

14.56 Hrs.

APPROPRIATION (VOTE  
ON ACCOUNT) NO. 2

BILL\*, 1991

[English]

The Minister of Finance (Shri Manmohan Singh) : I beg to move for leave to introduce a Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year, 1991-92.

Mr. Chairman : The question is :

“That leave be granted to introduce a Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year, 1991-92.

The motion was adopted

Shri Manmohan Singh : I introduce the Bill.\*\*

Mr. Chairman : The Minister may now move the Bill for consideration.

Shri Manmohan Singh : I beg to move :

“That the Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year 1991-92 be taken into consideration”.

Mr. Chairman : The question is :

“That the Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year 1991-92, be taken into consideration”.

The motion was adopted

Mr. Chairman : Now we take up clauses.

The question is :

“That clauses 2 to 4 and the Schedule stand part of the Bill”.

The motion was adopted

Clauses 2 to 4 and the Schedule were added to the Bill

Mr. Chairman : The Question is :

“That clause 1 the Enacting Formula and the long Title stand part of the Bill”.

The motion was adopted

Clause 1. the Enacting Formula and the long Title were added to the Bill.

Shri Manmohan Singh : I beg to move :

“That the Bill be passed.”

Mr. Chairman : The question is :

“That the Bill be passed.”

The motion was adopted

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15.00 Hrs.

GENERAL BUDGET, 1991-92  
GENERAL DISCUSSION

[English]

Mr. Chairman : The House will now take up the discussion on the General Budget. The time allotted, I believe, this must have been discussed in the Business Advisory Committee, is 15 hours.

Shri Jaswant Singh (Chittorgarh) : Mr. Chairman, Sir, the hon. Finance Minister when moving the Budget for 1991-92 did many unusual things. But, there was one particular unusual remark that I was struck by. The hon. Finance Minister dedicated the Budget of 1991-92. It was, of

\* Published in Gazette of India extraordinary Part II, Section 2, dated 29-7-1991.

\*\* Introduced with the recommendation of the President.

course a very unusual step. Then upon reflection I concluded that as so many other things about the Tenth General Elections were unusual and that as we are living in extraordinarily unusual times, that as this Government itself is an unually improbable arrangement at governance, therefore I too must start with something unusual. And as in all honesty, I am not unlike the hon. Finance Minister overpowered by any strange feeling of loneliness when rising to make my intervention, therefore, I choose to dedicate this intervention to that common citizen of India, that unsung man and woman of India, who for the past 44 years of our Independence has put up with at least 40 Congress Budgets and has remarkably survived.

On the day the Budget was presented which purports to be a statement of fiscal policy, the Government also came forward with a statement on the Industrial Policy. The BJP considered the Industrial Policy and went along with the broad thrusts of the Industrial Policy that the Government had come forward with.

So far as the Budget is concerned which, as I said, is a statement of fiscal policy, an impression thereafter was created that because we had broadly approved of the Government's thrust on the Industrial Policy, therefore, in like fashion, we were approving of the Budget also. Late me, at the very outset, correct that mis-impression. The BJP opposes this Budget. And let me explain, at the very outset, why in principle we oppose this Budget. I have some five or six points which I will elaborate during the course of my intervention.

Our first difficulty with this Budget is that it compromises or fails to preserve the economic sovereignty of the country. Our second difficulty in supporting this Budget is that this Budget does not sufficiently address itself to what we believe are the permanent priorities of India. And the permanent priorities in our

thinking of the country are poverty elimination, reducing unemployment, containing population growth and enhancing the purchasing power of the poor so that they are able to spend little more money than they are at present spending ; in sum to improve the quality of life of the common Indian. We have a difficulty with this budget that in our reckoning, it does not sufficiently address itself to these tasks.

We have a third difficulty. We believe, the budget, as a statement of fiscal policy, ought to have addressed itself to reversing a high-cost economy which, in our reckoning, will become higher and more costly by some of the measures introduced in this budget to reverse a high capital-output ratio, a situation of high unemployment, combined with high industrial sickness. This package, we believe, is not sufficiently addressed to by the budget and, therefore, we are persuaded to oppose it.

The next difficulty which we have with this budget is that we believe that it is going to be inflationary. I shall go into some analysis of why I feel it will be inflationary. Let it suffice for the moment to say that with roughly Rs. 6,600 crores of additional imposts, of which details I will go into subsequently, I cannot but help reflecting that there will be, in the short and medium-term, a cost-push inflation, and that cost-push inflation is combined with no additional money in the pockets of the citizens higher costs of everything and, therefore, inevitable difficulty. We are hence led to a position where we find that on account of inflation, we oppose this budget.

The final point why we feel that we have difficulty with this budget is on account of insufficient attention to infrastructure, and that infrastructure being largely energy and transport.

All budgetary interventions are difficult intervention. They are difficult because they are full of figures,

some of them incomprehensible. The sums spoken of are in thousands of crores. It is difficult to conceive what a thousand crore looks like. Also, budgetary interventions are never easy because they lack political sex appeal. My difficulty in this intervention is compounded by the high regard in which I hold the hon. the Finance Minister. I think the hon. the Finance Minister is a man of great integrity. He has a palpable, and on obvious enough, and a passionate love for his nation. He is a man of formidable learning and experience. I am, in comparison, only too aware and mindful of the inadequacies that I suffer from. My approach is not that of a learned Professor of Economics; I am a practitioner, as you are aware of that currently disreputable trade of political activism. But whatever observations I have to make, I make on the basis of something like twenty-five years of public life and political activism. I would therefore beg of the hon. the Finance Minister to bear in mind that whatever observations I make are not individual. Whatever criticisms that I have to make are institutional criticisms; they are not individual criticisms.

I had reflected a great deal on this and then because the budget got postponed by the weekend, I reflected as to what are the yardsticks that ought to be applied and what are the methodologies that I ought to adhere to when intervening in this debate or when making my observations. The hon. Finance Minister has taken frequent and unusual recourse to the Congress (I) manifesto. I recognise that he is a new convert to Congress ideology.

The Minister of State of the Ministry of Steel (Shri Sontosh Mohan Dev) : A Congress Minister should do it.

Shri Jaswant Singh : Yes. There is something about.

[Translation]

A newcomer showing more interest.

