

**Annexure to**

**FROM POONA TO PRIME MINISTER'S OFFICE:  
A CABINET SECRETARY LOOKS BACK**

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'I can say without any hesitation that neither Rajiv Gandhi nor any member of his family received any amount in the Bofors case. Though his personal integrity was beyond doubt, there was strong circumstantial evidence that he knew the names of the recipients but was reluctant to expose them, maybe because they were of the Congress party or close relations or friends of the family. The question then arises whether he knew the names before the contract was finalized or came to know afterwards. I have no doubt at all that it was the latter as he was too decent a person to be dishonest....

But then does it absolve Rajiv Gandhi of his responsibility as the prime minister? I think he paid the price for his failure by losing the prime ministership.'

## What I Knew About Bofors

**7** WAS NOT INVOLVED WITH THE PURCHASE OF THE BOFORS GUN AS THE deal was finalized in March 1986 before I came back to Delhi as cabinet secretary in August-September 1986. From then on, I had a vantage view when it came before the cabinet or the Cabinet Committee on Political Affairs. It was being primarily dealt with in the ministry of Defence and mostly in the Prime Minister's Office. I dealt with it directly only from March 1989, when I became principal secretary to the prime minister, till I left service in December 1990.

The genesis of the Bofors affair lies in the practice initiated by Indira Gandhi and further refined by her son Sanjay for collecting funds for the Congress party. No doubt the Congress party and other political parties in India have needed funds mostly to fight elections from 1947 when the country became independent. Till the middle of the 1960s, during the regime of Pandit Jawaharlal Nehru, collection of funds for the party was a more transparent business and business houses were also permitted to make open donations. Collection of funds for one's party was then not a highly competitive and corrosive practice corrupting the whole social, economic and political fabric as happened later. Indira Gandhi at the very beginning of her tenure as prime minister found that she was in dire need of funds to fight elections to establish herself as the undisputed leader of the Congress party. As I was then in Maharashtra I know that in that state she depended heavily on her loyal supporters Rajni Patel and Vasantrao Naik to raise funds and they did this by literally selling sheets of sea water in the Nariman Point area. Later, when she had established her supremacy in Indian politics, she

decided that a far better way to collect funds for the party was through claiming cuts from foreign deals. Sanjay Gandhi perfected and refined this still further from 1972 onwards. When she came back to power in 1980, I was additional secretary in the Ministry of Home Affairs. My colleagues told me that in January 1980 itself Sanjay Gandhi called senior officers from certain concerned ministries for giving orders and making deals and clearly and firmly told them how they should be finalized. Trusted senior officers were posted to ministries such as the defence ministry and also to the Department of Defence Production. Even the death of Sanjay Gandhi In mid-1980 did not change this practice as is evident from the following extracts.

B.K. Nehru writes (page 582 of his autobiography):

*The day after the funeral I asked Rajiv whether the money Sanjay had collected allegedly for the Congress was safe. He said all they found in the almirah of the Congress office was Rs 20 lakhs. I asked how much Sanjay had collected. He held his head in his hands and said 'crores and uncounted crores'.*

R. Venkatraman, former president of India writes (page 40 of his autobiography):

*J.R.D. Tata made a courtesy call on me . . . commenting on Rajiv's statement on Bofors . . . it would be difficult to deny the receipt of commission by the Congress Party. He felt that since 1980 industrialists had not been approached for political contributions and that the general feeling amongst them was that the Party was financed by commission on deals.*

I might also add that the practice of getting kickbacks earned us notoriety in foreign countries. In the HDW submarine case I was told that the West German defence ministry had intimated to the German defence supplier the amount of commission that would be required to be paid in selling the defence equipment. The Latin American and African countries were in the bracket of 10 per cent and above whereas we were placed in the bracket of 5 to 10 per cent. Incidentally, this clearly shows how cynical developed countries are in selling their defence products. Of course, they are also not entirely innocent as is evident from the scandal of US aircraft manufacturers trying to offer bribes to a member of the royalty from the Benelux countries.

