

ANDHRA PRADESH

A False Resurrection

Rise and Fall of Rama Rao

KB

THE trunk route from Madras to Calcutta passes through the four rich coastal districts of Andhra Pradesh—East and West Godavari, Guntur and Krishna. The scenery along the route is enchanting to the eyes, for it is green without end, not wildly green as it becomes further up in north coastal Orissa and Bengal, but green in an orderly and disciplined way, as if nature hereabouts calculates the marginal cost of being that much more lush; it is green in a commercial way.

On either side of the route are villages laid end upon end, many of them really small towns; with neatly thatched and tiled houses, and quite a few good buildings, they do not seem to be part of this land of the wretched; but the pride of place is taken by the twin symbols of coastal Andhra: cinema halls that look like rice-mills and rice-mills that look like cinema halls, give or take a chimney stack. The resemblance will no doubt offend any decent architect, but it is true to its salt, for all the surplus that is generated by the delta agriculture goes in exactly two directions: agro-based industry and trade, and film production, distribution and exhibition.

This wealth resides in a class, a class that is predominantly (but by no means exclusively) Kamma by caste and agrarian in its origins, which came of age in the period of the nationalist movement and the agrarian struggles against the Zamindars and the British Raj. These struggles that attended its birth have also given it the largest share of participation in radical movements; socialism, rationalism, atheism, communism, and Radical Humanism—you name the heterodoxy and they have seen it. Over the period, they have also grown substantially rich, and have multiplied their riches since the Green Revolution. But while wealth has come their way, they have been systematically kept out of the prime seats of power at Hyderabad. They lost it symbolically when they had to concede the name Visalandhra (in favour of the Hindi-ised Andhra Pradesh) for the state for which they fought the hardest, and had to simultaneously concede their demand for making Vijayawada the capital city: and they lost it substantially as part of the general 'Congress culture' of keeping the economically dominant classes and communities in the states away from the seats of political power.

The rise of NTR and his Telugu Desam Party (TDP) is generally seen as the long overdue assertion of this class (usually further vulgarised as the rise of the Kamma caste). It is true that NTR and his most vociferous followers belong to this class, whether the main

body in the coastal districts or the expatriates settled along the irrigation canals and around perennial tanks in Telangana and Rayalaseema; it is true also that most of his most ardent voters belong to these four districts; it is further true that the one man who almost singlehandedly led his campaign—Ramoji Rao, editor of the largest circulated Telugu daily *Eenadu* which functioned as a pamphlet for NTR both at the time of his election and during the recent crisis—is a very typical representative of the pushing commercial enterprise of this class; but to stop there would be to read the story by halves.

It is generally recognised that the thirty-odd years of development of India have given rise to unforeseen stresses in the lower rungs of the society; what is equally true is that they have given rise to equally unforeseen stresses in the upper layers too. The monopoly capitalist class proper is numerically very small, and is forced to contend with a large mass of the rich and not very rich sections of the propertied classes (both urban and rural) which are pushing upwards, demanding a variety of concessions and considerations that it is Unprepared to give. These classes find the arrangement" structured since 1947 inadequate for their aspirations, and want a new deal which will allow them greater leeway. Whether it is in politics, planning or finance, they are no longer willing to accept what was unilaterally thrust on them as the *national consensus' in the fifties, taking advantage both of their innocence and of the patriotic and socialist premium that conformity then carried with it. This is at the base of the serious tensions that are besetting all the ruling class parties, including the birth of upstarts like Telugu Desam Party that keep sprouting now and then. Most such tensions have their own individual origin and characteristics, but the sociological origin of a phenomenon does not exhaust its meaning and significance. The break occurs, and the phenomenon takes birth, at the point of maximum abrasion, but once it is born it attracts a wider constituency that was undirected, undecided or amorphous till then. Some reach out to it because of the logic of its existence, and some because of the mere fact of its existence. Part of the constituency, indeed, is created by the existence of this force it can look to, just as the consequent extension of the constituency acts upon the phenomenon and changes its character appropriately. The propertied classes of delta Andhra spawned and promoted NTR, but once in being (and more so in power) they had to share him with others whose aspirations found a real or imaginary

point of intersection with theirs. And these others included not only many of the propertied classes of the other parts of the state who were dissatisfied with the existing arrangement of the economy and polity, but also the common people who were utterly disgusted with the vulgar depravity of the Congress(l) leaders of the state and whose disgust, which remained unfocused for a long time, at last found a point it could collectively gravitate to, in this one man whom they all knew as well as if he lived in everybody's neighbourhood.

