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1. Indian Economy's Performance.

A serious crisis started in June, 1997 in the South East Asia. Thailand, Phillipines, Malayasia and Indonesia were the real sufferers. It spread to several countries. World's richest country Japan is seriously affected. China, an economy larger than Indian economy has remained under threat. The latest country affected is Brazil. U.S. Government is taking serious steps to protect its economy from a possible contagion.

While countries all over are seriously affected, how is it that India is saved from a similar crisis?

Who has saved India ?

Our politicians are no different from the Thai and Indonesian politicians. They have not saved us.

Our businessmen and industrialists are no different. They have not saved us.

Nor is India saved by its chartered accountants and lawyers.

India has been saved by –

The Reserve Bank of India and the Finance Ministry.

It is due to the collective wisdom of the mature and silent bureaucrats/professionals of the Finance Ministry and RBI that have ; through their sound policies ; saved India.

There have been several instances of Prime Ministers and Finance Ministers going to London or New York and announcing that – “Rupee will be made fully convertible in the next month”. On coming back to Delhi, they have had to eat their words. The collective wisdom has not allowed capital account convertibility. This has saved India from the global crises.

We salute them.

And we thank them.

While several countries arround the world are suffering from the currency crises ; India has been saved. By the Finance Ministry and RBI.

They have brought the Indian economy so far through the global turmoil. And they are managing through the continuing crisis.

Let us, the people of India; at least understand the great significance of their work.

2. GDP

2.1 What is Indian GDP ?

Budget does not give the figures.

Let us work out the figures from “Economic Survey”.

Page 2, Table 1.1 gives the following figures –

- (i) GDP at current prices for the year 1997-98 Rs. 14,267 billions
- (ii) Whole sale price indices show inflation for the year 1998-99 @ 5%
- (iii) Page 3 – total GDP growth @ factor Cost for 1998-99 5.8%
- (iv) $14,267 \times 1.05 \times 1.058 = \text{Rs. } 15,849$ billions

At current prices, Indian income per person per year is Rs. 16,000.

or say Rs. 16,000 billions.

With a population of one billion,

We have per capita annual income of Rs. 16,000.

2.2 At this rate, a family of five should have annual income of Rs. 80,000.

By Indian standards, at Rs. 80,000 ; A family should live comfortably.

But we see large masses of people Uncomfortable. In fact extremely Poor.

Why ?

3. **Quality of Indian Democracy.**

- (i) Indian Democracy is Vibrant.
- (ii) It has not reached the poor. It has been contained to the middleclass.

Let me elaborate these two statements.

- 3.1 In India, if there is inflation beyond a limit, people come out on the streets. They throw out any sitting Government in a political election. All political parties have clearly understood this truth. And hence all economic policies are designed in such a way that inflation should not cross a reasonable margin.

IMF's pressure is of secondary importance. People's voting power is the main influence.

This is a proof that Indian Democracy is vibrant.

This is a qualitative improvement in the nineties decade.

No political party may risk its own fortune by allowing inflation and incurring wrath of the middle class.

- 3.2 Government's planned expenditure on infrastructure projects and other areas is pruned to ensure budgetary deficit within limits. So that inflation does not cross limits. However, a cut down on public expenditure has caused a recession. There are of course several reasons for recession. But a cut in Government expenditure on projects etc. is an important reason for current recession – which has continued since October, 1994.

Because of recession, factories are closing down. People loose their jobs everywhere. Families become destitute.

Somehow, when people loose their jobs ; they do not blame Government. They suffer silently. Or commit suicide. But do not reflect their anger on the ballot paper.

Every year, thousands of people die on the footpaths of Mumbai – because of malnutrition. People in their thirties simply die. We do not even notice these deaths.

People in the tribal forests of Dharampur Taluka suffer gross scarcities for everything in life. They do not revolt at election times.

The poorest people in India still have no political voice.

The destitutes of India have no political voice.

Inflation affects both – the middle class and the destitutes.

The middle class has now become adequately active to bring the politician to his senses when inflation strikes. But the destitutes do not know what to do. Our democracy has not reached them.

4. **Why is India Poor ?**

The Other India Press, Goa has published a book. "The Organic Farming Source Book". The book quotes Shlokas which in essence mean :

"If, in a locality, animals and birds –

Suffer hunger and thirst ;

The people in that area can not be happy for long".