[English]

But this is as a phrase. I think the hon. Finance Minister will recognise that my intervention will therefore have to be against the litmus paper test of the BJP manifesto because it would be a fair application. Wherever we find that your utterances are in harmony with our manifesto....

Shri Sontosh Mohan Dev : That is left to the Prime Minister.

Shri Jaswant Singh : Having applied the criteria I do not know why my friends on the treasury benches find excitement in comparison of manifestos. But however having applied that criteria....

Shri Nirmal Kanti Chatterjee (Dum Dum) : They are excited over agreement.

Shri Jaswant Singh : I think that I would be obliged and it will only be proper that wherever we feel that the steps taken by this Government are to be commended unhesitatingly I will commend them. Where we feel, in our thinking, that caution is necessary, we will caution this Government. Where we feel that criticism is merited, we will criticise you. I will combine these three Cs—commendation, caution and criticism—with the fourth one when seeking clarifications of some of the aspects of your Budget.

Shri Sontosh Mohan Dev : Give compliments wherever it is possible.

Shri Jaswant Singh : I will come to the first commendation and combine it with the first caution. This troika of the Budget, the trade policy reforms and the industrial policy statement—and I call it a troika with a deliberate purpose, because the way the Budget as an instrument of fiscal policy not being there or the industrial policy statement and the trade policy reform being there, just by themselves, then the two by themselves—that is trade and industrial

policy-would have been orphaned without the overall umbrella or canvas of the fiscal policy that the Budget is Nott having received that the other two would have been orphaned. But having now got a larger picture, I must make one observation while commending the Government for doing so. I think that this troika is the most total, the most comprehensive and the most wholesale rejection of the Nehruvian model, the Nehruvian legacy, the stiffling inheritance of Nehruvian economic philosophy and thought that we have come across in the past forty years. I commend the Government for this total and wholesome rejection of that legacy.

Why do I say this ? This is not a small debating point. Why do I say that this is a total rejection of Nehruvian economic thought ? And for that I only have to quote the hon. Finance Minister himself.

**Shri Saifuddin Choudhury (Katwa):**  
Still you do not support ?

**Shri Jaswant Singh :** I said that we will commend them, support them where we can. The hon. Finance Minister in his Budget speech, and these are his own words, said : "The origin of the problem". He is taking of our economic problem, obviously, "are directly traceable to large and persistent macro economic imbalance and the low productivity of investment in trade, poor rates of return on past investment" and he goes on the talk about unsustainable increase in Government expenditure", talks about Budgetary subsidies with questionable social and economic impact, "tax system with many loopholes", "public sector not managed in a manner so as to generate large investible surpluses . . . ." "excessive and often indiscriminate protection provided to industry thus weakening the Centre to develop a vibrant export sector, accentuated disparities in income and wealth, disadvantageous rural economy," "difference between the income and expenditure

of the Government has led to widening of the gap between income and the expenditure of the economy as a whole"

Sir, I do not think I am mistaken in the observation that I have made about the rejection of the Nehruvian legacy, and further I don't think there could be a stronger or a more accurate denunciation of that very legacy which otherwise you see now as part of your political management to pay a lip service to. Then why do I caution? My friend said, "If you commend, then why are you opposing?" I am opposing, Sir, because we find some considerable disharmony between action and utterance.

The other day the Leader of the House talked, as he is given to, of the continued relevance of socio-economic thought of Nehru, and there is a line here which the Prime Minister must have introduced, because the phrase belongs to him and he talks of "change with continuity". It is a perplexing thought because you fall between two stools. You neither change nor do you continue. But we understand the political compulsions of this Government, the political management of economic reform unfortunately is left in the hands of a man of integrity but of total political innocence which is what the hon. Finance Minister is. This was an act of considerable disingenuity on the part of the Prime Minister and I would like to share a thought here. I think, if I am not mistaken, it was Callaghan who, when he lost his job as the chancellor of Exchange, said, "There are only two kinds of Finance Ministers — those that leave before their time or resign before their time or resign before they are found out, and those that are thrown out. Now, the hon. Finance Minister, Sir, is a man of integrity. I would not wish him, because he is being thrown to the wolves in the political management of this total package of economic reforms. We understand the compulsions of political management, but we expect much a greater political honesty from the Government in the political management of that reform.

It is dishonest of the Government to *insult* the intelligence of India by suggesting this whole Shibboleth of "change with continuity". We can understand, Sir, that you do also hold the intelligence of the Congress (I) itself in considerable contempt, but that is a matter of some indifference to us. What I am referring to, Sir, is the inherent danger of obfuscation because if you obfuscate for too long, you obscure the original and the larger purpose, and the original and larger purpose is concerned with economic reform because in his own words, Sir, the Finance Minister has himself said :

"The crisis in the economy is both acute and deep. We have not experienced anything similar in the history of India".

These are his own words. If the crisis is as deep, and I believe that the crisis is deep, and I totally agree with the honourable the Finance Minister, if the crisis is deep, then we want coherence from this Government; coherence between action and utterance. Why do we require coherence? It is because the reforms that you are contemplating will not succeed unless you attain credibility. And the first requirement of credibility is coherence because coherence in a situation of crisis, which you say there is, and of deep uncertainty, which we know there is, is the one pre-condition for credibility. No social group in India, leave alone agencies abroad, will commit themselves to non-credible strategy and without such a commitment you cannot succeed. And you cannot receive such a commitment if there is no coherence between your thought and action.

Sir, this being a general discussion on the Budget proper, naturally I will not go into details. But I will outline the contours of the crisis as drawn by the hon. Finance Minister himself. He had spoken eloquently and tellingly of the crisis of the fiscal system ; he had spoken of the crisis of balance of payment he had

spoken of the problems of price situation; he had spoken of the crisis of debt both internal and external and the resultant problem of interest payments. It is against this agenda of crises that I have to apply my methodology of four 'Cs', "commendation", "caution", "criticism" and "clarification". In the containment of the crises, having drawn the contours of them, the very first is the fiscal and economic macro management that the hon. Finance Minister has addressed himself to. We would unhesitatingly commend the hon. Finance Minister for the reduction of deficits whether fiscal, budgetary, revenue or monetary, whichever phraseology he might wish to use. I would like to quote the hon. Finance Minister himself very briefly.

We agree with the following thought of the hon. Finance Minister :

"Macro-economic stabilisation and fiscal adjustment alone cannot suffice. They must be supported by essential reforms in economic policy and economic management, as an integral part of the adjustment process...."

