

NATIONAL NEWS

MONTH IN A NUTSHELL

India clears defence supplies to Nepal: After a three-month gap, India, on May 10, 2005, announced partial resumption of defence supplies to Nepal and lend a helping hand to the Royal Nepalese Army to aid its battle against the Maoists. India hoped "further and early" steps would be taken towards the restoration of multiparty democracy and constitutional monarchy in that country.

India-Palestine: President Mahmoud Abbas of Palestine arrived in India on May 19, 2005, on a two-day official visit. The main focus of his talks with Prime Minister Manmohan Singh was on West Asia and the fragile Middle East Peace Process (MEPP). Prime Minister Singh expressed India's support for the Palestine cause and assured Abbas that New Delhi would use its stature in the international fora to help the Middle East peace process to move forward. In a show of solidarity, New Delhi announced an aid of nearly Rs 65 crore for developmental projects in Palestine.

India-Iraq: In the first contact with the new Iraqi government, Prime Minister Manmohan Singh's special envoy for West Asia, C.R. Gharekhan met Iraqi Prime Minister Ibrahim Al Jaafari on May 23, 2005, and offered help in reconstruction of the war-ravaged country and in drafting of its new Constitution. Mr Gharekhan also extended Prime Minister Singh's invitation to Mr Jaafari to visit India. Mr Jaafari, in turn, invited Mr Singh to visit Iraq.

India-Iceland: India and Iceland, on May 31, 2005, signed two Memoranda of Understanding to establish a formal structure for bilateral cooperation and expand air services between the two countries. The MoUs were signed during the visit of President A.P.J. Abdul Kalam to Iceland.

India-Russia: Cementing their strategic ties, Russia, on May 9, 2005, expressed its readiness to further expand cooperation with India in civilian nuclear energy, defence and space, as the two sides decided to set up a study group to examine the feasibility of a comprehensive economic cooperation agreement. At a meeting held in Moscow, with Prime Minister Manmohan Singh, President Vladimir Putin expressed Moscow's willingness to look into issues of civilian nuclear energy cooperation with India, including the supply of nuclear fuel for Tarapore plant, and new nuclear power reactors. Seeking to boost Indo-Russian defence ties, President Kalam visited a Russian defence aircraft establishment, Sukhoi Aircraft Design Bureau, where he discussed the possibility of joint ventures between the two countries

for production of a fifth generation warplane and a civilian jet.

India-Pakistan: India and Pakistan, on May 27, 2005, failed to reach an agreement on demilitarisation of the Siachen glacier, the world's highest battlefield, but decided to continue talks in future to resolve the issue. The two countries, however, agreed to continue the ceasefire which is in place since November 2003. Talks on Siachen were followed by the two-day parleys on another contentious issue Sir Creek. This meeting also ended without making any headway on differences over the coastal strip off Gujarat coast, despite the two sides reviewing the results of a joint survey.

"Bharat Nirman" project: On May 16, 2005, Prime Minister Manmohan Singh chaired a meeting of the Committee on Rural Infrastructure and approved the proposal for *Bharat Nirman*, which will entail an investment of over Rs 1,74,000 crore over a four-year period (2005-2009), in six critical areas of rural infrastructure—irrigation, power, roads, drinking water, housing and communications. *Bharat Nirman* will bring an additional one crore hectares under assured irrigation; connect all villages that have a population of 1000 (or 500 in hilly/tribal areas) with a road; construct 60 lakh houses for the poor; provide drinking water to over 74,000 new habitations; reach electricity to 1,25,000 villages that still do not have electricity and offer electricity connection to 2.3 crore households; and give telephone connectivity to the remaining 66,822 villages.