We in India do not care for our destitute human beings also.

Can we be happy ?

We neglect our poor. So we remain poor.

5. Consistent GDP Growth

What is the way to ensure growth !

One important way to ensure consistent and stable growth for Indian economy is –

Design the economic system and distribution of income and wealth in such a way that –

The 70 crore poor people in India become self-reliant ; earn enough purchasing power to meet their needs and comforts without any subsidies.

Huge demand that can be created by this purchasing power can give a 10% growth per year for next 20 years.

An equitable distribution of the GDP – in favour of the poor ; is the best way to ensure:

- (1) Consistent and rapid growth in GDP ; and
- (2) Preservation of our democracy.

Consistent growth in GDP can be achieved by ensuring increased earnings for the poor.

Some Arithmetics :

	GDP of the Nation	Population	GDP per annum Per Person
	Rs.		Rs.
1999-2000	16,000 billions	1 billion	16,000
Growth Rates	10%	2%	
2019-2020	1,08,000 billions	1.5 billions	72,000

Annual income of Rs. 72,000 per person per year means Rs. 3,60,000 per year for a family of five

Imagine the growth potential for all markets.

6. **Inflation & Devaluation**

- 6.1 Inflation is a fraud on the poor people. 5% inflation is 5% fraud on the poor people.

Since it hurts the weakest people, it is a sin.

As long as we continue to commit this sin, we will suffer.

Ideally, it has to be brought down to Zero.

In fact, we can reduce prices and ensure robust growth.

- 6.2 Devaluation of a currency is a fraud on the poor countries.

The rich countries continue to exploit the poor countries by persuading and forcing them to devalue.

Poor countries themselves commit several blunders and devalue their own currencies.

Inflation and devaluation – both are frauds on the poor.

7. Resurgent India Bonds.

Last year, Bombay Chartered Accountants' Society – study circle had invited the then chairman of State Bank of India, Mr. M.S. Verma to comment on the huge success of Resurgent India Bonds (RIBs).

It was one of the most memorable meetings for the study circle.

A few brief issues that the great banker explained:

7.1 We targetted U.S. \$ 2 billions in the global issue. We totally got \$ 4.3 billions.

7.2 India did not need any foreign exchange. We were comfortable with our FX reserves.

We did not need any Indian rupee funds also.

The banking system is flush with funds.

It was U.S.A. and some global institutions which had imposed sanctions on India. World institutions would not lend to India.

We wanted to show to the world that we have alternative source of funds – if we need them.

Our NRIs.

7.3 There were foreign merchant bankers who were keen to get the RIB account. They were contacting State Bank of India (SBI). They advised that in the “Post – Sanctions” ; “Post South East Asian Crisis” situation ; we could not expect to get more than \$ 300 millions. That also if we gave interest at 500 basis points above the LIBOR.

We said, “we are capable of handling the global issue. We don't need the help of any merchant banker. We will not give any fancy rate of interest. And we will get \$ 2 billions”.

“We are happy that our NRIs have proved us right”.

RIB success has shown U.S.A. and I.M.F. that India is not dependent on them.

8. Reasons for optimism

Let us give some concrete reasons why we are optimistic about India's future.

- | | | |
|-----|-----------------------|--|
| 8.1 | Kumari Sujata | Vaghval Village, Valsad District. |
| 8.2 | Shri Tulsibhai Gajra | Mandvi, Kutch District. |
| 8.3 | Shri K.C. Shroff | Retired M.D., Excell Industries. |
| 8.4 | Gujarat Government | Irrigation & Agriculture Minister, Gujarat Government. |
| 8.5 | ISRO | Ahmedabad. |
| 8.6 | Shri H. A. Badi | Ex-Collector, Surendra Nagar District. |
| 8.7 | Income-tax dept. | Mumbai & Delhi. |
| 8.8 | Reserve Bank of India | Mumbai. |

The list is endless. This is only a sample of a whole lot of people with whom we have had the privilege of working between May 1992 and March 1999. These are the people who are working for the good of this nation – without seeking any publicity. They are working silently. And working at the right pulses of the nation where it benefits most.