Then, he goes on to say :

"The policies for industrial development are intimately related to policies of trade".

We agree with this thought also. Then, he further says :

"The past four decades have witnessed import substitution which has not always been efficient and has some times been indiscriminate".

We agree with this thought also.

Sir, I commend the hon. Finance Minister for the courage with which he has at least pointed out the difficulties. While commending him on this, when I talk about harmony between action and the utterances, I will cite to you the example of President Gorbachev who has had

the courage to say that my inheritance has been at error, that the though I had inherited by way of Communist thought or Marxist creed has been at the root of the present difficulties that the Soviet Union suffers from. We expected some such can did admission by you, much more open. Unless you do that, you cannot address yourself to the totality of the economic reforms that you are talking about.

Sir, the other aspect that the hon. Finance Minister, as part of the troika, has referred to also in his Budget speech is the reform in the industrial policy and the trade policy. Inevitably, in a general discussion on the Budget like this, a brief reference to them is necessary. But, a detailed discussion on that is yet to take place. I would let that particular reference rest here by saying that this is neither a proper occasion nor the proper opportunity for me to comment in detail on the other two aspects of the troika.

We come to the vexed question of balance of payment and it is indeed very vexed. Our trade balance is adverse. Our invisibles are low. We have a high debt service ratio, but about the exact percentage of it there is some controversy. Plus, we have a low credit rating. We have low foreign exchange reserves combined with a general loss of confidence about India, and a more specific loss of confidence by the Non-Resident Indians. We have low foreign investment in the country which in the past, we have actually actively discouraged.

Further, as correctives to these, this Government and hon. the Finance Minister have applied correctives of devaluation, of pledging gold as a kind of collateral security for the need to raise short-term or immediate money, plus the IMF loan. These are some temporary facilities. Now this is a very large and complex basket. I am not competent to cross swords on the technicalities of this

particular theme with a man of such experienced and competence as the hon. the Finance Minister Dr. Manmohan Singh is. This can only be done after a more detailed examination of the total subject. Perhaps the present time is not the occasion either. But there are certain areas which have left me extremely worried. Firstly, about the external debt itself. I would not repeat all, because it has already been said that our current account balances are adverse because the trade balance and the invisibles themselves are adverse. This is compounded by low foreign exchange reserves leading to external borrowings in which context the IMF—whatever the other aspects of the IMF loan is merely stop-gap arrangement. The IMF, loan, other or facilities that we might draw from the IMF or we might already have drawn in the past are not an answer to our problem. We would be mistaken if we thought that by itself would cure the economy of all the ills that presently ail us. Of course, the Gulf war has compounded our difficulties and we have a situation in which some figures have been cited by the Ministry of Finance, from time to time, and from earlier estimates as to what the war in the Gulf-I referred to Iraq in actual terms would mean for India.

I want three clarifications from hon. the Finance Minister. My first question is, the figures that I have are at the old rate. The last figure I have is only for 1989-90. What is the estimated total external debt that the country has, at present? These figures that I am citing are the figures of 1989-90 and are based on the rupee-dollar rate for 1989-90. At that time, it was roughly Rs. 80,000 crores. Some figure suggests that external debt has currently gone up to Rs. 120 thousand crores. I do not know the correct figure. But I would like the hon. Finance Minister to tell us what sort of external indebtedness does the country have. Then, the question of external commercial borrowings and outstanding debt comes. Now there are various accounts like IDA account, IBRD

account, IMF (EF) Account. I have some figures as on 31st March, 1990, estimated figures. The external commercial borrowings were almost Rs. 22,000 crores. Just purely commercial borrowings are Rs. 21,912 crores as at the end of March, 1990 which I am rounding off to Rs. 22,000 crores. The IBRD Government Account as on March, 1990 was Rs. 9,691 crores, non-Government Account was Rs. 1,083 crores. IDA Account was Rs. 21,038 crores, IMF Rs. 2,362 crores and the Trust Fund was Rs. 164 crores.

We would like to have the correct figures as of date now.

I have a related worry about external debt, and doubts about the guarantees that the Government of India, over a time has either provided or continues to provide. This is not anything that Budget papers contain, to my knowledge. I do not think guarantee figures have ever been contained in any of the budgetary papers. I would, therefore, like the hon. Finance Minister to take this House in confidence and tell me whether my figures that I am now stating are wrong. The maximum amount of guarantees for which the Government have entered in agreement I have figures unfortunately only of 1988-89—stood at Rs. 40,000 crores. The Government was standing surety, at the end of 1988-89, for around Rs. 40,000 crores. Of this sum, at that year, the sum guaranteed and outstanding was Rs. 33,200 crores and in the period 1984 to 1988-89, the country paid almost Rs. 90 crores, principally on account of surety given by the Ministry of Railways and the Ministry of Industry. So, over a period of about five years, the Government and the country has paid Rs. 90 crores purely on guarantee which the Government has provided. I am given to understand that these are guarantees relating to the Ministry of Railways and, surprisingly, the Ministry of Industry. You could well say that when we are talking in terms of Rs. 1 lakh crores or Rs. 1,50,000 crores, a sum like Rs. 90

crores is not a very large sum of money for a country like India and very easily we can pay that sort of money. Yes, we can perhaps. The hon. Finance Minister has gone through the finances of the country with a fine tooth comb and has tried to eliminate fat, to use his own phraseology. I would be grateful if the hon. Finance Minister enlightens the House on this question of guarantees which continue.

I am now on this vexed question, which is part of the totality of our concern with external debt, of details of committed but unutilised external loans.

I have figures of 1989-90 here and I would be happy if the hon. Finance Minister corrected my figures and also brought them uptodate. The total commitment of external loans at the beginning of 1989-90 was Rs. 36,594 crores. Disbursement during that year was only Rs. 2,757 crores. The percentage therefore, works out to something like 13% of the total committed external loan, only 13% was utilised in the year, 1989-90. Unutilised total commitment at the end of the year because the loans keep on accruing, grants keep on accruing, was Rs. 43,000 crores. It could well be argued theoretically that when it is a question of deciding between loan grant and equity, it is not an academic decision as to which is preferable. My question is somewhat different. How is it that in a situation of low foreign exchange reserves, adverse trade balance etc., large sums of money like Rs. 36,000 crores or Rs. 43,000 crores of external loans remained unutilised and our utilisation percentage in that particular year was only 13%? I am entirely mindful of the efforts that the Finance Minister is making in setting right the country's economy. But these are aspects that he has left unsaid or untouched and they worry us. What is even more worrisome are details of committed but unutilised external grants as separate and distinct from unutilised loans. At the beginning of the

year 1989-90, these grants were Rs. 1900 crores, disbursement was around 35 per cent and at the end of the year a sum of Rs. 2640 and odd crores remained undistributed. I would like to have the exact figures of the current year and the reasons why this didn't happen during earlier years.