Gas prices hiked: The government has approved a 12 per cent hike in subsidised natural gas prices for power and fertiliser units, a move that will boost revenues of ONGC by around Rs 1,500 crore, although it hits power distribution utilities, GAIL and other companies including IPCL, which will have to fork out this amount. The CCEA also approved linking natural gas prices for consumers in all other sectors, including industrial consumers such as Reliance and Essar Steel to market prices, which is around \$ 3.86 per Million British Thermal Unit (MBTU). Transport sector, industries in Agra/Ferozabad and small consumers (consuming less than 0.05 million standard cubic metres per day) have been spared from any hike for 3-5 years. The decision boomerangs on the exchequer, for the fertiliser subsidy bill will swell by around Rs 270 crore a year. Amongst the corporates, GAIL will take a severe beating since it uses a significant amount of gas for producing LPG as well as petrochemicals. For power generation companies, which fire close to 8,000 MW on this gas, the tariff will rise by around 10 paise a unit, as the fuel cost will rise from around 90 paise a unit to little over a rupee.

Government rejects Phukan panel report: Terming the Phukan Commission report, which probed the *Tehelka* expose into fictitious defence deals, as “incomplete”, the Union government, on May 13, 2005, rejected the findings as “bereft” of reasons and said the panel had not gone into the allegation of corruption. In an “accompanying” note on the report of the Commission, which was to investigate 15 major defence deals concluded in 1990s, including acquisition of Russian Sukhoi warplanes, T-90s tanks, Israeli ‘Barak’ missile system and British Advanced Jet Trainer, the government said the panel has “given its report only in two of the terms of reference instead of four made to it”. Criticizing the government for rejecting the findings of the Phukan panel, NDA Convenor and former Defence Minister George Fernandes described the tabling of Phukan Commission report on *Tehelka* expose with an accompanying note as “one in the series of continuous attempts” by Congress and its allies to subvert the Commission of Inquiry. The *Tehelka* episode broke out on March 13-14, 2001, and the then government had appointed Venkataswami Commission to probe it and give its findings within four months. The Commission was given an extension up to October 3, 2004, and, in the meantime, Justice Venkataswami resigned on November 25, 2002. Justice Phukan was appointed on January 2, 2003, as chairman of the Commission which was wound up on October 3, 2004.

Cabinet clears banking Bills: In the first week of May, 2005, the Union Cabinet cleared three Bills that intend to give a big push to banking reforms, increase FDI in private banks, enhance the powers of the RBI to conduct the monetary policy and tackle the problem of banks’ bad debt, by creating a system for sharing credit information. While two Bills pertain to amendments in Banking Regulation Act (BR Act) of 1949 and the Reserve Bank of India Act (RBI Act) of 1934, the third one is Credit Information Companies (Regulation) Bill of 2004.

SEZ Bill: The Lok Sabha, on May 10, 2005, passed the long-awaited Special Economic Zone (SEZ) legislation, after incorporating suitable amendments pressed by Left parties, to leave it to States on how far they should be flexible on labour laws. The Bill provides a single-window clearance and approval mechanism for establishment of SEZs, as well as production units inside the zones. It contains income tax concessions for a SEZ unit, as also seeks to establish a single enforcement agency to ensure speedy trial and investigation of notified offences committed in such zones. At present, India has 11 functioning SEZs. Of these, seven have been set up by Central government and four by private/joint/State sector.

Right to Information Bill: The Right to Information Bill was approved by the Parliament on May 13, 2005. Earlier, opening the debate, the Prime Minister said that the objective of the Bill was to make administration accountable, not to paralyse it or harass civil servants. He promised to address some of the concerns while framing rules. To allay apprehensions among civil servants about possible misuse, he said adequate safeguards have been built to prevent that from happening. The Bill provides for a framework for making citizen’s right to information a fundamental right under Article 19 of the Constitution.

Money laundering gets more difficult: The legislation on controlling money laundering, which has remained on paper

since 2002, has been given more teeth. On May 11, 2005, Parliament approved the Prevention of Money Laundering (Amendment) Bill, 2005, removing certain lacunae that came in the way of its notification. The offence of money laundering has now been made non-cognizable and government will prescribe a threshold limit for directors and other officials to investigate.