That the Prime Minister's House (of Rajiv Gandhi) had access to funds from abroad, I became aware of in a very curious way. After Arun Singh was shifted from the PMO to the Ministry of Defence, the cabinet secretary supervised the prime minister's special security force in a rather loose fashion and I became associated with this. Sometime in October 1986 one of the security officers at 7 Race Course Road said that two or three of them would be going to Italy within a couple of weeks for special training. I was rather upset as I had neither seen nor cleared that proposal but Rajiv Gandhi said that this had been arranged by the Prime Minister's House and 'the Party would bear the expenses'. I was not at all happy as the security force was not for Rajiv Gandhi but for the prime minister of India and, therefore, arrangements for training and its expenses should be borne by the government. Rajiv Gandhi agreed and asked my advice. I said that the training could be in Italy as already arranged but that the funds should be made available by the Intelligence Bureau, and to maintain secrecy I would speak to the comptroller and auditor general to accept whatever explanation was given by the Intelligence Bureau. When I met him again he said that the Intelligence Bureau should not bear the expenditure as it was not at all a happy situation that the prime minister's security arrangements had been taken away from it. I suggested that I would ask RAW to bear the expenditure from its secret funds. Rajiv Gandhi said that I should discuss and resolve this matter with Captain Satish Sharma. Satish Sharma said that Joshi, director of RAW, could speak to a certain Italian, whom he named, and settle the details. When I asked who he was, he had a hearty laugh and said that Joshi would know him. Joshi was more diplomatic and said that it might have escaped my memory that this person was Rajiv Gandhi's in-law. Joshi came to me after a week with a curious follow-up report. When his' Geneva office asked the Italian gentleman to make arrangements to pick up the amount in US dollars he said that Joshi himself should make arrangements to bring the amount in Italian currency and deliver it in Italy. Joshi was not at all happy with this as it would entail carrying about a quarter of a million US dollars in Italian currency in a big suitcase, which was sure to invite trouble. I told Joshi that I would clarify this. I told Rajiv Gandhi that the arrangement suggested was not acceptable, specially because the amount asked for was so large. He flushed and told me to forget the whole affair. Later I learnt that the Prime Minister's House was asked to be more discreet with me. The security officers were not sent to Italy

for training but an Italian expert came to India (of course he became rather unpopular with the security force for he would throw his weight around). I also realized that in the Mughal-darbar-like functioning of the Gandhis I had committed the cardinal sin of cross-checking with the king himself the message he conveyed to me through his aides.

Coming back to the Bofors affair, YP. Singh had resigned as defence minister on 12 April 1987 in connection with the HDW Submarine case. We were just recovering from this when the Bofors revelation exploded upon the scene from Sweden on 17 April. The newspapers, quoting Reuters, said the Swedish radio had broadcast that Bofors won the US\$ 1.3 billion howitzer contract by paying bribes to senior Indian politicians and key defence officials through secret Swiss bank accounts. The Cabinet Committee on Political Affairs met that morning and issued an official statement calling the story 'false, baseless and mischievous'. We also asked our ambassador in Sweden to get from the broadcasting office the basis of the story. There was a debate in Parliament on 20 April wherein opposition demanded a parliamentary probe which was rejected by the government. We clearly stated that the howitzer was chosen after careful evaluation and that it was government policy not to have any agent in defence contracts and this had been made clear to the competing firms.

President Zail Singh created a side-show at this state when on 30 April he sent a letter to the prime minister seeking information about the Bofors deal under Article 78 of the Constitution. He was obviously trying to fish in troubled waters and was politely told that the defence minister, K.C. Pant had briefed him adequately. There was much discussion on the subject in the CCPA and we all thought that the president's request had been motivated by extra-constitutional considerations.