There is a much more worrisome aspect i.e. regarding external assistance as part of our total concern with external debt. All nations have to pay commitment charges of unutilised portions of external assistance. The figures that I have are as follows : These are commitment charges that the country has paid on unutilised portions of external assistance. I have the figures from 1987-88 to 1989-90. In 1987-88, we paid a commitment charge of Rs. 81.91 crores. In 1988-89, we paid a commitment charge of Rs. 95.37 crores and in 1989-90 of Rs. 81.37 crores. In the three years, therefore of 1987 to 1990 we paid an amount of Rs. 258.65 crores merely as commitment charges because the Government of India, or whatever agency were unable to utilise the assistance which was lying, it is a double bind. Not only you do not utilise the assistance but you actually pay out of scarce money to leave it unutilised. I would like the hon. Finance Minister to explain to us this profligacy and explain to us also the latest position in this regard.

There is a further worry. It is about the commitment charges paid to the World Bank. Again, it is a question of non-utilised loans. In this case, I have figures from 1985-86 to 1989-90. I will not read out the annual, yearly figures. I am sure, the hon. Finance Minister has access to these figures. Between IBRD and IDA, the total charge from 1985 to 90 comes to Rs. 355 crores. Therefore, in this period the country has paid Rs. 613 crores—may be around Rs. 614 crores — as commitment charges on unutilised loans and grants. The hon. Finance Minister has done

an admirable job in telling us what is the wrong with the economy, how the past Governments have been profligate. But a part of this past that I have read out relates to 1985-87, to 1988, it relates to Government whose praise the hon. Finance Minister was lyrical in singing. Would he therefore explain all this profligacy? Would he also give us the exact figures? Would he give us the latest figures and why they remained unutilised ?

I come to the question of Non-Resident Indian Account. I don't have to go into the two accounts that exist—the Rupee Account and the Foreign Currency Account, for the total is something like Rs. 17,600 and odd crores. The hon. Finance Minister has taken various steps to encourage Non-Resident Indians to invest more in the country whether in housing or other bonds or through gifts or whatever it may be. I think this step is a commendable step that the Government has taken. But as I said earlier I will, wherever necessary, add caution to the commendation. I would caution the Government and the hon. Finance Minister regarding the inherent brittleness of this support of the NRI that you are banking on. As I started by saying that you have to have coherence leading to credibility. And the NRI support that you are banking on is inherently a brittle support because it is directly related to credibility. And if it is directly related to credibility, the NRI support can abandon precisely when most needed. I am sure the hon. the Finance Minister is aware of all this. But I would value his....(Interruptions).

**The Minister of State of the Ministry of Steel (Shri Sontosh Mohan Dev) :** What about defence ?

**Shri Jaswant Singh :** I am coming to defence in a minute. My dear friend, an hon. Member from Tripura with whom I have often broken lot of bread is impatient for the anomalies of the Defence Budget.

On this question of opening the country to foreign investment, I think, *we should avoid academic discussion between loan, grant or equity participation.* One would go along in saying that "Yes, you must ask people to come and join you in venture capital because then they are joining you in the risk inherent in a venture." But when the hon. the Finance Minister in the Budget speech talks about 50 per cent or 51 per cent ceiling on investment and then he leaves the precincts of this parliament and goes and makes a statement outside saying that it would well be hundred per cent also, it worries us. Mr. Finance Minister, I did start by saying that unfortunately the Prime Minister has been bit disingenious in entrusting this responsibility to you because there is an aspect of parliamentary propriety also involved in this and I am not going to push this matter too much. But when the .... (Interruptions).

**The Minister of Finance (Shri Manmohan Singh) :** Sir, even under the existing policies, in certain cases, hundred per cent of foreign equity can be allowed in an exclusively export-oriented ventures.

**Shri Jaswant Singh :** I am aware of that. But I was cautioning.... (Interruptions)

**Shri Indrajit Gupta (Midnapore) :** Has it been allowed ? It can be allowed.

**Shri Manmohan Singh :** It is permissible under the existing policy.

**Shri Indrajit Gupta :** Has it ever been permitted ? Please give me an example.

**Shri Manmohan Singh :** I do not have the figures.

**Shri Indrajit Gupta :** It will never be. (Interruptions)

**Shri Jaswant Singh :** I am aware that you can, if the hundred per cent export comes up. I do not know

whether they have actually been given or not given. But I was really referring to what the hon. the Finance Minister in a statement or a discussion said outside, "we could give hundred per cent also".

**Shri Manmohan Singh :** That is what I said.

**Shri Jaswant Singh :** That is right. Some others who will intervene subsequently in the debate on the General Budget might not be equally considerate of what you have said outside.

Now take the IMF and its conditionalities etc. Between July-September 1990—please correct me because some of these figures are in the Budget papers also—to July 1991, we had two major transactions of Rs. 1173 crores or 22 per cent of our quota between July-September 1990 and the other one of Rs. 3334 crores under CCFF. Now we have drawn almost Rs. 5000 crores from the IMF. And the last we drew was on 22nd of July when we drew, I think, Rs. 220 crores. I am sure, all these were with conditionalities.

**Shri Nirmal Kanti Chatterjee :** No. (Interruptions)

**Shri Jaswant Singh :** I would like the hon. Finance Minister to say that or the 22 per cent of the quota, and then to Rs. 3344 crores which was under CCFF and, now Rs. 220 crores which came on the 22nd July, I am sure, there were the conditionalities. And when we talk of conditionalities, we accept and we understand that. If I were to go to a bank today and ask for a loan, for example, to buy a car or something, the bank will firstly not grant me that loan. But if it were even to consider granting me that loan, it will ask for a collateral security and it will impose conditionalities depending on who you are.