Cabinet clears sale of 10% stake in BHEL: The Union government, on May 21, 2005, approved the sale of 10 per cent of its equity in Bharat Heavy Electrical Ltd. (BHEL), a Navratna PSU, through a public offer. This will be the first disinvestment in 2005-06. The decision, which kicks off the process of minority stake sales in 15 profit-making PSUs short listed in 2004, provoked angry sound bites from the Left, whose leaders demanded a rollback. The disinvestment proceeds, which will go to National Investment Fund (NIF), will not be reflected in the budget figures. Accruals in the NIF will be invested in the market. Seventy-five per cent of the returns on these investments will be spent on health and education, while the rest will be used to revive sick PSUs which have the potential to become profitable.

Bofors case: The Bofors case that led to the unravelling of a Congress government and political realignments at the Centre, virtually collapsed on May 31, 2005, when the Delhi High Court quashed all charges against the three Hinduja brothers. The court also slammed the prosecution for “wasting Rs 250 crore of public money” for investigating the allegation into the Rs 64-crore pay off.

UBS banned for Black Monday crash: On May 17, 2005, the first anniversary of the Black Monday crash, SEBI slapped a one-year ban on UBS Securities Asia Ltd, a Foreign Institutional Investor (FII), and its associates from dealing in off-shore derivative instruments, for their alleged connection with the panic selling in market on that day. On May 17, 2004, intra-day, the Sensex had crashed 842 points, or over 16%, which forced the exchanges to close trading twice during the day. At close, the index was down 565 points, or 11%.

Bihar: President A.P.J. Abdul Kalam, on May 23, 2005, issued a proclamation dissolving Bihar Assembly. The proclamation was based on a communication received from Bihar Governor Buta Singh, recommending dissolution of the Assembly, which was already kept under suspended animation as no party or combination of parties was able to get majority in the election held in February-March 2005. The Union Cabinet, on May 23, endorsed the assessment of the Governor and decided to recommend to the President to issue a Presidential order under Article 174(2)(b) of the Constitution. The dissolution came in the wake of heightened political activities, triggered by a section of MLAs belonging to Union Minister Ram Vilas Paswan’s Lok Janshakti Party, who decided to break away from him in a bid to form an NDA government led by JD(U).

Companies can be tried, fined: In a judgement that could affect the outcome of the criminal complaints pending in the 1984 Bhopal Gas case, the Supreme Court has held that companies are “not immune” from prosecution. They can be fined, though not imprisoned. Under the earlier law, if the offence was punishable with a jail term under the statute, companies could not even be fined.

Inter service area connectivity gets DoT nod: The Department of Telecom (DoT), on May 21, 2005, permitted inter-service area connectivity to the States of Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal. This means, calls within these four States will be treated as local calls. So far, it was an artificial separation, by telecom authorities, of a State capital from the rest of the State, in the case of Mumbai and Maharashtra, Chennai and Tamil Nadu, and Kolkata and West Bengal. And it was the same with Uttar Pradesh. Incidentally, this was not the case with the subscribers in the other States, who were free to call anyone, anywhere within the State at local call charges. The government has decided to remove this difference.

IAS officers get new report card system: Virtually giving a wake-up call to bureaucracy, Prime Minister Manmohan Singh, on May 7, 2005, approved a new appraisal system for fixing accountability, increasing efficiency and giving due recognition to IAS officers, who work hard and deliver. The existing system of assessment, based on Annual Confidential Report (ACR), is to be replaced by a new instrument called Performance Appraisal Report (PAR). The PAR would be a tool for career planning and training, and not just a statement of a senior's opinion of a junior. Apart from the PAR, a new system of peer review of senior officers by an Eminent Persons Group (EPG) has also been approved. The EPG will ascertain the reputation of a civil servant by seeking inputs from peers, juniors and clients on a confidential basis.