There was a complete change of the picture after the Swedish Audit Bureau started an inquiry on 7 May and submitted its report on 1 June. The Swedish government decided on 4 June to forward the bureau's report but only after blanking out considerable portions on the plea of commercial confidentiality. These portions must have contained the names of the recipients of considerable amounts. We were concerned at this development and the CCPA recommended the appointment of a joint parliamentary committee (JPC) to investigate the matter. I was with Rajiv Gandhi in his office when Buta Singh, the home minister, first made this suggestion. I told them that I was not in favour of this as we ourselves had opposed the opposition demand in the last session

of Parliament. Further, the JPC would be packed with Congressmen, seeing to its strength in Parliament, and therefore its credibility would always be suspect. The chairman of the JPC would have considerable powers to decide the procedures and even contents of the report, and if at all it was to be recommended, its chairmanship should be offered to the opposition. I expressed my preference for the appointment of an inquiry commission consisting of a sitting judge of the Supreme Court to give more credibility to the findings. The proceedings would be more open, and examination of witnesses and production of documents more transparent. Rajiv Gandhi and his colleagues, however, did not agree with me and it was decided to recommend the setting up of a JPC to Parliament. I think the opposition made a mistake in boycotting the JPC. The JPC would have presented the opportunity to them to call witnesses and ask for documents which the government would otherwise not have shown. In fact, it was the opposition that had asked for a parliamentary probe and it was a bit awkward for them to boycott the JPC now. The government too made a mistake later in appointing a cabinet minister as chairman of the JPC. No politician would leave a cabinet ministership unless he was promised his return to the cabinet, and this obviously depended on his ensuring a report acceptable to the government. Shankaranand's choice as chairman of the JPC was therefore a sure sign that its report would have little credibility. I made my position clear on this issue too but to no avail.

Rajiv Gandhi cancelled the visit of the Bofors' team in the first week of July. I was present at this meeting, but I do not remember N.N. Vohra, additional secretary, defence production, being given any dressing down as hinted by General Sundarji in his subsequent interview. Rajiv Gandhi's argument was that the Bofors team should give the names of the recipients of commissions in writing or before the JPC itself. It was no use their giving the names orally, as the government would be subjected to all sorts of allegations of doctoring the Bofors<sup>1</sup> team's evidence. I could appreciate this argument but I said that despite that we should informally get the names of the recipients so that we could quietly initiate action against them. And here was raised, for the first time, a doubt in my mind. Bofors would not offer to give the names of the recipients even orally unless it was sure that we would take no action against the recipients, otherwise its credibility in commercial circles would be damaged. No agency would be prepared to serve them if it feared that its identity could be disclosed. I therefore surmised that

if the Bofors team was prepared to give the names orally it was that these would be so inconvenient to the government that it would just keep quiet about the disclosure. At that time I was not aware of Arun Singh's outburst after he came out of the meeting with Rajiv Gandhi, so graphically described by General Sundarji in an interview later. Arun Singh resigned on 18 July.

I had an uneasy feeling that the Prime Minister's Office knew the names of the recipients and had communicated them to the prime minister. One could only surmise that the beneficiaries could be the Congress party or a close relative or friend of the prime minister's family. In August when the appointment of the JPC was to be discussed in Parliament, Rajiv Gandhi made a statement declaring that neither he nor any member of his family had received any consideration in the Bofors<sup>1</sup> transactions. All of us were impressed by his *suo moto* statement that clearly reflected not only his honesty and integrity but also the conviction that his integrity was beyond doubt and his image was unnecessarily being tarnished. A cynic remarked that the family mentioned in his statement did not include Sonia's Italian family. He later clarified in an interview in October that Bofors had clearly said that even the Italian family of Sonia was not involved at all.

The JPC was appointed on 12 August 1987. The Bofors' team came to India on 14 September and appeared before the JPC on 16 September. I was intrigued that Bofors' officials did not disclose the names of the recipients to the JPC but said that they had given this information to the defence ministry and the Prime Minister's Office. The final report of the JPC, submitted in September 1988, was taken with a pinch of salt by many of us, especially in the light of the behaviour of its chairman, Shankaranand, during the inquiry and while writing the report. He did not allow a non-Congress member of the committee to append his note of dissent and it was the intervention of the speaker that saved the situation. During the debate in the Rajya Sabha, Arun Singh clearly stated that, 'They should have paid winding-up charges on the day of the cancellation of the contract and not post the receipt of the contract from India . . . a contract-related payment is a breach of faith.' He also suggested that Bofors should be made to pay Rs 64 crore if it wanted to continue to do business with us.

