive prices with requisite after sale service.

Shri Sinha said that the Government is planning to introduce future trading in edible oil, oil seeds and their cakes to establish an efficient market environment and reduce volatility in prices in this sector. In order to correct the adverse NPK balance, the Finance Minister announced an increase in price of urea. The increase is also justified on the ground of rising costs, which have led to a more than 50 per cent increase in the subsidy on indigenously produced urea in the years between 1995-96 and RE 1997-98. It is, therefore, proposed to increase the selling price of urea by Re.1 per kg with immediate effect.

Proposing a multi-pronged approach to rural water supply, the Finance Minister said enhanced allocation for accelerated rural water supply programme from Rs.1302 crore to Rs.1627 crore this year. He also announced a special thrust for Watershed Development Program and said that the States will be encouraged to institutionalize community-based rural water supply programs, which secure active participation of beneficiaries to own, operate and maintain rural water supply facilities.

In order to reduce the duplication caused by the multiplicity of poverty alleviation and employment generation programs, the Finance Minister proposed to unify the various programs under two broad categories of Self Employment Schemes and Wage Employment Schemes.

Small Scale Industries

To meet the problems of insufficiency of timely credit and harassment of the Inspector Raj, in the small scale industry sector, the Finance Minister has announced several special initiatives. The working capital requirement for the SSI units has been doubled from 2 crore to four crore. Credit availability to SSI units would be simplified and made available on better

(Continued on page 15)

Summary of Finance Minister's Budget Speech *(Continued from page 14)*

terms. The SIDBI will be delinked from IDBI and IDBI shareholding in SFCs will be transferred to SIDBI. As for the problems of Inspector Raj, the FM said that he would be announcing far reaching changes in the administration of Central Excise which will help SSI units significantly.

Private Investment in Industry

Stating that the Government accords high priority to boosting private investment including foreign investment in Industry, the Finance Minister stressed the need to minimize bureaucratic and procedural hurdles and create an investor friendly environment. Referring to industrial licensing, he said that the Government has further decided to delicense coal, lignite and petroleum products.

Commenting that the Industrial Deregulation will remain incomplete without reducing the burden imposed by Inspector Raj, FM said Government has initiated a dialogue with State Governments for consolidation of regulatory legislation relating to industry and reduce the inspection procedure. Emphasizing the importance of promoting Foreign Investment, the Minister said that the hassle free procedure will be created. All foreign investors would be assured that a decision on their investment proposals will be taken within a period of 90 days. To help foreign investors, an officer of the administrative ministry would be designated as a monitoring officer to help processing and implementation of the project for every foreign investment proposal exceeding Rs.100 crore.

Housing

The Finance Minister announced that 20 lakh additional dwelling units will be built this year with 13 lakhs in rural areas and 7 lakhs in urban areas. The Budget allocation for Indira Awas Yojana has been stepped up to Rs.1600 crore from Rs.1144 crore in RE 1997-98. Scope of this scheme has also been widened to include loan cum subsidy program. Urban land ceiling and regulation act will be repealed. Capital base of Housing and Urban Development Corporation (HUDCO) has been increased by 110 crore.

Infrastructure

The Finance Minister stated that one of the Major planks of this Budget is to provide strong stimulus to the infrastructure sector through larger public and private investment in these sectors. He announced an allocation of Rs.61,146 crore in energy, transport and communication sectors. This constitutes an increase of 35 percent over last year. Referring to ordinance for establishing Central and State Electricity Regulatory Commissions to rationalize electricity, the Minister announced that the procedures have been simplified for extending sovereign counter guarantees for a few "Fast Track" power projects which were held up for long. Government will evolve a guarantee scheme to cover Rs.10,000 crore outstanding dues from State Electricity Boards to major public sector undertakings like NTPC, Coal India, etc. On the strength of such guarantees, the Minister said that the PSUs concerned will be able to raise resources either by securitizing these debts or directly entering the market for tapping resources.