No smoking to be seen on screens: Come August 1, 2005, cigarettes will be banished from movies and television. And if there is screening of movies predating the ban, it will come with a mandatory warning across the screen saying smoking is hazardous to your health. In what seems to be a case of hyper activism, Union government, on May 31, 2005, World No-Tobacco Day, came out with a notification banning use of tobacco products from big and small screen, but posing, at the same time, a whole new creative challenge for movie-makers and fans. A number of directors and actors are outraged at what they consider vandalisation of cinema, although a few also felt they could live with the ban.

IMPORTANT NEWS IN DETAIL

FOREIGN RELATIONS

India clears defence supplies to Nepal

AFTER a three-month gap, India, on May 10, 2005, announced partial resumption of defence supplies to Nepal and lend a helping hand to the Royal Nepalese Army to aid its battle against the Maoists.

India hoped "further and early" steps would be taken towards the restoration of multiparty democracy and constitutional monarchy in that country.

India had suspended military supplies to Nepal following King Gyanendra's decision in February, 2005 to sack the Sher Bahadur Deuba government, declare emergency, detain political leaders and impose press censorship.

While keeping the issue of defence supplies "under constant review", India had asked the King to lift emergency, end media censorship and release all political party

leaders and activists. New Delhi had also advised Gyanendra to bring the political parties and the institution of monarchy together in a broad national effort to deal with the political and economic challenges confronting Nepal. The King had indicated in his meetings with Prime Minister Manmohan Singh and External Affairs Minister K. Natwar Singh in Jakarta, in April 2005, his intention to take steps towards these objectives.

India's decision is the triumph of realism over pro-democracy activism. Hard-headed security considerations, which listed the Maoist variety of Left-wing extremism as the greatest security threat, dominated India's tilt towards the King.

Also, India feared that if it did not supply arms to Nepal, other countries like China and Pakistan would do so.

Palestine President's visit

PRESIDENT Mahmoud Abbas of Palestine arrived in India on May 19, 2005, on a two-day official visit. The main focus of his talks with Prime Minister Manmohan Singh was on West Asia and the fragile Middle East Peace Process (MEPP).

Prime Minister Singh expressed India's support for the Palestine cause and assured Abbas that New Delhi would use its stature in the international fora to help the Middle East peace process to move forward. In a show of solidarity, New Delhi announced an aid of nearly Rs 65 crore for developmental projects in Palestine.

Describing his talks with the Indian leadership as "very useful", President Abbas said Palestine felt its relations with India were "very close and very strong".

India shares the perception that the question of Palestine is at the core of the Arab-Israeli conflict and supports the legitimate right of the Palestinian people to a State and the imperative need for a just, comprehensive and lasting peace in the region, based on UN Security Council Resolutions 242, 338 and 425 and the principle of 'Land for Peace', and more recently, the 'Roadmap' of the Quartet.

India was the first non-Arab State to recognise the Palestine Liberation Organisation (PLO) as the sole legitimate representative of the Palestinian people and allowed it to open its office in New Delhi in January, 1975.

Delhi reopens diplomacy with Baghdad

IN the first contact with the new Iraqi government, Prime Minister Manmohan Singh's special envoy for West Asia, C.R. Gharekhan met Iraqi Prime Minister Ibrahim Al Jaafari on May 23, 2005, and offered help in reconstruction of the war-ravaged country and in drafting of its new Constitution.

Mr Gharekhan also extended Prime Minister Singh's invitation to Mr Jaafari to visit India. Mr Jaafari, in turn, invited Mr Singh to visit Iraq.

With a new government in Baghdad ready to roll out the red carpet for Indian businessmen, India's once thriving economic ties with Iraq, which took a hit after the US-led

invasion in 2003, are poised to bounce back.

Over 100 Iraqi businessmen are visiting India almost every month (their number has doubled from the last year) and the Indian mission in Baghdad is getting deluged with inquiries from Indians wishing to make money in a new Iraq.