The various documents published by *The Hindu* during 1987-88 and whose veracity was acknowledged by the Swedish authorities also confirmed Arun Singh's contention that the payments were made as commissions in breach of contract terms.

Whenever I talked to Gopi Hinduja, one of the Hinduja brothers, about the names of the recipients his cryptic reply was that if and when the names did come out the Rajiv Gandhi government would face enormous embarrassment, but added that the Hindujas were in no way concerned with the Bofors' affair.

I joined the Prime Minister's Office in March 1989 and was thereafter directly concerned with Bofors. I mention the following instances.

The Comptroller and auditor general's (CAG) report for the year was received on 25 April during the budget session. Normally the report is placed before Parliament and then sent to the Public Accounts Committee for discussion. In this report, as there was a chapter on the purchase of the Bofors guns we thought that we should first internally examine it, otherwise in the interval between the budget session and the monsoon session there would be an unnecessary controversy in this regard. Rajiv Gandhi's colleagues therefore advised him that the report need not be placed before Parliament in the budget session but on the first day of the monsoon session. This was duly done but as expected attracted rabid remarks and unsubstantiated allegations against the CAG himself from Congress ministers and members of parliament.

General Sundarji's interview appeared in the 15 September 1989 issue of *India Today* in which he said that he had advised the Ministry of Defence that 'if they threatened to cancel the gun contract there was a 99.9 per cent chance that Bofors would cough up the information about who received the money'. His contention was that he 'had consulted the army commanders and assessed that the cancellation of the contract would delay the acquisition process by 18 months to two years, but that was an acceptable risk'. He also said that the additional secretary, defence, N.N. Vohra, had told him about the meeting of 4 July 1987 when Rajiv Gandhi got wild with him about the latter adopting a threatening approach to try and make Bofors reveal the names. Sundarji believed that Arun Singh's resignation was connected with all this. He said, 'I think he went and had a very big dust-up with the Prime Minister. He was torn between his loyalty to the man and what he felt was right.'

We were not too impressed as we knew that the general was disgruntled because he had not got the favours that he had asked of Rajiv Gandhi.

Katre, director, CBI, came with a draft of a letter to be sent to the Swiss authorities for information and assistance. He said that unless

common criminality was clearly established, the Swiss would not respond positively to our request and he therefore wanted to clearly mention the giving of bribes. I agreed since by this time it was common knowledge that Bofors had given commissions to various parties obviously for influencing people and he accordingly sent the request. Within a couple of days Rajiv Gandhi asked me how I could clear the letter when we did not know the identity of the persons who were alleged to have received bribes. I gave him the same argument: that if we wanted to know the identity of the recipients, the only way of getting this information from the Swiss authorities was to allege that offence which also could cover dual criminality. Merely asking for information for tax evasion or fraud would be to invite a negative response. After a couple of days Katre told me that he was asked to withdraw the letter approved by me and to substitute it with another alleging only fraud, etc. In my view this letter was only a show of making an attempt fully knowing that it would prove thoroughly useless. Unfortunately this apprehension came true.

On 31 October, after the general elections were announced, a number of pages from Ardbo's diary were published by some prominent newspapers. He was the CEO of Bofors' when the sale of the guns to India was finalized. We immediately issued a statement that Rajiv Gandhi was not associated with, or aware of, any trust known as the Gandhi Trust as mentioned in the diary. We also stated that he had never authorized any lawyer or representative to meet any representative or company concerned with Bofors. However, since the general elections had been announced, we thought that further action in this regard should be taken by the Congress party. We fully briefed the party spokesman Anand Sharma who then dealt with it. That he made a hash of it is a different story.

Naresh Chandra, defence secretary, met me and explained that Bofors had offered to supply ammunition and spare parts at a discount or concessional rate amounting to a total of Rs 64 crore. I said they were most welcome to make the offer but it should be made clear to them that we would reserve our right to find out the ultimate recipients of the commissions. The matter did not progress further.