To describe this combination of forces and aspirations and illusions as 'regionalism' is one of the inanities of two-penny journalism. There is perhaps no more frequently repeated frivolity than the profound remark that 'regionalism is a rising force in Indian politics'. In reality, it is a rising obfuscation of Indian politics (which, of course, does not make it any the less serious). It is resorted to by hack columnists because its status as a popular banality makes serious analysis unnecessary; and as an ideology by a variety of political and economic forces for two reasons; one, since the monopoly capitalist class claims no region of the country for itself and is claimed by none, identification with the aspirations of a region becomes a convenient counter-point in challenging it; two, of all the paradigms of protest, it is regionalism that has the greatest legitimacy in the eyes of the ruling class; it does not carry the stigma that, say, communalism or casteism carry; that much has remained as a residue from the struggles of the fifties and sixties for linguistic states. Thus it happens that communal, casteist, and plainly economic forces describe themselves in the 'regionalist' idiom, in terms of linguistic aspirations, devolution of power to the states, autonomy of the regions, etc, the journalist picks up the idiom, the ideologue adorns it with statistics, and the metropolitan intellectual builds his analysis around it, because regionalism scares him so much that he would much rather presume the worst than take the risk of being surprised by it. The upshot of all this is that from being merely acceptable, regionalism even becomes something of a fashion.

We therefore have NTR proclaiming to the world about the 'injury done to the Telugu pride', and everybody taking it for granted that such injury has indeed been done, and NTR represents the revival of Telugu nationalism against it. So much has been written about this revival that one is forced to stop and look around for it, and in vain does one do so. Telugu nationalism has had a rather lone innings, from the first decade of this century till the end of the fifties, its dying embers were stoked by the agitation of the late sixties for a steel plant at Vishakhapatnam, but by the end of the sixties it had died a natural death and there has been no revised not a reason for a revival since then; no more injury has been done to Telugus *qua* Telugus than to any other of the principal linguistic groups of India.

Thus it happens that, at the helm of a variety of interests, some narrowly economic, some democratic, but none 'regional' in any but a purely formal geographic sense, but shrouded in the fashionable ideology of 'regionalism', NTR came to power. No more was required of him than that he should ably serve the interests, and maintain the fashion. But there we should reckon with the man and his idiosyncracies. Trotsky is supposed to have said that history progresses through the natural selection of accidents. As E H Carr points out, Engels expressed much the same idea in the language of the vector mechanics of his days. In the jargon of modern science one would say that history finds its path by filtering out the deviant noise. But the process of filtering out of the noise is prolonged, usually painful, sometimes amusing, but always educative.

II

Populism was always the weakness of Hindu gods. Witness how freely they have their boons and how often that magnanimity got them into trouble. And NTR, having played those gods too often on the screen during his film career, had come to believe quite honestly that he *was* one of them. Add to this the fact that he is enormously rich (the minimal rumour is that he is worth Rs 50 crore, black money and white put together), which gives him a certain disdainful contempt for the petty rich and their petty graft, and the stage for populism is well set. This populism consists in fighting not so much the real enemies of the people as the most obvious and apparent enemies as perceived by the people—and these are the greedy clerk, the obstructive bureaucrat, the corrupt legislator, etc. It is worth describing a few of these bouts.

The first target of NTR's ire was the clerk, the state government's Non-Gazetted Officer (NGO), to be precise. He lowered the government employees' age of retirement from 58 to 55, and when the NOGs went on strike against the measure, he unleashed a campaign of slander and vilification against them that surprised everybody. He was the *avataar* come down to the earth to give succour and comfort to the masses, and here were the greedy clerks obstructing his divine mission. He raved and ranted against them in public meetings and on well-designed posters stuck on the walls all over the state, questioning rhetorically whether the government was to serve the six crore Andhras or the six lakh NGOs. Then came the turn of the corrupt among the bureaucrats, the legislators, and the assorted go-betweens who make a living and much more in the shady corridors of the state secretariat. It is widely accepted that the organisation of corruption at these levels, which had been comprehensively systematised during Congress rule (especially the chief ministership of Chenna Reddy), has received a hard blow at NTR's hands. But this statement must be read with care; it was not corruption that he vanquished, but the neat structure

into which it had been organised during Congress rule. Corruption itself sprouted soon in a different corner, like the hyacinth weed that bedevils Hyderabad's Hussain Sagar. Whatever his intentions, NTR has neither the imagination nor the mass base to really take on corruption. But in the meanwhile, he did manage to offend and alienate many of these operators, including his own legislators. What they could not understand or forgive was this sudden rectitude on the part of a man who had made his life's fortune in the most corrupt of all worlds, a rectitude that much resembled the phoney renunciation of the last leg of the Hindu life-cycle, *sannyasushrama*, whose garb NTR symbolically sported.