For Indian businessmen, the booty is big enough to tempt them—at stake are the mind-boggling reconstruction projects estimated to be \$ 100 billion.

India, Iceland to establish formal structure for cooperation

INDIA and Iceland, on May 31, 2005, signed two Memoranda of Understanding to establish a formal structure for bilateral cooperation and expand air services between the two countries. The MoUs were signed during the visit of President A.P.J. Abdul Kalam to Iceland.

The MoU on foreign office consultations aims at establishing a formal structure for regular and periodic consultations between the two Foreign Ministries at the Foreign Secretary level. It also aims at providing direct contacts between governmental, public and private institutions

of the two nations.

As both governments do not have residential missions in each other's countries, the proposed consultation mechanism assumes great significance in their bilateral ties.

The MoU on civil aviation provides a framework of cooperation in the sector and outlines various aspects concerning grant of air traffic rights, designation and authorisation of airlines. It also provides for bilateral cooperation on matters concerning safety, aviation security, code-sharing arrangements and other commercial opportunities.

Appreciating Iceland's readiness to co-sponsor the draft resolution of G-4 countries at the United Nations, President Kalam stressed the "dire" need to reform the world body, saying the changes would make it more compatible with contemporary realities.

President Kalam also showed keen interest in quake prediction and geothermal power generation technology of Iceland. He said information technology, including satellite communication, should be used for prediction of earthquakes and asked Iceland to take help of Indian satellites for disaster management for both countries.

- *Vajra Shakti* was the 10-day Army Exercise, consisting of 25,000 troops, that was conducted around 80 km from International Border, in the month of May. The aim was to validate new war doctrine. The high point of the exercise was substantiating the shift of 11 Corps from the role of a holding corps to that of a pivot corps. Mi-35 attack helicopters of the Indian Air Force were actively involved in the exercise.
- Sathyam Cinemas is India's first commercial cinema house to introduce D-Cinema (digital cinema), a digital projection system from Texas Instruments (TI).
- The WMDs and their Delivery Systems (prohibition of unlawful activities) Bill, 2005, provides an integrated legislative basis for India's commitment to prevent proliferation of WMDs. The legislation fulfils India's obligations under the UN Security Council resolution.
- Website built by a team of students from Gurgaon, Haryana, has won the prestigious Doors to Diplomacy award of the US State Department. All the world is one (<http://www.Effortsunited.com/>) explores international security by considering global realities and threats.
- John Menzer is the president of Wal-Mart, the biggest retail chain of USA.
- The Genetic Engineering Approval Committee (GEAC) has approved a total of 18 new hybrids of BT cotton for planting in India. This is the largest number of hybrid cotton seed varieties to have been approved since such seeds were allowed in India. Bt or *Bacillus thuringiensis* is a soil bacterium that synthesizes a crystal protein. In the insect gut, the protein breaks down to release a toxin which kills the insect. These genes are known as Bt genes. Crops with these genes have high yield. This gene is put into cotton so that plant produces its own Bt toxin. Plants with these genes resist Bollworm, a major

cotton pest.