Thereafter, for the Finance Minister on behalf of the Government to assert that we are maintaining our economic sovereignty; we are

not letting it be coloured; and there are no conditionalities. I am afraid Sir, it is really insulting the intelligence of the country. It is certainly insulting the intelligence of all of us. I have here a paper with me—I do not know whether these are correct, I do not know whether you will admit it then—but, I do beseech you Mr. Finance Minister to let us know — which says that a former senior official of the Reserve Bank of India, I do not want to take his name, as having said that the Government of India is committed to the adjustment process in 1991-92 as part of the conditionalities. The Fund has apparently laid down the following conditions. Now, it is entirely possible that the Fund has laid down conditions, which you yourself believe sincerely are the conditions or are steps that you want to take. But that is not my question. My question is about economic sovereignty. Has the Fund laid down any of the following conditionalities ?

- (1) scaling budgetary deficits and reducing the subsidies to the minimum;
- (2) ceiling on external and internal debt;
- (3) liberalisation of policies to expand exports;
- (4) to reduce imports;
- (5) contract trade gap;
- (6) rationalise public sector by weeding out inefficient units; and
- (7) strict control of the flow of credit to the private sector.

Similar conditions have been imposed on the loans given to other countries. These conditionalities have come to light in 94 sample cases, reviewed by the IMF, as also that of India's own experience with regard to the loan taken in 1981. When examined, it would highlight that some of these conditionalities are

repeating themselves. I, therefore request the hon. Finance Minister to enlighten us on this score.

I come to the question of prices. It is our greatest worry. At the very beginning, I said that we are opposing the Budget on five or seven grounds, one of the grounds was inflation. Your strategy, and I think you have subsequently in your Press Conference and other discussions defined it, is that you wish to manage deficit, thus the money supply and depress the prices in the long run. But what about the short term thereby or the immediate revisions? We already have a consumer Price Index of 13.6 per cent and I think 13.6 per cent is perhaps, yesterday's figure. I think a realistic figure of the consumer Price Index would be about 14 per cent. Now, when you have a situation of an existing inflation rate of 14 per cent, I will come to the figures in a minute, when you have done what you want to do in regard to Railways, fuel, fertilisers, sugar, and power, inevitably, you will in the short and the medium term, cause a cost push inflation.

I am not a student of Economics and I started by saying that I certainly cannot match the hon. Finance Minister's knowledge and experience on the subject, but, I have enough experience of public life, so as to be able to tell that the atmosphere in the country, so far as prices go is brittle. It could break at any moment. What it requires is the pouring in of the cement of confidence.

I am sorry, Mr. Finance Minister, that the steps that you have taken in regard to these, however worthy or unworthy they may be and I am not applying any value judgement here and have not poured any confidence into the price situation. On the other hand, they have eroded the confidence in the short and medium term and in the stability of prices. Why is it such an important factor for us—the emphasis—while saying that we

are opposing the Budget. Because, simultaneously, you have not enabled the common Indian to have any additional paise in his pocket. The middle class or the poor has not been enabled to have additional money. You have raised prices but you have not given any additional money. How are you going to cope up with the situation, however commendable your long term policy about containing deficit might be.

On the public sector I am very worried because I think the hon. Finance Minister has been extremely timid in two areas of his economic reforms and extremely timid in his total budget speech and those two areas are public sector and Planning Commission.

There are 98 central public sector establishments which as a whole are incurring heavy losses. I do not want to name them—the hon. Finance Minister knows them. Every possible kind of activity is included in these 98 establishments from Airlines to FCI to Fertilizer to Transport to Coal Fields to Papers to Chemicals to Textiles to Hotels to Pharmaceuticals—they are all making losses. Those public sector units—some sixty and odd—have a rate of return of less than 8% compared to the capital employed. They are also responsible for reducing the overall return on investment. Computed on the ratio of net profit to capital employed, the overall return on investment in public sector undertakings for 1988-89 is barely 4.4%. The Department of Public Enterprises or the Planning Commission have never undertaken any exercise for calculating the net incremental output ratio with reference to capital formation and the gross domestic product of the PSEs. The most critical sector of this which consists of trading, marketing, transportation services and Finance in fact does not significantly affect the overall performance of the enterprises as there is no relationship between capital employed and the value of the productive services.

The clarification therefore that I seek is that it won't suffice merely to offer two thousand and odd crores worth of their equity to whoever wishes to sink his money into a deep well from where he would not recover it. You might recover Rs. 2000 crores for spending when you badly need it; but that will not lead to a reform of the public sector enterprises as such. I would like the hon. Finance Minister to share his thinking but with less timidity on this particular subject.

Secondly, what has been the outcome of the various memoranda of understanding that were attempted to be signed with various public sector enterprises in the period 1985-90?

I come to the much more worrisome aspect of the entirely public sector undertakings—an aspect which is commonly not referred to in the Parliament, an aspect, in fact that goes largely unreported because a number of these units are unaudited, they are the public sector units of the various State Governments. This is truly an horrendously frightening situation.

**Shri Manmohan Singh :** This is precisely what I said to the hon. Finance Minister of UP when he came to call on me. The largest number of them are in the UP.

**Shri Jaswant Singh :** I am glad that when reminded the hon. Finance Minister shares his views with me. But I have to remind him as to what is wrong with the State units. Look at it. The total investment by way of capital and loan to the public sector units of the various State Governments is a horrifying figure. It is Rs. 11,21,890 crores. I do not know what eleven lakh crores look like. I am not saying this lightly. This is a figure computed by the Comptroller and Auditor General. And the CAG says that they face a great difficulty in the public sector units belonging to the State Governments because they have never been audited and when the CAG goes and makes all

that effort and audits those wretched enterprises, the States do not clear those audits.

Now, I really want to know this—here is a figure like Rs. 11,21,890 crores. Out of these companies, 206 showed a cumulative profit of Rs. 131 crores. Out of nearly Rs. 11 lakh crores, it is Rs. 131 crores, 514 companies or State units showed a cumulative loss of Rs. 2,01,965 crores. Thus, the total loss to-date is Rs. 86,834 crores. The return on investment is of course, negative. As of 31st March 1990, there are 807 companies involving a paid up capital of Rs. 62,27,000 crores and a loan of Rs. 7,000 crores.