As part of this drive against corruptions, he initiated the much-promised and much-heard about Lok Ayukta, and sat in that chair an ex-Chief Justice, ex-Vice-Chancellor, Radical Humanist intellectual with affiliations to Amnesty International; needless to say, he is of NTR's region, class and community. But while we were all given to believe by Janata-ite rhetoric that the Lok Ayukta would be everyman's painless answer to bureaucratic corruption and nepotism, the reality turned out to be much less pleasant. The Lok Ayukta and Upa-Lok Ayukta Act lays down that only officials drawing a salary of Rs 1,150 or more per month come within the jurisdiction of the Act. This automatically puts out of the ring the tahsil clerk, the village bureaucracy, and the rural police inspector; in other words, at one stroke, the Lok Ayukta was made inaccessible and useless to about 70 per cent of the population. (When a complaint was made to the Lok Ayukta concerning torture in police lock-ups in Warangal district, it was returned with the comment that all the allegations are against head constables and sub-inspectors of police, who do not come within the purview of the Act—as if the Director General of Police would come down to the lock-ups and torture people.) The Act also says that when a complaint is given against an official to the Lok Ayukta, a copy of the same should be sent to the superior authorities over the official—whereas in reality it is essential that the complaint should be kept a secret at least until the preliminary enquiry is over, if harassment and victimisation are to be avoided. To top it off, there is the startling provision in the Act that if a complaint is found to be false, the complainant can be prosecuted.

Anyway, a moth-eaten Lok Ayukta is better than *none*, and the Telugu people got one. But NTR's Hair for mythology and history was not satisfied with it. He resurrected Asoka's 2,300 year-old institution of Dharmamahamatra, and hung that mantle on yet another bureaucrat. But while the Mauryan original was expected to ensure compliance with dharma *suo moto*, so to say, this modern bureaucratic version was hedged about with suitable rules and regulations, and indeed it was not clear to anyone

(least of all to the incumbents themselves) where the Lok Ayukta called off, and where the Dharmamahamatra began; anyway, once again, a moth-eaten Dharmamahamatra is better than none, and the Telugu people got one. But this bi-millennial resurrection, in a reversal of Marx's famous dictum, turned out to be first a farce and then a tragedy. The farce began soon enough, with the bureaucrats of the state questioning as one man the incumbent's moral authority to sit as Ombudsman, and the Lok Ayukta actually threatening to investigate the Dharmamahamatra's land-gripping activities; and it ended tragically when the usurper Nadendla Bhaskara Rao abolished the office unceremoniously and sent the dignitary packing. NTR, after his return, has prudently not attempted a Third Coming.

Soon after these forays against corruptions, NTR set his sights wider. The previous Congress regime, as part of its *quid pro QUO* culture, had granted permission for a large number of private engineering colleges ('donation colleges' as they are called in popular parlance), which collect capitation fees amounting to between Rs 25,000 and Rs one lakh from each student. The demand for them had been very vociferous from the propertied classes of coastal Andhra, who had all these years been sending their sons to far-off places in Karnataka to purchase their engineering education, thereby incurring an unpatriotic drain of Andhra wealth. In response to their demand, the Congress(I) government granted permission to 13 colleges in one year, and up they sprouted, one in Bapatla, one in Machilipatnam, two in Vijayawada, and so on all along the coast; and the expatriates set up colleges in Warangal, Hyderabad and Cuddapah outside the coastal districts. Now, the people who demanded, established, and profited both from the product and the enterprise of these 'donation colleges' are part of the core of NTR's class base, and they probably expected that he would not touch them. They did not reckon with the possibility that he would take his populism that far and actually threaten to take over the colleges and ban the collection of capitation fees, in the name of fighting commercialisation of education, which is exactly what he tried to do. But he soon discovered that it is one thing to fight the clerks, and quite another thing to ban donations to engineering colleges, especially if the educational entrepreneurs manning them happen to be 'our own men'. He had to finally cave in half way and allow them many concessions like the promise of substantial financial grants, and the right to charge annual fees of Rs 5,000 in lieu of capitation fees, before he could effect his ban. Another comparable populist exploit was the attempt to impose an additional levy on rice-millers to obtain stocks for his scheme of supplying rice to the poor at Rs two a kg. The powerful lobby of rice-millers immediately went on strike, and reopened their shutters only after he granted them' the fondest dream of rice-