8.1 **Sujata.** Vaghval Village, Valsad district, Gujarat

Here is a lady aged 32. A girl who spent her childhood in Mumbai, did college in Baroda & got the Gold Medal. She is now living in a remote village in the jungle of Valsad district, Dharampur Taluka and educating the village children.

She is unmarried because no appropriate bridegroom would be prepared to stay in a remote village. And she will not leave the village and a few scores of children whom she is teaching.

Sujata, a young lady works in a remote village on the mountains of Gujarat.

With education, she has started attempts at uplifting the village economy.

The tribals living on the mountains of Dharampur have peculiar problems. Annual rainfall is between 100 to 200 inches. But all the rain rushes down to the plains. By October, there is no job on the mountains. By December, there is no water on the mountains. So every year, the villagers migrate to Vapi and adjoining cities in search of job and food.

Every year, during monsoon, water rushes in their fields and washes off tonnes of soil. What are the fields on the slopes of mountains!. Each field is the size of your drawing room. Small pieces of land. Sujata has taught them to build small check dams to protect their fields. Collect the mountain rocks and arrange them in a small two feet wall to prevent the soil from being washed out. (you will realise how arduous the job is – to carry rocks over a mountain – only when you see it. Try to lift a bucket full of water and carry it from ground floor to the second floor. Now imagine someone doing this without any mechanical help for eight months. ! !)

She tells the villagers – Do your farming for 4 months in the monsoon. For 8 months work on protecting your farm, conserving water resources by building several check dams. Villagers are ready. But they have to eat. When they work on their own farms, no one gives them anything salary – anything to eat.

Sujata has a simple programme of “Food for work”.

She works for the students and the poorest farmers.

For every check-dam built, she gives them enough grains and pulses to survive. The simple, honest tribal farmers are gladly toiling for this programme.

This is a work at the core. It helps the poorest and most deprived people. It is directly increasing agricultural production. Sujata is a reason for optimism for India.

If you want to know more about Sujata, contact her at:

Ms. Sujata.

1. Residence – Village Vaghval, Post Pindval, Taluka Dharampur, District Valsad, Gujarat.
2. No postman goes to the village. For post, please use the following address :

Post.Box No. 38, Taluka dharampur, District Valsad, PIN 396050
3. She does not have phone. There is no phone line in the area.
4. You can leave message at the Trust’s main office–

Trust “GRAM SEVA SAMAJ, VYARA”

Trustees Shri Bhikubhai Vyas &

Smt. Kokilabahen Vyas.

Address : Near Canal, Near Gandhi Vidyapith,
Village Vedchhi, Taluka Valod,
District – Surat, PIN – 394 641.
Gujarat, India.

Phone : 02625 – 20154

8.2 Tulsibhai Gajra

He was working at Excell Industries, Jogeshwari, Mumbai.

For last 20 years, he has shifted to Mandvi, in Kutch district of Gujarat. Water scarcity within Gujarat is worst at Kutch.

His trust takes up comprehensive village development programmes.

They start with drinking water.

Go ahead to build lakes, check dams; recharge wells and conserve the rain water.

Train the farmer to improve agricultural productivity.

Provide him organic (natural) fertiliser, teach him in replacing pesticides with neem & other natural pesticides; build local groups and mandals, cultivate savings habits & so on.

Here is an institution, which has already helped several villages and several thousand people in making their own life more fruitful.

His institution is –

Shri Vivekanand Research and Training Institute (VRTI)

Address : Nagalpur Road, Mandvi (Kutch) –
370465, Gujarat, India.

Phone : Res. 02834-20329. Off. 02834-20253
/ 20934.

Fax : 02834-20838.

VITR and AKRS –
two trusts are doing
marathan work for
the rural areas.

VRTI is not alone.

Another institution which can immediately be compared is Aga Khan Rural Support Programme, Ahmedabad. Mr. Berry Underwood, Mr. Apurva Oza and their team are doing excellent ground level work.

Contact Mr. Apurva Oza :

Address : Aga Khan Rural Support Programme
(India), Choice Premises, 2nd Floor,
Swastik Cross Road, Navrangpura,
Ahmedabad – 380009, Gujarat,
India.

Phone : Res. 079-6754319. Off. 079-427729
/ 6427025.

Fax : 079-6420864.