In order to bring National Highways upto international standards, Rs.500 crores have been provided for the National Highways Authority of India to catalyze new road projects including four-laning of existing National Highways. The Finance Minister announced that the infrastructure development finance company limited (IDFC) which was incorporated as a non-Government company in 1997, has now commenced operations. He said IDFC has tied up its paid up equity capital of Rs.1000 crore including equity participation of Rs.400 crore by nine foreign investors.

The Finance Minister also announced that upto 10 per cent of the new accretion to provident fund would be allowed to be invested in private sector securities which have an investment grade rating from at least two credit rating agencies.

Education

Stating that the Education is the key vehicle for social transformation, the Finance Minister announced nearly 50 per cent increase in total budgetary allocation to Education from Rs.4716 crore in RE 1997-98 to Rs.7047 crore in this Budget. He reiterated the Government commitment to raise the total resource allocation for education to 6 per cent of GDP in a phased manner. He announced integration of allocations under Kasturba Gandhi Shiksha Yojana and Mahila Samridhi Yojana to support a unified action plan for accelerating female education.

In order to harness the limitless energy of the youth, Shri Sinha announced that the Government will formulate a scheme for creation of a National Reconstruction Corps, which will mobilize youth for community-based Nation building activities. An Inter-Ministrial Committee is being set up to work out the details.

Information Technology

Aiming at the target of making India a Global Information Technology Power and one of the largest generators and exporters of software in the world within ten years, the Finance Minister announced setting up of a National Information Technology task force headed by Deputy Chairman, Planning Commission to formulate a National Informatics Policy. Since our companies need flexible systems of incentives to retain their human resources, it has been decided to formulate a special scheme to allow offer of stock option schemes in software sector.

Financial Sector

In order to strengthen the Financial System, the Finance Minister announced that decisions have been taken on some important recommendation of the Narasimham Committee Report. To reduce the relatively high level of Non-Performing Assets (NPAs), Debt Recovery Tribunals will be strengthened and more Tribunals will be set up to cover all states. Banks with high NPAs will be encouraged, on an experimental basis, to establish Asset Reconstruction Companies which will take over the NPAs of the bank at their realizable value and swap them with special bonds to be held by the bank. To strengthen the health of our banks, RBI is raising the minimum required Capital adequacy ratio for banks from eight per cent to nine per cent by March 31, 2000

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Summary of Finance Minister's Budget Speech *(Continued from page 15)*

and to ten per cent thereafter. Shri Sinha announced setting up of an expert group to propose precise legal amendments in the key laws to make the provisions consistent with modern financial and banking practices. The Minister also announced opening of Insurance Sector to competition from Private Indian Companies. The Insurance Regulatory Authority will also be converted into a statutory body. The legislation in this regard will be introduced later this year.

Capital Market

Shri Sinha announced a number of measures to strengthen the capital markets. He announced that the Government will bring forward an amendment to securities contracts (Regulation) Act to enable derivative instruments to be treated as securities. The Foreign Institutional Investor (FII) debt funds would now be allowed to invest in unlisted domestic debt securities also. SEBI is being asked to devote special attention to strengthen institu-

tional arrangement for protecting small investors from defaults and financial failures of brokers and other market intermediaries.

Non Resident Indians

With a view to encourage NRIs participation in the development of their country, the Finance Minister today announced that he proposes to raise the individual investment limit of one per cent for NRIs to five per cent and the aggregate limit for all NRI investments in a company from five per cent to ten per cent. Shri Sinha also announced that the procedure governing participation of NRIs in share markets is being thoroughly reviewed. The Finance Minister announced the launching of a new resurgent India Bond denominated in foreign currencies for subscription by NRIs. He has also announced a scheme for issuance of Persons of Indian Origin (PIO) Card for those living abroad and having foreign passports. The Card will confer special economic educational, financial and cultural benefits.

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