The hon. Finance Minister has tapped all sources. I will come to that later. He talked about loan waiver to farmers of Rs. 1,500 crores. Repeatedly he spoke of what damage this amount of Rs. 1,500 crores has done. (*Interruptions*). I understand the point. I will relate that loan waiver to the fields to which it ought to be related.

Now about banking and financing sector. I think, the hon. Finance Minister has to be commended on some of the steps that he has taken here. I would have expected from the hon. Finance Minister a much more candid admission that the banking sector is really in its death-throes. If the real picture of the banking sector were to be revealed, a large number of these public sector banks today will go the way of BCCI and I do not know what we would be faced with.

It is a view that I hold and I am sorry because the totality of the banking sector will not lend itself to correction merely by what you have suggested here, though we commend the steps you have taken.

I would like to know what reform you are conceiving ; what it is that you wish to do; that you wish to appoint a high level committee to consider all relevant aspects is good

but would you also entrust to this high level committee to see the exact state of these banks—the public sector banks.

I think the step that you have taken on interest rates is a commendable step. We would go along with it. We would also go along with you in lifting the interest rates on debentures—both convertible and non-convertible—and also of raising of interest rates on small saving. That your wish to give statutory powers to SEIBA is a welcome step. As you yourself said, the Security Contract Regulations Act will have to be amended. There should be a reform on stock exchanges—that is a step which we welcome.

So far as throwing open the whole field of mutual fund to investment and not leaving it State monopoly is also a welcome step. About your wish to review comprehensively the policies and procedures about Non-Resident Indians, I have already spoken of. That you wish to restructure the Bureau of Industrial Costs and Prices and convert it into a Tariff Commission is also a welcome step.

So far as banking and finance goes, I have already talked about them. About labour and industrial sickness, I am afraid, the Budget speech is silent. I do not want to repeat what you have said about National Renewal Fund. Am I correct in assuming that what you have said about National Renewal Fund is a kind of enlarged BIFR with Labour interest thrown in? If my understanding of it is incorrect, I would be happy if in your reply, hon. Finance Minister, you let us know what exactly the National Renewal Fund would be doing? There

16.00 Hrs.

is one aspect of the honourable the Finance Minister's speech with which we in the BJP are totally in agreement. It is part of our manifesto. We have consistently subscribed to that thesis. We are opposed

to the arid consumerism of the West. I think, the honourable the Finance Minister — I might share a thought on a personal note with him—was very eloquent, touchingly eloquent, when he spoke of that small drought-prone village now in West Panjab from where he has now reached the high office of the Finance Minister of India. I too am born in a village. It is not merely drought-prone but it is actually a part of the Indian desert. And I understand without having to be explained what the honourable the Finance Minister was talking about when he said about where life has reached him and where life has brought him. Therefore, when he talks about the sheer vulgarity and aridity of consumerism, we are entirely in agreement because it is this consumerism which proliferated in the period 1985—90. When the honourable the Finance Minister talks of trusteeship, we entirely agree with him because you cannot eliminate poverty unless you first produce wealth, unless you create wealth. That wealth, or ownership of wealth or possession of wealth, merely from the point of view of empty soulless consumerism is not an end that the BJP subscribes to. We do believe. It is part of our manifesto that the concept of trusteeship which Gandhiji so eloquently spoke of and which the honourable the Finance Minister also in eloquent words spoke on, is something that we entirely agree with.

I have already taken a lot of time. But I think I do have a point about interest. The honourable the Finance Minister has himself spoken at a great length about interest. I think, he has already underlined the fact that if the correctives had not been applied, today virtually 47 per cent of our revenue would have gone in merely interest payments.

I just want to know one thing like I wanted to on the question of external debt. What is the total internal debt that we currently suffer from? There is just one additional

aspect so far as interest goes. I am speaking as a Member of Parliament—of course, as a representative of a State, but equally mindful of the interests of the Union. My problem lies with subsidised rates of interest to State Governments. Am I correct—please correct me if my figures are wrong—that against an average cost of 11.5 per cent to the Union Government, interest charged from the States generally is only 10.25 per cent? Where does the balance come from?

In respect of loans out of small savings, interest paid by the State Governments is 13 per cent. The cost to the Union Government is much higher because the States repay over 25 years whereas the Centre is to repay over a six-year period.

Further, when foreign loans are passed on to the State Governments, the Union Government bears the exchange fluctuations. Now will you reconcile this thought because you talked about interest rates and you said that a great deal needs to be done? This is a very major problem, but you left unattended the question of interest subsidy. I will call it interest subsidy to the States.

On the question of defence, both the honourable the Finance Minister and the Union Defence Minister have spoken, and in very brave words about defence preparedness—that is the usual—'cliche—word—'that we will not let our defence preparedness suffer etc. We will maintain our defence preparedness at the highest, etc., etc., and so on".

Now, I would like the honourable the Finance Minister to explain to me how he is going to do this? I am not talking about the revenue budget of the Ministry of Defence because the revenue budget is really the establishment costs' and roughly 65 per cent of the defence budget, in any case, are establishment costs.

Sir, you have allocated Rs. 5211 crores in the current year for the capital Budget of the Ministry of

**Defence.** Now, please reflect for a moment on the figures, Sir. The Budget estimate on this account for 1990-91 for the Ministry of Defence was Rs. 4892 crores and the revised estimates came down to Rs. 4738 crores for the same year. So, the capital Budget of the Ministry of Defence, in any case, came down in addition to inflation. I am not going into the BE; I am going into the RE for 1990-91. You have gone from Rs. 4700, odd crores to Rs. 5200 crores. The hike in the capital expenditure of the Ministry of Defence is around Rs. 500 crores. If the inflation is at 14 per cent and if the rupee devaluation is at a conservative estimate of 20 per cent, then these Rs. 500 crores have gone in only one account. The capital expenditure of the Ministry of Defence takes care of modernisation, weapons upgradation and keeping them up, wherever necessary. The capital expenditure is also inclusive of things like barracks, storage, facilities and housing for soldiers to live in. There is an acute housing shortage. So, on that account, you have actually brought down the Defence Budget. And if you have brought down the Defence Budget, please explain to me Sir as to how are you going to maintain what you call "full defence preparedness". I would be very happy to be reassured on this score.