Contact Mr. Pankaj Dave :

Address : Near Raj Shubhag Ashram, Sayla,
PIN – 363 430,
District Surendra Nagar, Gujarat,
India.

Phone : Off: 02755-33668 Resi : 02755-33631

8.3 Mr. K. C. Shroff

Retired Managing Director of Excell Industries. A family, which for generations, has followed Gandhian principles in practice.

Mr. Shroff has totally retired from business – (which is very difficult to do – especially when the business is successful). He is directly helping, motivating several institutions in Kutch. Shri Tulsibhai is a product of his motivation. And there are a few scores of people like Tulsibhai - whom Mr. Shroff has motivated.

Mr. Shroff has not built any temples, any statues or any memorials. He works directly for the people in rural areas in scores of ways. And with his vision, he spends a few crores in research. He develops good technology, adapts it for Indian villages and then spreads it in the villages.

Mrs. Chanda K. Shroff is working in the Bunny deserts of Kutch. She is helping the nomadic tribal women in marketing their handicrafts all over the world.

Shroff family is a fountainhead of inspiration for several social workers.

There is some publicity given to both these heroes. So I won't call them unsung heroes. But heroes they are. You can contact them at :

Mumbai

Off :

Res :

M/s. Excell Industries Ltd.
S.V. Road,
Jogeshwari (East),
Mumbai – 400 102.

Sanket, 39,
Hatkesh Society,
6th N.S. Road,
J.V.P.D. Scheme,
Parle (W),
Mumbai – 400 056.

Tel.: 6183104

6788258 / 678 48 13.

Bhuj : Shrujan Centre, At Post Bhujwadi
Bhuj-Anjar Highway,
Behind G.E.B. Station,
Taluka Bhuj, Kuttch,
Pin Code – 370 001.
Gujarat, India.

Tel : 02832-40272

Fax : 02832-40272

8.4 Gujarat Government

We have always criticized politicians.

Consider these cases.

Nitinbhai Patel, Minister for Agriculture and Small Irrigation, Gujarat.

8.4.1 A few trusts working for water conservation met Shri Nitinbhai. He got interested. And the unthinkable happened.

He called a conference of all the trustees at Gandhi Nagar. He ensured the presence of all the relevant officers from Gandhi Nagar, Surendra Nagar and Rajkot. The trustees made their presentation – said they wanted to desilt a few lakes & build a few check dams.

Nitinbhai had already made enquiries about the bonafides of the trustees.

He immediately gave instructions that all the applications which the trustees make, should be cleared at the earliest. And he allotted funds – subject to the approval of individual projects – which were more than the trustees had even hoped for.

Gujarat Government is doing more work than we may realise.

And that was not a sporadic burst of affection. He continues to help the social workers by going out of his way.

Isn't it a great reason for hope !

8.4.2 But he is not alone. Consider Shri Jay Narayanbhai Vyas and Shri Bhupendra Sinhji Chudasama.

The trustees from Surendra Nagar approached Shri Bhupendra Sinhji Chudasama, Chairman, Sardar Sarovar Nigam; and Shri Jay Narayan Vyas – Minister, Irrigation.

They presented a simple **problem & its solution.**

Problem : Water storage lake Dholi dhaja – (The white flag) in Surendra Nagar has not been desilted since it was built. (More than 30 years ago). Hence its water storage capacity has gone down by twenty five percent. Percolation capacity must have gone down by eighty percent. Desilting may cost a few crores and the trusts do not have that kind of funds.

Solution : Sardar Sarovar Nigam (SSN) will be building canals. For building the banks of canals, it will need huge quantities of soil.

So why not dig the lake & build the canals !

What was the response from the two dignitaries?.

“What you say makes a lot of sense. We must do it”. Within one week from the meeting, both the dignitaries came to Surendra Nagar, had a visit of the lake, held a conference of local leaders and bureaucrats and announced the decision that they will desilt the lake & build the canals. They will also increase the height of the dam and strengthen it.

Surendra Nagar, and surrounding suburbs will benefit because of the increased storage capacity of the water. And all the benefit will be available even before the Narmada water reaches Surendra Nagar.