millers of Andhra; the permission to export a large part of the non-levy rice to neighbouring rice-hungry states like Tamil Nadu. He also tried (this was another much publicised measure) to impose restrictions on the price of food items sold in hotels and restaurants, to bring them within the reach of the "common man". The hoteliers, another powerful lobby, also closed their shops in protest, and could be persuaded to reopen only after exempting the 'starred' hotels from the regulations, and allowing the others to sell two kinds of food; one they described as "special", which was quality-wise the same as before, but now cost more; and the other which they contemptuously dubbed 'Telugu Desam meals' which was of very poor quality, and cost the regulation price.

These and comparable other actions of NTR must have made his class-base a bit uncomfortable; not that they had lost anything but they certainly did not think it very amusing to have their own leader charge at them in unguarded moments. The most common comment heard from well-to-do people during the first months of NTR's rule was: 'one never knows what this man will do'. Nevertheless they probably realised that if NTR is to stay in Hyderabad for long, such tilting at windmills must be suffered; for whatever political analysts may say about his film-glamour, in reality the people were not all that stupid.

But if these forays into bylanes were one thing, then NTR's fight with the Centre was another thing altogether. It does not matter how seriously he fought the Centre, what matters is that his class, his constituency, did not like the *principle* of confrontation with the Centre. What they wanted was a reshuffle and a new deal of the cards between them and the monopoly capitalist class, not a holy battle against centralisation of economic power. What they wanted was a bigger share of the national economic cake, and a suitable restructured model of the cake in the first place, not a rhetorical walk-out from the National Development Council. On this point, NTR was functioning at quite a different wave-length. It is not that the existing lopsided distribution of power between the Centre and the states hurt his democratic sentiments (he has none). One cannot understand the spirit of his opposition to Delhi in such modern and rational terms. Rather, what impels him is the sense—or nonsense—of the burden of historical and mythological tradition that continuously haunts him. In fighting Delhi, he probably sees himself as avenging the defeat of the Kakatiyas at the hands of the Sultan of Delhi Alauddin Khilji in the last years of the 13th century, an event that signifies, in the prevalent mythology of Andhra history, the beginning of the enslavement of the Telugu people by Delhi and its Deccan agents. The mundane concerns of the other chief ministers who walked out along with him from the National Development Council are as nothing to him. That is the reason why he has

gone farthest in opposing the Centre among all the parties espousing the cause of federalism. To give him his due, his was the one electoral party that categorically condemned the army action in Punjab, not as a prudent after-thought as a consequence of the angry reaction of the Sikhs (the kind of electoral prudence that affected most of the opposition parties, from the communists to the BJP), but on the very morrow of the army action.

It is here that he was out of tune with the section of the propertied classes of the state that perceived him as *their* man, the man *they* had brought to power. For them, this crusade was diversionary and a waste of time if it was only a verbal one, and if it was meant seriously, then it was very definitely bad business. It was not *their* business, at any rate. And the one man who constantly harped on this point inside Telugu Desam Party was Nadendla Bhaskara Rao.

Bhaskara Rao has been painted in the Press as an unscrupulous man who has changed loyalties umpteen times in his ambition to become chief minister; he is an opportunist who split the Telugu Desam Party at the behest of the Cong(I) to further his own ends; he made brazen attempts to buy MLAs to join his camp; and he is a ruthless man who engineered a terrible communal situation in Hyderabad on September 9 to impose curfew on the city and somehow prevent NTR from coming back to power. He is certainly all this, but he is also the one man within the Telugu Desam Party who stood firm as a true representative of the interests of the classes that brought NTR to power. In the manner of any egoistical *नेता*, he personalised this symbolism, and claimed that it is I who brought NTR into the party and it is I who led him to victory'. And the one point on which he stood fast, and which he never tired of telling anyone who would care to listen, was that this crusade against the Centre is 'bad business for us'. After he formed the break-away faction of the party, it was 'no fight with the Centre' that he proclaimed as the one-point manifesto of his faction. He has insisted that it is this stand that represents the true interests of the Telugu people, and quite correctly, given what he means by 'the true interests of the Telugu people'. For more than a year, in vain, he tried to persuade NTR to see this point, and failing in that job he took it upon himself to be history's filter that would filter out the deviant noise of federalist rhetoric. With kindly help from Indira Gandhi and her minions he hoped to succeed, but history had one more trick up its sleeve.

