

the floor of the House: I can assure you that. But let us behave like gentlemen, I do not like this to go on like this.

Yes, please, will you like to move for the suspension of the Question Hour ?

(Interruptions)

11.03 hrs.

[English]

**MOTION RE : SUSPENSION OF
QUESTION HOUR.**

PROF. MADHU DANDAVATE (Rajapur) : Sir, under Rule 388, I beg to move:

"That this House do suspend Rule 32 of the Rules of Procedure and Conduct of Business in Lok Sabha in its application to the discussion on the reported announcement on the Swedish State Radio concerning the acquisition of guns by the Indian Army from Bofors of Sweden."

(Interruptions)

MR. SPEAKER : Will you please sit down ?

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF FOOD AND CIVIL SUPPLIES (SHRI H. K. L. BHAGAT) : Sir, the Government is very keen that discussion on this matter should start immediately. Therefore, I have no objection to the suspension of the Question Hour. *(Interruptions)*. Under Rule 193 we can proceed with discussion with a Statement by the Minister.

MR. SPEAKER : No problem.

SHRI H. K. L. BHAGAT : The Statement by the Minister should precede this.

MR. SPEAKER : The question is :

"That this House do suspend Rule 32 of the Rules of Procedure and Conduct of Business in Lok Sabha in its application to the discussion on the reported announcement on the Swedish State Radio concerning the acquisition of guns by the Indian Army from Bofors of Sweden."

The motion was adopted.

(Interruptions)

MR. SPEAKER : I will like the Minister to make a statement and then right on start the discussion. Now, look here. In future also you can give me the thing, but not do like this This is very derogatory to the whole House. I do not like this type of thing.

(Interruptions)

11.05 hrs

**STATEMENT RE : PURCHASE OF
155 MM GUNS FROM THE SWEDISH
FIRM BOFORS**

[English]

THE MINISTER OF DEFENCE (SHRI K. C. PANT) : Sir, I would seek the indulgence of the House in one respect, because I expected this issue to come up after the Question Hour. The statement has not been circulated. It will be circulated later. If the House has no objection, I will read out the statement.

SHRI SAIFUDDIN CHOWDHARY (Katwa) : It should be circulated later.

MR. SPEAKER : That is what he has said.

*The Question Hour having been dispensed with, all starred Questions put down on the Order paper for the day were treated as unstarred and their answers together with the answers to the unstarred questions have been included in this Debate, col. Nos —to—

SHRI K. C. PANT : Mr Speaker Sir, on the 17th April 1987 several newspapers reported a Swedish radio broadcast on 16 April 1987 that bribes had been paid to senior Indian politicians and key Defence figures to win a contract which was awarded by the Government of India to M/s Bofors of Sweden on the 24th March 1986 for the purchase of FH-77B 155 mm Towed Howitzers.

While reiterating Government's categorical denial of this baseless allegation, I would like to place the following information before this august House.

In the 1970s the Indian Army initiated studies to identify a field artillery system to replace its obsolescent 5.5" guns, by undertaking a definition of its future artillery requirement and a search for possible systems which could be inducted. This resulted in a Philosophy Paper prepared by the Army in 1979, which led to the identification of the following basic requirements of the future gun system :

- (i) The system had to be of a truly new generation, incorporating futuristic technology;
- (ii) Its range should be about 24 kms with standard ammunition, extendable to 30 kms with special ammunition;
- (iii) It had to have burst fire capability;
- (iv) It had to have a high angle firing capability.

In addition to these basic requirements, other vital elements such as mobility, survivability, system responsiveness and stretch potential were also identified.

Between 1980-82, the Army tried and evaluated a variety of weapon systems. After a paper evaluation of almost a dozen systems, six were actually tried out in this period. As a result of these trials and a subsequent General Staff evaluation, the Army short-listed four of these systems for the consideration of the Ministry of

Defence. These had been offered by SOFMA of France, BOFORS of Sweden, IMS of UK and VOEST Alpine of Austria.