For those who are not aware of rural economies, I must say that Sardar Sarovar project is already helping lakhs of people in several districts. Consider this fact. SSN has already built canals for several hundred kilometres. While the dam work is stopped due to litigation, the canal work continues. One canal connecting two cities may be 10 kilometers long. The storage capacity of the canal itself will be more than the storage capacity of all the lakes in the two cities.

During monsoon, these canals get filled in purely by rainfall. And farmers pump this water & irrigate their farms.

Imagine the tremendous benefits when the water starts flowing through these canals.

Gujarat will compete with Punjab in prosperity.

Mr. Chandra Babu Naidu of Andhra Pradesh has become world famous for his far-sighted planning in bringing up Andhra Pradesh. Gujarat Government is also doing its own down-to-earth work despite all the problems.

8.5 ISRO - Indian Space Research Organisation, Ahmedabad branch.

8.5.1 Here is a fine institution which has made India proud. Launching of all the satellites and getting the weather information in our television news is only one part of the story.

ISRO has massive data about India & its resources. It is keen to provide this data for private / commercial use.

8.5.2 ISRO satellites take photographs of the entire earth everyday to the resolution of 5 meters. The photographs taken from 300 km. above the earth can identify each building in Mumbai as well as New York.

NASA is a big customer of ISRO database. Of course, they have more capable satellites. Still, they do buy substantial data from ISRO.

8.5.3 I have had the privilege of meeting some scientists at Ahmedabad. After every meeting I have had the following feelings.

“I am proud of these scientists”.

“Each one is apparently and transparently an honest and competent man”.

“Many of them are from I.I.T. Like their other fellow IITeans, they could have gone abroad and earned dollar salaries. But they have chosen to serve India. I salute them”.

“With all their expertise, the simplicity & the humility of these scientists is most touching”.

8.5.4 In February, 1999, they had held a one day conference. The theme was – “May we help you!”.

Yes. We may believe that ISRO is sitting in an ivory tower. Or that they are very big people. How can we approach them. But No. Their clear theme is – “We have massive data. It is useful for diverse commercial purposes. Please sir, may we help you!”

There are already several users of their data.

Sugar mill looking out at cane plantations; Mint exporters looking out at mint plantations ; Sanjay Gandhi national park at Mumbai, Several State Governments and other authorities all over India; NGOs working for watershed and waste land developments – all are utilising ISRO database. They can give you the computerised data by tax or internet. A whole new profession has come up in Ahmedabad. These people translate ISRO's satellite data into a language & picture that we, the common men can understand.

If you think your organisation may be able to use this data, contact –

Spare Applications Centre (ISRO).
Government of India, Department of space,
SAC P.O., Ahmedabad – 380053.
Gujarat, India.

8.6 Shri H. A. Badi

We have always criticized bureaucrats.

See here an unsung heero.

Some trusts in Surendra Nagar district of Gujarat work for water conservation. None of the trustees ever thought that they could even meet the Collector.

Yet, one gentleman, Mr. Girish Doshi dared to go to the collector with a small administrative problem.

And what was the response ?

Collector said – “Providing water is my problem. You are trying to solve the water problem ! You are doing my work. I must help you in all possible manners”.

And he literally helped.

He invited all the trustees, all the concerned officers, held a conference. Discussed everything & granted all administrative permissions that were required.

He came with the trustees. Visited villages. Inspected the lakes where work is being done and gave all help that an individual officer can give to a charitable trust.

And all this was voluntary. It was his own, keen desire to help.

There are several officers – Honest to the core.

That is why India is still functioning

8.7 **Income-tax Department**

There are several geniuses within the Income-tax department. They have massive conceptual thinking, knowledge & service motive. Unfortunately, we approach them with an adversarial approach. Contact them with a positive approach. Quite likely, you will have some pleasant experiences.

I'll recount only two.

8.7.1 Mr. N.C. Jain, ex-Chief Commissioner of Income-tax, Mumbai. He was, earlier in "Foreign-tax Division" (FTD). His job was to negotiate Double Tax Avoidance Conventions (DTC) with similar authorities in other countries.

At Bombay Chartered Accountants' Society (BCAS) we invited Mr. Jain to give a talk on his experiences of treaty negotiations.

Income-tax department has several geniuses.