Next come the subsidies. I am sorry that I will be taking a little more time. But it is necessary for me to cover this aspect. I would not go into the subsidy that has met with the hon. Finance Minister's axe. He has taken something away from sugar and about Rs. 2000 and odd crores from fertilisers. I am not, therefore, on explicit subsidy. I am on some of the quasi subsidies and some of the hidden subsidies. I think some of the quasi and hidden subsidies are extremely frightening. Sir, the hon. Finance Minister has already taken Rs. 2000 and odd crores out of Rs. 4000 and odd crores from fertilisers. On export subsidy, he has taken away the CCS and replenishment licences. If I am not

mistaken, he has taken about Rs. 1300 and odd crores on that account. Some of these have been necessary. I am not, however, convinced whether the fertiliser subsidy could not have been handled by taking away some of the other subsidies. For example, I cannot understand the default in payment of interest and principal by public sector enterprises and if they are to continue to run as they are doing now, then to my mind, it is subsidy. Just look at these figures.

**Shri Manmohan Singh :** How do you abolish these things overnight?

**Shri Jaswant Singh :** Mr. Chairman Sir, the hon. Finance Minister is asking "how do you abolish?". I would like to know how you abolish earlier? What you have done in the case of Coal India and DESU is that you have actually written off hundreds of thousands of crores. And you wrote them off between March 1986 and March 1989. The Hon. Finance Minister has now asked as to how to actually do away with them overnight.

Sir, against Coal India the loan outstanding amounting to Rs. 3700 crores the default of principal is about Rs. 500 crores and the default of interest is about Rs. 830 crores. I would like to give you just three other examples. The Delhi Electricity Supply Union has a loan outstanding of Rs. 125 crores; the default of principal is Rs. 125 crores and the default of interest is Rs. 154 crores. I am glad that my friend, Mr. Khuranais not here. Otherwise, he will get very angry with these things.

**Shri Manmohan Singh :** You should have consulted Mr. Khurana before you speak on that subject.

**Shri Jaswant Singh :** He would protect the interests of Delhi. But I am obliged to point this to you. He does very well to protect the interests of Delhi.

**Shri Manmohan Singh :** Do you know Mr. Jaswant Singh that if what you are saying is done, then

There has to be a further sharp increase in the prices of coal and electricity in Delhi and then there will be the concern of cost inflation that you have been talking about.

**Shri Jaswant Singh :** I think the hon. Finance Minister is missing the point altogether, because he has taken away Rs. 2000 crores from the farmers. Here is the position of the Coal India. The loan outstanding against Coal India is Rs. 3319 crores. This is as on March, 1989. I don't have the latest figures. I must admit that and perhaps he could give us the latest figure. The default of principal is Rs. 310 crores. Default of interest is Rs. 604 crores. Now, certainly Coal India is not something which my honourable colleague, Madan Lalji Khurana is greatly excited about. It is only an illustration. DESHU is only an illustration of the profligacy that you have shown all around. I have got some figures about the Delhi transport, which I do not want to repeat. You just look at the amounts of money that have been written off by the Government. DESU, despite this has dues outstanding to Badarpur Thermal Power Station, as on 31st March, 1989 of Rs. 1430 crores. The point, Sir, is not whether power supply will become more expensive. The point is of managing what is in your case. You cannot take recourse; you cannot say that it is all right for DESU to keep on having their debts being wiped off; for them to run up debts like Rs. 1430 crores after everything has been wiped off and yet continue to persist with the profligacy in the case of Coal India.

**Shri Manmohan Singh :** I will take your advice seriously in this matter.

**Shri Jaswant Singh :** I would not persist with this point. I am not trying to score debating point with the Finance Minister. But you have this kind of financial situation where repeated amounts have been written off in the case of Coal India. An interest subsidy is being given to

Mazagon Dock; to Coal India, to Khadi and Village industries and to Bharat Gold Mines. I would like to know why are you giving an interest subsidy of Rs. 230 crores annually to National Textile Corporation. Rs. 4000 crores subsidy to the farmers on fertilisers worried this Government. Loan waivers of a pittance, when you talk of what has already been waived to Coal India and all these people, worried this Government. In the case of Coal India loans amounting to nothing less than Rs. 5000 crores have been written off. I would like the Finance Minister to correct me on this.

**Shri Manmohan Singh :** Are you suggesting that the coal prices should have been raised? I would appreciate your answer to this question.

**Shri Jaswant Singh :** Sir, I am referring to the hon. Finance Minister finding fault with previous Government in saying that they waived the loans of the farmers. And I am simultaneously finding fault with the Finance Minister when he finds nothing abnormal in Rs. 5000 crores being written off for Coal India. Sir, I find fault with the hon. Finance Minister when he finds difficulty with the subsidy being given to the fertiliser segment of the Indian economy, which goes directly to the farmers, on the contrary he finds nothing wrong with the profligacy of Coal India.

**Shri Manmohan Singh :** That also goes to the farmers. If you have higher coal prices, it will raise the price of electricity. Because of this farmers would also suffer.

**Shri Jaswant Singh :** It is a feeble economic point. In large parts of India the farmers have the lowest priority when it comes to power supply. A farmer does not get the power supply at all, and when he does get that power, he gets it when it is the coldest part of the night. He stands in the cold to water his field. I don't want to enter into this point. The point that

I do wish to make is that the Hon. Finance Minister finds fault with the loan waivers but he does not find fault with the Loan Melas. He finds fault with the subsidies to the farmers but he does not find fault with the.....

**Shri Manmohan Singh :** I am sorry that you are mixing up the issue. Please give me a chance. Why do we have Loan Melas? People complain about corruption in the banking system. People say that when a small farmer goes to the bank, the Bank Manager exploits him. We wanted to end that situation. We said let this whole thing be done in a broader day light so that these poor people acquire some bargaining power. Therefore, there is no comparison between Loan Melas and Loan Waivers. (*Interruptions*).

**Shri Jaswant Singh :** I will come in a minute to a recent example of Loan Melas. I did start by saying that hon. the Finance Minister is a political innocent.