- Bollywood actress Aishwarya Rai and US director Alexander Payne officially opened the 2005 Cannes Film Festival.
- The Centre has approved the Jammu and Kashmir government's proposal to shift the summer capital to Parihaspora in Baramulla district, in a bid to decongest Srinagar.
- V.S. Surekha created a new national record when she jumped to 3.70 m in the pole-vault event of the first national athletics circuit meet, held at the Nehru Stadium, New Delhi.
- World Museum Day is observed on May 18 every year. The International Council of Museums has announced 'Museum building cultures' as the theme for World Museum Day, 2005.
- India has managed to slip out of the list of 20 countries with the highest incidence of software piracy, despite a 1% increase in the piracy rate. China with 90% piracy occupies the third slot—after Vietnam and Ukraine, which lead with 92% and 91% piracy rates, respectively. With 74% of the software sold being illegitimate, the software industry's losses in India have, however, climbed up from \$ 367 million in 2003—when piracy was at 73%—to \$ 519 million in 2004.
- The Qinghai-Tibet Railway is the highest in the world. It links Golmud in northwest China's Qinghai Province and Lhasa, capital of Tibet Autonomous Region.
- The Union government has scaled down the annual economic growth target for the Tenth Plan period to less than 7.5 per cent, in its mid-term appraisal. This is against the earlier target of 8.1 per cent, set by the NDA government for 2002-07. If the growth targets are to be retained at 8.1 per cent, the economy will have to clock over 10 per cent growth during 2005-06 and 2006-07. During the last three years, average growth rates have been below 6.5 per cent.

- *Timeless Traveller: The Horseshoe Crab*, a film directed by Gautam Pandey, has bagged two prestigious awards at the International Wildlife Film Festival at France.
- Abba's 1974 song 'Waterloo' has been judged the best Eurovision song of all times.
- IBM has become India's leading MNC IT employer. As of end 2004, IBM India had 23,000 people on its rolls.
- Jaipur-Kishangarh six-lane expressway, part of the Delhi-Mumbai corridor of the golden quadrilateral project of NHAI is India's first such six-lane expressway in the golden quadrilateral. It is also the country's largest BOT highway project till date. It has been built on BOT basis by GVK Expressway Ltd.
- Dhruv, the Advanced Light Helicopter, manufactured by Hindustan Aeronautics Limited, has been inducted in the defence forces of Israel, to ferry VIPs and defence officials. Israel Aircraft Industries (IAI), which has supplied the avionics system and glass cockpit for the ALH, and is jointly marketing it, has also signed an MoU with HAL to further enhance cooperation in various fields of operation.
- Union government has approved a 12% hike in subsidized natural gas prices for power and fertilizer units, a move that would boost revenues of ONGC by over Rs 1000 crore annually. The CCEA has also approved linking natural gas prices for consumers in all other sectors to market prices, which is around \$ 3.86 per million British Thermal Unit (MBTU).
- Mumbai's first quality morning compact newspaper, *Mumbai Mirror*, was launched on May 30, 2005. The theme of the new paper will primarily be based on the three As—attitude, aspiration and ambition—of the young Mumbaiker.
- Barren Island in the Andaman Sea is India's only active volcano.

India, Russia agree to expand nuclear energy cooperation

CEMENTING their strategic ties, Russia, on May 9, 2005, expressed its readiness to further expand cooperation with India in civilian nuclear energy, defence and space, as the two sides decided to set up a study group to examine the feasibility of a comprehensive economic cooperation agreement.

At a meeting held in Moscow, with Prime Minister Manmohan Singh, President Vladimir Putin expressed Moscow's willingness to look into issues of civilian nuclear energy cooperation with India, including the supply of nuclear fuel for Tarapore plant, and new nuclear power reactors.

Russia is helping India in the construction of Kudankulam nuclear power plant in Tamil Nadu, under a deal signed in 1985 by then Prime Minister Rajiv Gandhi and erstwhile Soviet President Mikhail Gorbachev. However, after the break up of the USSR, Russia joined the Nuclear Suppliers Group (NSG), which bans it from selling civilian nuclear technology to non-signatories of the NPT, including India.

Prime Minister Singh apprised President Putin of India's non-proliferation efforts and plans to safeguard the weapons of mass destruction with the adoption of non-proliferation Bill by the Indian Parliament. The passage of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of unlawful activities) Bill, 2005, will provide safeguards and allow Russia to provide more energy resources to India.

Prime Minister Manmohan Singh visited Russia to attend 60th Anniversary celebrations of the Allied victory over Nazi Germany.