My joint secretary said that P. Chidambaram was taking out a complete set of defence ministry notes and papers on the Bofors affair and would like to have a set in the PMO too. He was the minister of state in the Department of Personnel under the prime minister and also

looking after the CBI. Apparently by that time the Congress party had realized that it might not come back to power. I said if they wanted copies of our papers in the PMO they should personally speak to me but nobody contacted me.

The Congress party got a drubbing in the general elections. Even though it came back as the single largest party, there was no chance for it to form a government in coalition with others. The Bofors issue was one of the two or three major issues that dealt a body blow to the Congress and Rajiv Gandhi's personal integrity was assailed in very crude terms,

V.P. Singh had announced during his election campaign that they would get the names of the recipients of the Bofors' commissions within a couple of months and then take firm action against them. The FIR was registered and the necessary letter was sent to the Swiss authorities which resulted in their freezing the bank accounts. A furious legal battle ensued between the government and the account holders that just dragged and dragged. By February-March 1990, I frankly told V.P. Singh, Vinod Pande, Bhure Lai and others -that unless the names were obtained within a month, the credibility of the government in this regard would be seriously jeopardized. Unfortunately, this did happen and the names of the recipients could not be obtained during V.P. Singh's tenure. Chandrashekhar who took over as prime minister in November 1990 was of course not interested for obvious reasons, that is, his government depended entirely on Rajiv Gandhi's support in Parliament. He cynically remarked that such matters were better left to police inspectors. I left the government in December 1990.

Rajiv Gandhi lost the elections in November 1989. To that extent the Bofors affair was a landmark as it put an end to an extremely promising career. It must, however, be added that V.P. Singh was also similarly treated, though in a different way. Even though he had an understanding with the BJP for the general elections of 1989, it was clear that this was only for sharing of seats and not to get support for forming the government because the Janata Dal anticipated getting enough seats to form a government without the help of the BJP. Unfortunately for VP. Singh the *Janata Dal's* performance was not at all as expected especially Karnataka and Andhra Pradesh; the BJP's performance on the other hand, proved to be much better than expected. VP Singh thus had to get RJP's help, though from outside, to form the government. Even then was hopeful of getting the names of the Bofors recipients and breaking

up the Congress party as had happened in 1978. Bofors however, did not oblige him and that was the beginning of the end of VP. Singh.

To conclude, I can say without any hesitation that neither Rajiv Gandhi nor any member of his family received any amount in the Bofors case. Though his personal integrity was beyond doubt, there was strong circumstantial evidence that he knew the names of the recipients but was reluctant to expose them, maybe because they were of the Congress party or close relations or friends of the family. The question then arises whether he knew the names before the contract was finalized or came to know afterwards. I have no doubt at all that it was the latter as he was too decent a person to be dishonest. One can only surmise what might have happened. When he took over as prime minister in late 1984, he had decided to cleanse politics and especially the Congress party of powerbrokers and corruption. His decision not to have agents in any deal or contract was one of the major measures in this regard. But his political inexperience and inadequate knowledge of how governmental and bureaucratic machinery works must have nullified his intentions. The political machine was not at all happy with his new policy and even unhappier when he tried to depend more on young professionals from outside. In the case of Bofors too, politicians and even some officials must have disregarded Rajiv Gandhi's directions and quietly continued to have their own way. Further, when he came to know the names of the recipients of the commission, the same politicians and others must have advised him not to bother as they had managed to sail through such bad patches comfortably in the past when his mother and brother were at the helm of affairs. To that extent these aides and advisers failed him and in the process inflicted huge damage not only on him but also on the political system.

But then does it absolve Rajiv Gandhi of his responsibility as the prime minister? I think he paid the price for his failure by losing the prime ministership. I have no doubt at all that after a few more years of experience in politics he would have put his foot down and exposed and punished those guilty of such misdeeds, even if it was his own party or relation or friend. To behave otherwise does not pay in the long run in politics.

*(Written in February 1998)*