Government approval was accorded in April 1984, for the commencement of technical and commercial negotiations with the four shortlisted firms with a view to acquiring the proposed gun system and also to negotiate for their licensed production in India. Government established a high level Price Negotiating Committee headed by the Defence Secretary, including Secretary Defence Production and Supplies, Scientific Adviser to Raksha Mantri, Secretary Expenditure, Additional Secretary Economic Affairs, Financial Adviser in the Ministry of Defence and the Deputy Chief of Army Staff.

Detailed technical negotiations were held with the four potential suppliers by Army, assisted by scientists and technologists of DRDO and Defence Production and Supplies Department. On the conclusion of these discussions, the General Staff recommended shortlisting FH-77B of Sweden and TR-155 of France for final commercial negotiations and conclusion of contract.

In May 1985, the Defence Secretary, as Chairman of the Price Negotiating Committee, individually advised the leaders of each of the four competing firms that the policy of the present Government did not approve of the appointment of Indian agents acting for foreign suppliers. He specially asked them to reduce their offers by the amount of such commissions, if any had been provided for. They were unambiguously advised that the decision of the Government of India would be based entirely on the merits of each offer. Defence Secretary further stated that Government of India would disqualify a firm in case it came to the notice of the Government of India that an agent had been appointed by a foreign firm. On the eve of finalising the contract, in response to a reiteration of Government's Policy and a demand for confirmation, M/s Bofors replied, *vide* their letter of the 10th March 1986, that they did not employ any Representative/Agent in India for the

[Shri K. C. Pant]

project. However, for administrative services, e. g. hotel bookings, transportation, forwarding of letters, telcxs etc., they use the services of a local firm.

Besides the formally recorded deliberations of the Price Negotiating Committee, the Government of India's Policy in this regard was conveyed to the concerned governments whenever an appropriate opportunity presented itself, either through their Ambassadors in India or during the visits of senior functionaries of such governments to New Delhi. In the case of Bofors, opportunities arose during the visit of Mr. Carl Johan Aberg, Permanent Under Secretary of State Foreign Trade of the Swedish Government, as well as during personal consultations between our Prime Minister and the late Mr. Olof Palme. The aforesaid position has been confirmed by Mr. Aberg in a statement made by him on 17th April, 1987 regarding the Bofors contract with India. His statement is as follows :

"Indian Prime Minister Rajiv Gandhi himself during his talks in 1985 with Olof Palme said that one of the pre-conditions that Bofors should satisfy in connection with the Howitzer contract was that the company should have no middlemen. The deal should be drawn directly between Bofors and the Indian Defence Ministry. The company informed the Swedish Government representative in autumn 1985 that there would be no middlemen involved and that they would deal directly with Indian Defence Ministry.

This was conveyed by Olof Palme in his personal conversation with Rajiv Gandhi in January 1986."

It would thus be seen that there was no doubt whatsoever, in Bofors or in the Swedish Government, about the Government of India's policy that no commissions or agency fees should be paid in respect of contracts secured from India.

By inducting the Bofors FH-77B Towed Howitzer the Government of India have achieved the following :

- (i) Acquired the weapon system which, in the technical opinion of Army Headquarters, was the most preferred.
- (ii) Acquired it at a value cheaper than that offered by its closest competitor.
- (iii) Obtained considerable price reduction from the original bid which was based on June 1984 base prices plus escalation and converted it into a fixed price contract at the reduced level.

Government have already categorically denied the allegations. The statement issued by Government of India on April 17, 1987 reads as follows :

"Government categorically deny the allegations contained in the news stories based on the reports broadcast by the Swedish radio and television in connection with an arms order placed on the Swedish firm Bofors. The news item is false, baseless and mischievous. During the negotiations the Government had made it clear that the company should not pay any money to any person in connection with the contract. Government's policy is not to permit any clandestine or irregular payments in contracts. Any breach of this policy by anyone will be most severely dealt with.

The report is one more link in the chain of denigration and destabilisation of our political system. Government and the people are determined to defeat this sinister design with all their might."

If any evidence is produced involving violations of the law, the matter will be thoroughly investigated and the guilty, whoever they may be, punished.