With the highest humility, with folded hands he started the talk saying – "You people are the experts. How can I give you any information"! And then, as his talk was absorbed by the participants, a pin-drop silence prevailed. Everyone knew that he was getting a chance-of-a life time presentation. We learnt what no book – neither Palkhivala, nor Klaus Vogel can teach us.

And there are several people in the department from whom we can learn quite a lot. We must approach them with the humility of a student. And they are all prepared to share their knowledge with the right minded people. I have had excellent experience of several people in the department. It is only the idea of limiting this paper within a reasonable length that prevents me from narrating more experiences.

8.7.2 **Demerger - A Positive Step**

1. Income tax department carried out a pragmatic approach for this budget. For drafting the tax provisions on "Demerger" etc. a separate committee was appointed.

2. This committee had as its members :

One eminent chartered accountant who is respected throughout India and abroad.

One eminent solicitor expert in foreign collaborations.

An eminent management consultant.

An eminent Chief Commissioner of Income-tax was the convenor.

3. This group studied similar provisions drafted by the U.S. and U.K. Governments (without going on a foreign tour). It also studied reports by the International Fiscal Association on this subject. It submitted its report to the CBDT.

CBDT accepted the report and incorporated the draft provisions without any significant modifications.

4. When the budget was presented and these draft provisions were published, several anomalies and difficulties were noticed. Experts have analysed and criticised the provisions as “defective”, “unworkable” and so on.

The fact is, when these critics are told the names of the committee members who actually drafted the provisions; the critics are perplexed.

Those who criticised income tax departmental draftsmen with unrestrained abandon, would not criticise these giants from the profession.

There is a lesson of humility to learn in this incidence. Every written sentence can be interpreted in several different ways. “Gita”, message by the Lord himself is interpreted in hundred different ways. An ordinary mortal’s writing is definitely liable to several interpretations. And no draftsman can envisage all situations and circumstances. It is easy to criticise. Difficult to draft. One must always be sober while criticising anybody – whether from the department or from the profession.

The department is adopting an open, pragmatic approach.

Department has started a pragmatic manner of drafting the law by involving the profession. This also is a reason for optimism.

8.8 **RBI**

- 8.8.1 Again, at the International Tax & Finance (ITF) Group of Bombay Chartered Accountants' Society, we had invited General Manager, Mrs. Usha Thorat from the RBI. She spoke on South East Asian Crisis.

For two hours, we all heard her with rapt attention and pin-drop silence. What she was talking was entirely new information for us. We had never thought / learned about it. For two hours, the participants forgot to take their cup of tea and the plate of biscuits. The meeting ended with a total admiration for the RBI officer. She is the General, in charge of exchange rate management of Indian rupee.

- 8.8.2 We have been saved by the conservative & prudent forex policies of the Finance Ministry and the RBI.

All the arm-chair critics & columnists who fill up newspapers & business magazines were screaming for scrapping of FERA. If FERA had been scrapped, we would have been down the drain. The crisis would have been called the "Asian Crisis" – not just South East Asian Crisis.

The columnists are back in their business. RBI has not once gone to the roof proclaiming the victory of its policies.

The least we can learn from this crisis is humility.

Please NOTE.

All this is happening now & here. All the work we have described is happening in this Christian year 1999; in Mumbai & in Gujarat.

This is only the work to which we are exposed.

And our knowledge is limited.

That means, there are thousands of people all over India who are working for the good of the nation.

These are the hopes for India.

There is no reason to despair.

No reason to feel frustrated.

In fact, we will bring India to a state of happiness.

We are confident.

Let us all work for this dream.

9. **Asian Block**

Europe has formed a union & developed a common currency – Euro.

U.S.A. has formed – NAFTA, its own American trade block.

We must have our own Asian Block. No other country in the world can object to it.

If there has to be an Asian Block & if it has to be a meaningful Block; Japan, Russia, China & India – all four (or atleast any three) should be members of the Block. We must have our own common trading block. We should further our economic interests.

This is the most practical & beneficial position.

Russian Prime Minister Mr. Primakov has made this suggestion. We must accept & work on it. There is no reason for us to fear that U.S.A. would not like such a move.

We have tried to give, in brief, authentic information. However, this booklet does not amount to rendering any advise or any professional service. If any expert advise is required, the reader may consult his advisors; or make such independent enquiries as may be necessary.