Later, President A.P.J. Abdul Kalam visited Russia from May 23-25, 2005, first by an Indian President since the collapse of the Soviet Union. In a major boost to India, Russia expressed its full backing for New Delhi's quest for a permanent seat in the UN Security Council, saying it is a "deserving and strong" candidate.

Both sides noted that the strategic partnership between them "served their long-term national interests", provided the impetus to enhance their multifaceted cooperation, and contributed to regional and international peace and security.

Cementing their bilateral ties, India and Russia agreed to enhance cooperation in power generation, outer space and economic spheres.

Seeking to boost Indo-Russian defence ties, President Kalam visited a Russian defence aircraft establishment, Sukhoi Aircraft Design Bureau, where he discussed the possibility of joint ventures between the two countries for production of a fifth generation warplane and a civilian jet. The President was of the view that any joint venture between India and Russia in aircraft manufacture should be based on the model of *BrahMos*, a supersonic cruise missile developed by the two countries.

No progress in Indo-Pak talks on Siachen

INDIA and Pakistan, on May 27, 2005, failed to reach an agreement on demilitarisation of the Siachen glacier, the world's highest battlefield, but decided to continue talks in future to resolve the issue.

The two countries, however, agreed to continue the ceasefire which is in place since November 2003.

This was the ninth round of talks on Siachen and also the second round of parleys on the issue under the current process of the composite dialogue between the two countries.

Talks on Siachen were followed by the two-day parleys on another contentious issue Sir Creek. This meeting also ended without making any headway on differences over the coastal strip off Gujarat coast, despite the two sides reviewing the results of a joint survey.

Expectations of progress were high this time as the two sides, in a rare agreement, conducted a joint survey of the disputed marshy creek in January, 2005, to determine the pillars installed in 1925 to settle the dispute between then rulers of Rann of Kutch and Sindh.

India asked Pakistani side to accept the land delineation on the basis of the joint survey, but Pakistani officials said they have not yet analysed the technical aspects of the survey. Pakistan side also maintained that demarcation of land and maritime boundary at Sir Creek needed to be addressed as one package and not separately.

An agreement on Sir Creek would help both countries to finalise their respective Exclusive Economic Zones (EEZ) in that coast between Gujarat and Sindh, and to file their claims before the UN Convention of Laws of Seas, which had set the deadline to settle maritime disputes by 2009.

India argues that the centre of the navigable channel of Sir Creek should be the boundary line, while Pakistan contends that the eastern Bank of Sir Creek should be the line of demarcation.

An agreement could also help the fishermen of both countries, as hundreds of them presently get caught by the Coast Guards of India and Pakistan, for fishing in each other's waters.

Carrying the peace process forward, India and Pakistan, on May 11, 2005, agreed in principle to run bus services between Amritsar-Lahore and Amritsar-Nankana Sahib, the birth place of Guru Nanak, but deferred their operationalisation by two months to work out more technical details.

LEGISLATION

Cabinet clears banking Bills

IN the first week of May, 2005, the Union Cabinet cleared three Bills that intend to give a big push to banking reforms, increase FDI in private banks, enhance the powers of the RBI to conduct the monetary policy and tackle the problem of banks' bad debt, by creating a system for sharing credit information.

While two Bills pertain to amendments in Banking Regulation Act (BR Act) of 1949 and the Reserve Bank of India

Act (RBI Act) of 1934, the third one is Credit Information Companies (Regulation) Bill of 2004.

The Banking Regulation (Amendment) Bill, 2005, proposes to give private investors voting rights proportionate to their shareholding. Currently, foreign investment in private banks is capped at 74%, with the 10% ceiling on voting rights irrespective of investment size. This was seen as a big constraint on investment by private/foreign players in Indian banks.

The amendments to the Banking Regulation Act also provides that the RBI specify acquisition of a minimum percentage of shares or voting rights in a banking company if it considers this necessary.

The Bill to amend the RBI Act, on the other hand, seeks to provide more operational flexibility to the Central bank in conduct of monetary policy.