There must be a lot of post-mortem soul-searching going on within the Cong(I) about who was primarily responsible for making a hash of the Andhra operation. Whatever the verdict, the fact stands that Ram Lal, then governor of AP, was the instrument through which the mismanagement took place. He appears to have thought that toppling a govern-

ment is as brazenly done as smuggling a timber truck past a Himalayan check-post. The consequence was a fierce public revulsion. By that time, in fact, many of the common people had lost much of their enthusiasm for NTR, and perhaps if the operation had been delayed by one year, NTR would have fallen under the weight of his own incongruity. This fact may surprise people living outside Andhra, who have been fed with the image of a prophet created for him by the kind of footloose democrat who goes-around searching for a one-man alternative to Indira Gandhi; but it is true nevertheless, incongruous' is the one word that strikes any observed of his manner and his politics, and his very apparel symbolises this. He sports the Shaivite *vibhution* his forehead, wears yellow-coloured silk robes like a Buddhist monk of a prosperous monastery, and created a sensation in the gossip columns by sporting a single ear-ring in one ear, and letting it be known that he wears a woman's sari as his night-dress. (The last two, apparently, are some kind of tantrik-inspired fads.)

The nature of the public revulsion is also quite instructive. It was in very few places that Telugu Desam leaders and cadre themselves participated in the movement to restore NTR to power. Most of them have little love for him, and would have perhaps defected to Bhaskara Rao's side if they followed their inclinations. They resented his arrogant treatment of them; they resented the fact that he would not let them peacefully make one per cent of the wealth he had amassed in films; and they resented the organisational domination of NTR's two sons-in-law over the party. There was more than a grain of truth in Bhaskara Rao's lament that all the MLAs would jump to his side if NTR released them from his camp and set them free, except that it was not NTR, but the public revulsion that stayed their feet. And this goes for not only the MLAs but most of the party's leaders and cadre. Therefore they all sat resolutely on the fence, determined to watch out the show. It was not they who fought for NTR's restoration, but the so-called cadre-based opposition parties, the communists and the BJP, who had at long last found some work to do, and the outraged common people. It was the communists in the coastal districts, and the BJP in Telangana that led the bandhs, the rallies and the hunger-strikes; and in Rayalaseema it was the common people who took spontaneously to the streets and protested violently against the dismissal of NTR. They selectively burnt and looted Central government property, and the houses of MLAs who had defected to Bhaskara Rao's side. 25 persons were killed in police firings, 23 in the Rayalaseema district and two on the outskirts of Hyderabad city.

III

Unlike Jesus Christ, who rose on the third day, NTR's resurrection took one full month.

That month must have been a period of agony and chastisement for him. Here he was, a messiah of the Telugu people, created specially by the gods to do noble deeds, forced to go around tending his fickle flock of 162 MLAs, exhibiting them to all and sundry and pleading that they *please* count the number and tell whether it was not more than half of 294. People were writing erudite articles about the Constitution and the role of the governor, whereas as far as NTR could see, all that was needed was this little bit of arithmetic. But nobody would count them. Ram Lal, with the brazenness befitting an underworld operator, all but told him to go hell, and got him arrested by the police; Zail Singh was more polite but instead of counting the number merely promised elliptically that he would do his best to save democracy (leaving NTR to guess whether that meant *he* would be saved); and the suave and much-lettered Shankar Dayal Sharma, who replaced Ram Lal as governor of the state, pleaded for time and went to Tirupati to pray to the Lord. By this time NTR must have been a terribly frustrated man; here were 162 men and women, hard solid objective *facts* as any positivist could wish to see, and yet this slippery Brahmin at Raj Bhavan wanted the help of God to safeguard the Constitution and Democracy, whereas the most that he needed was an abacus to count them. This period of 'constitutional crisis' in Andhra was in reality a very hilarious period, to those who could see

the humour of it. Here was the most democratic and secular Constitution of the Third World, which could be saved only by God and 162 purchasable MLAs who had to be guarded at a summer resort against their own temptation.

