Weekly Notes

Change in Kashmir

THE impression has been created that in the decision to release Sheikh Abdullah, the initiative was the Kashmir Government's. This has been strengthened by Lal Bahadur Shastri's statement in the Lok Sabha that the actual announcement, its timing and manner, had come as a surprise to New Delhi. However, the Home Minister also told the House that the question had been under consideration for a fairly long time, even a year and a half ago when Bakshi Ghulam Mohammed was Prime Minister of Kashmir and when certainly the initiative could not have come from the State Government. Sheikh Abdullah's release makes sense only as the centre-piece of a major change in the Government of India's Kashmir policy and to make it appear that it was merely stringing along with the State Government is to deliberately underplay the very important issues involved.

Sheikh Abdullah's release could be treated as a political decision of the garden variety which could be left to the State Government if it were a fact either that the Sheikh's views on the status of Kashmir, which made him a security risk and compelled his decade-long incarceration, had undergone a complete change or that his following in the State had so dwindled as to make him a relatively inconsequential factor in Kashmir politics. Neither of these is true, unfortunately. There is nothing to indicate that the Sheikh is any less devoted to the goal of an independent Kashmir today than he was when he was first arrested. And as for his popularity, the years in jail have inevitably made him something of a martyr. In recent months leaders like Maulana Masoodi and others have found it useful to use the demand for his release as a cloak for propaganda for a plebiscite and for going back on the accession to India.

The fact has to be faced that Sheikh Abdullah's release must ultimately lead to the growth in the State of a strong political movement opposed to the integration of the State with India and demanding that much of what has been done so far be undone. How will the Government of G M Sadiq, who has repeatedly affirmed his determination to rapidly advance the integration process, meet the challenge? It has to be considered that the new Government in Kashmir is barely a fen months old and has yet to find its feet; that it has taken over in the wake of widespread agitation and lawlessness; and that it does not enjoy the undivided support of even the National Conference. This last disadvantage may not be very material since the National Conference itself has not much standing among the people.

Hopes that G M Sadiq's Government will be able to check-mate Sheikh Abdullah on the political plane, therefore, can hardly be regarded as realistic. And to suggest that if the situation threatens to get out of hand the Sheikh can be re-arrested and his following forcibly suppressed is to make nonsense of the present decision to release him.

Alternatively, and this appears to be the only sensible course consistent with his release. Sheikh Abdullah may be closely associated with our Kashmir policy. Such association will necessarily lie largely on his terms and will therefore, be with a policy which in essentials will be totally the opposite of the one which has been pursued so far. Why has the Government of India resigned itself to putting paid to the hopes and efforts of sixteen years? Was it external pressure, of which there has been no lack ever, or a realistic appraisal of the political situation in Kashmir? Probably both, as the events which must inevitably follow Sheikh Abdullabs re-entergenee into political life will perhaps show.

Public Loans

AS in the last year, the first instalment of the Government's borrowing programme for 1964-65. announced on Monday, consists of two conversion loans: a 4.75 per cent 1989 loan to be issued at par and a 4 per cent 1970 loan to be issued at Rs 99. These loans will be open for subscription from April 15 by holders of the 3.50 per cent National Plan Loan of Rs 158.18 crores which matures on the 19th of this month and the 3 per cent 1964- loan of Rs 30.33 crores which matures on June 15.

The Budget takes credit for market loans of Rs 295 crores in 1964-65. As against this, loans falling due for repayment during the year amount to about Rs 192 crores so that, after conversion and cash repayments, the net receipts from market borrowing during the year will be about Rs 103 crores. The present conversion offer, therefore, will be followed by cash loans a few months later when conditions in the money market will be more propitious.

Two features of the conversion offer have attracted attention. First. the 1989 loan, with a maturity of 25 years, will be the longest public loan in the market. Support for such a long-dated loan will necessarily be very narrow, coming mainly from the Life Insurance Corporation and provident funds. For these categories of investors, this loan will be welcome, as the relative lack of long-dated paper compels them to hold a fairly large part of their investments in short maturities.

Second, at 4.19 per cent and 4.75 per cent the short and long conversion loans show an increase in yield of 0.10 per cent and 0.25 per cent respectively over comparable Government paper. Along with the recent increase in the rates on Reserve Rank lending to scheduled banks and the prospect of a revision of the banks" deposit and advance rates, the higher rates on the Government loans have been described as a move towards "realistic interest rates which reflect adequately the real cost of capital to the economy" the case for which the Finance Minister has pleaded more than once.

What rates will realistically reflect the cost of capital and how far the nominal increase in the rates on the Government loans approaches such rates are moot points. The response to public loans is largely institutional, the bulk of it in fulfilment of statutory obligations. The position is not likely to be different in the case of the present offer, A wider response can be expected only for short and medi-