Under the amended Act, the RBI would be empowered to fix the CRR (Cash Reserve Ratio) and the SLR (Statutory Liquidity Ratio) without limits, in order to release or restrict funds for productive purposes.

The amendments to the Banking Regulation Act will empower RBI to supersede the board of directors of a bank and appoint an administrator to manage the bank till alternate arrangements are made, when a bank's board functions in a manner detrimental to the interest of depositors.

Government's decision to remove the cap on voting rights in the private banks and to allow shareholders to vote according to shareholdings, will lead to consolidation in the sector, attract more FDI and encourage foreign banks to take over financially weak private banks in India. It would also allow the foreign banks to setup wholly-owned subsidiaries in the country, making it easier for them to expand network.

Right to Information Bill

THE Right to Information Bill was approved by the Parliament on May 13, 2005. Earlier, opening the debate, the Prime Minister said that the objective of the Bill was to make administration accountable, not to paralyse it or harass civil servants. He promised to address some of the concerns while framing rules. To allay apprehensions among civil servants about possible misuse, he said adequate safeguards have been built to prevent that from happening.

The Bill provides for a framework for making citizen's right to information a fundamental right under Article 19 of the Constitution. Once the Bill becomes law, it will replace the Freedom of Information Act 2002 passed during NDA rule.

It will pave the way for setting up of a Central Information Commission in Delhi, with a provision for similar outfits in the rest of the country. All citizens under the law can apply for information, without specifying any particular reason, to the commission and its supporting outfits with a nominal fee for paper and printing. Persons living below the poverty line have been exempted from any fees.

Information as defined in clause 2(c) of the proposed law comprises "any material in any form, including records, documents, memos, e-mails, opinions, archives, press

releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data material held in any electronic form..."

Information accessible to the citizen under the new law empowers him/her the right to inspection of work, documents, records, taking notes, extracts, or certified copies of documents or records, taking samples of certified material and also information in the form of diskettes, floppies, tapes, video cassettes or any other electronic mode or through printouts etc.

The Bill contains penal provisions against those who fail to provide the information. The original penal provisions have been diluted by way of amendments. It imposes obligations on agencies to disclose information *suo motu*, thus reducing cost of access, and provides for independent appeal mechanism through appointment of Central and State information commissioners.

The new Bill, however, does not clarify the relative jurisdiction of Central and State information commissions. It is not clear if an applicant can file an appeal with the State information commission if there is an unreasonable refusal by the local office of the Central government department or agency to give information.

SCANDALS

Delhi High Court lets Hinduja off Bofors hook

THE Bofors case that led to the unravelling of a Congress government and political realignments at the Centre, virtually collapsed on May 31, 2005, when the Delhi High Court quashed all charges against the three Hinduja brothers. The court also slammed the prosecution for "wasting Rs 250 crore of public money" for investigating the allegation into the Rs 64-crore pay off.

The controversial deal to purchase the howitzer—which interestingly performed well in the battlefield, but haunted the Gandhi family and the Congress for years—will remain an enigma even after 18 years of investigation and trial. This is because the core issue of bribe exchanging hands remains a mystery.

The verdict came barely four days after CBI conceded that it was unable to get either the authenticated or originals of Swiss documents on the basis of which the agency had proceeded against the accused.

Hinduja brothers have been exonerated on the grounds that the CBI was not able to either procure original or authentic documents from the Sweden authorities on the basis of which they had launched the prosecution.

With the latest judgement, all the accused in the case have come clean of all the charges, except for Italian businessman Ottavio Quattrocchi. The CBI has failed to extradite him despite court battles in Malaysia.

The Delhi High Court had earlier absolved former Prime Minister Rajiv Gandhi and former defence secretary S.K. Bhatnagar, since dead, of all the charges. The trial against others—arms agent Win Chadha and former Bofors chief Martin Ardbo—could not proceed since they expired before charges could be filed.