In the end it was neither God nor the Constitution that saved NTR, but the violent and sustained popular reaction, which successfully kept the defections down to a minimum, and Indira Gandhi's opportunist handling of the situation. She has perhaps set a record in successfully playing a heads-I-win-tails-you-lose game.' NTR fell when she willed, and he did not rise again till she willed again—and he was made to see this humiliating fact. There has been much sensationalist speculation on the 'secret' agreement reached between him and Indira Gandhi, and many go-betweens have been suggested, including an ex-director of the CSIR. Whether any such definite agreement has been reached or not, the fact remains that NTR has been taught his lesson, and has been allowed to ascend to the throne once again only after being cut down to the size that suits not only Indira Gandhi but, more importantly, 'his own people'. Hereafter, or so they expect, he will stop his sabre-rattling and behave as a responsible broker in getting them better terms with the Centre. It is NTR's personal tragedy that he could replace Bhaskara Rao only by becoming a replacement for him.

*This article was written before her first and fatal failure.

THE ECONOMY

Modernisation of Export Production

A Proposal

Angus Hone

THE basic rate of customs duty on plant and machinery in India is 40 per cent and this basic rate is subject to an additional (countervailing) duty. The basic import duty is levied under the Customs Tariff Act 1975. The additional duty is levied on the aggregate value of the article and the basic Import duty and auxiliary duty of customs chargeable thereon.

The high ad valorem rate and additional countervailing duties have necessitated a series of reductions in the basic duty and exemption from additional (countervailing) duty for a wide range of machinery required by India's manufacturer-exports. The industries involved cover most of India's 'dynamic' manufactured exports.

The machine tool and engineering industry has a reduction to 25 per cent on 35 machines from high precision gear cutting, shaving and honing machines, grinding machines to automatic flat die thread rolling machines (for the fastener industry). The garment industry is also allowed a reduction to 25 per cent on 28 machines from automatic button sewing

machines to elastic inserting machines. The leather industry has a list of 20 machines reduced to 25 per cent. Tea bag machines are also allowed at 25 per cent to encourage the expansion of packeted rather than bulk teas. The electronics industry is allowed a reduction to 20 per cent on a list of 212 machinery items including testing and metering devices.

The textile industry is allowed to import four items representing the latest technology:

- Airjet looms
- Waterjet looms
- Other shuttleless looms with a reed space not less than 260 cms.
- Rotor spinning machines

but subject to two restrictions:

- (i) The exemption shall apply only to new machines.
- (ii) A bond shall be executed specifying that 75 per cent of the goods shall be exported out of India.

Once these conditions are met the duty rate is 20 per cent and additional duty is nil.

The gems and jewellery sector is allowed a

reduction to 15 per cent ad valorem on 9 machines from the essential sawing machines to scouring machines.

There is a reduction to 25 per cent on computer numerical control systems, which are used in machine tools and where Indian machine tool producers must provide compatibility and robust systems if they are to compete with the Japanese, Taiwanese and Korean machines. The electronics industry is also allowed a reduction to 25 per cent on 10 special production ovens and furnaces.

The food packaging industry is given a highly concessional rate of 10 per cent on 21 carton pouching and wrapping systems. There is a special concession on automatic spraying machines designed for use in the leather processing and finishing industry. These automatic sprays can be imported at a 25 per cent rate. Meat processing machinery is allowed a reduction to 10 per cent on 6 items. (The Indian meat industry is extremely antiquated.) The food processing industry has a list of 5 machines allowed at 10 per cent with nil additional duty.

The list of industries covered—processed food, garments, machine tools, leather, electronics, textiles, and gems and jewellery—is extensive and broadly follows the patterns of India's growth in manufactured exports, although the restriction on imports of textile machinery remains very severe (with the 75 per cent export commitment).

It is proposed here that exporters under the 1985-86 import policy should be allowed to import capital goods duty free provided:

- (1) They had exported at least the value of the import in the previous financial year. Any residual value of the imported machinery or equipment would be subject to the effective rate of duty on each item of equipment.
- (2) Any excess value of the duty-free import entitlement certificate could be carried forward for upto three years.
- (3) These duty-free import entitlement certificates could be used for any items of equipment required by the exporter for which a licence to import was granted not only the items of machinery listed under Chapter 84 for reduced duty rates.
- (4) The certificate would not be transferable, but could be used by the exporter/exporting firm if they entered on new business whether that involved exports or not.

The proposed duty-free machinery and capital goods import entitlement certificate will be extremely simple to administer. It is based on proven 1984-85 exports and would cover all exporters of manufactured or processed goods. It would provide a clear and visible link between export performance and modernisation. It would affect profitability directly, but only the future stream of profits and only if the capital goods and machinery imported were competitive (*i.e.*, the investment decision is still the exporter's).

The Government of India has already moved