**The Minister of Health and Family Welfare (Shri M. L. Fotedar) :** He is politically a conscious person.

**Shri Jaswant Singh :** Therefore, when he stands up to defend an indefensible thing or when he attempts to cross swords with us on terms which are purely political and when he wishes to justify the wholly unjustifiable, like the Loan Melas, then I will tell him not to do this. I have very high regard for him. There is no question of my being able to match his expertise, economic expertise but please not on politics. There was another difficulty that I had with the Budget. That difficulty was with the infrastructure. We have said that this Budget does not give sufficient attention to infrastructures like fuel and transport. Look at the situation. Our power generation is low. Subsidies are high. Oil exploration is unsatisfactory plus Oil exploitation is also unsatisfactory. And crude and refinery throughput is even lower. Combined with higher cost of oil, higher consumption and

everything—despite your 20 per cent—how are you going to break this chain? The Budget is silent on this. We would like to be informed and that is why I had said that we oppose this Budget.

Regarding tax measures, we will have more and better occasion, to speak on this aspect. Of course Finance Bill is there. But the revenue measures disturbs me somewhat. I will give you the details. You have raised Rs. 6600 crores, through fresh taxes. You have taken around Rs. 2000 crores from the farmers. You have raised Rs. 1600 crores on petroleum. 1,000 crores of rupees in a full year would be the amount which the Railways would met. So, it comes to Rs. 6600 crores.

**Shri Manmohan Singh :** You are complaining about infrastructure. How can the Railways do, that you want them to do if they do not get the infrastructure ?

**Shri Jaswant Singh :** I understand the difficulties. I really wish that you had been the Principal Advisor to the Ministry of Finance and not entrusted with the political management of it. Because then the Government would have benefited both ways. They would have benefited from your great expertise as they ought to have been doing. Secondly they would be then standing in the front line here and taking the fire from us. Instead, they have fielded you and you quite rightly said : "How will I manage this". Because the response is that of an Economist. You have been a civil servant all your life. But my response is that, you have taken Rs. 6600 crores and you have imposed it on the common Indian and you are saying that the prices will not go up. Please tell me, how will they not go up ?

**Shri Monmohan Singh :** I will tell you.

**Shri Jaswant Singh :** I am not an Economist. So far as the reforms in taxation systems are concerned—the time for the various tax measure

and all your suggestions that a civilised country does not have more than 45 per cent direct taxes, a thought with which BJP is very much in harmony—we are waiting for that day when you will be able to implement them. I have one very great difficulty.

**Shri Manmohan Singh** : You can help me in that. You have lot of things with the trading community.

**Shri Lal K. Adavani (Gandhi Nagar)** : He is not responsible for the last forty years. You should defend that.

**Shri Saifuddin Choudhury** : You have so many difficulties.

**Shri Jaswant Singh** : I have one very great difficulty. The hon. Finance Minister, in a situation of great financial stringency, he has called it as a crisis of the kind that the nation has not ever encountered.

In a year, when he has allocated only Rs. 76 crores to food, Rs. 43 crores to food processing, Rs. 74 crores to youth and sports, Rs. 74 crores to art and culture, etc., he has found it fit to denote Rs. 100 crores to a foundation that is yet to demonstrate its existence.

**Shri Manmohan Singh** : I would like to do more if I could.

**Shri Jaswant Singh** : In an interview, the hon. Finance Minister has said that he would like to give more. It is not a question of scoring a small debating point. However worthy the aims of this foundation and however commendable the virtues or worthy the name that is being commemorated through this foundation. I find it difficult to reconcile myself to this extremely unusual step of donating Rs. 100 crores to a private foundation, which is virtually, I am told, a family foundation.

**Shri Manmohan Singh** : That foundation has got very distinguished persons. Who can be more distinguished than the Vice-President of India? Who can be more distinguished than

the Prime Minister of India? That foundation has got very distinguished trustees.

**Shri Jaswant Singh** : I also read the statement by the hon. Finance Minister in which he has said that sentiments have also got a place in the life of a nation. But the sentiments in perpetuity or for ever cannot really be focused only in one direction. I think the hon. Finance Minister has really made a very feeble point when he says that the Prime Minister or the Vice-President of the country is invited to join a private foundation to which Rs. 100 crores have been denoted. I find the argument that he has put forward in support of what he has done, as very very feeble. I am afraid, I would like to make my intention very clear here ; and I have sought the permission of my leader before saying so. I oppose it. With the consent that I have taken from my leader, I am going to move a cut motion on this very Rs. 100 crores. I would appeal to my friends in the Opposition to please reflect on this because this is a kind of dual face and profligacy to which I certainly cannot lend support. By all means you have foundations. There are many foundations with many worthy Indians, with many worthy aims, perhaps equally deserving. But if I had anything to do with this foundation, I would find myself actually embarrassed to receive this money in this time of national crisis. I would be greatly disturbed about it. I would, therefore, make it very clear that on this particular issue I am going to move a cut motion ; and I would request the support of good Indians, good fellow Members of Parliament to reflect on the inherent wrong of the step that has been taken, contemplated or already taken by the hon. Finance Minister.

Through the Budget, what is being attempted, and simultaneously is both crisis management and economic transformation, it is a very large canvas ; and I commend the courage and the integrity of the hon. Finance

Minister for undertaking that task. Because, I do believe that only a man of integrity and courage would be able to simultaneously take on the responsibility of crisis management and economic transformation.

I wish you well, Mr. Finance Minister, and I hope that your endeavours will meet with success, because on that will depend the well-being of many millions of Indians. Should you, Heavens forbid, fail, it will not delight me personally. Because, we want you to succeed, we want the nation to prosper.

There is, however, one concluding thought that I leave with you, as a caution. In the kind of economic reforms that you are attempting, many factors other than mere good intentions or goodwill will come into play in India. I think, keeping our permanent priorities in mind, we have to recognise the relevance of your quotation of Victor Hugo about the idea whose time has come. That is why I agree with you that we have to change the focus of our political economy. However, we will neither succeed nor will we be efficient, if we drew a dividing line between economics, sociology and politics. When considering the kind of political economy that you or we aspire to, Mr. Finance Minister, I am filled with some worries. Decentralisation both political and economic is a creed to which the BJP has been committed for a very long time and is something that we now believe is inevitable in India. But we also recognise in the BJP what your Party does not : that whoever calls for decentralisation has to simultaneously be in favour of competitive markets. These, however, will function only if there is mass consumption, which means if you have given the poor of India the poor of our land money to spend for that, you have to first provide money in the pockets of the poor of India and much more important, you have to simultaneously ensure, not just sufficient local production but an efficient local distribution.

I am worried because the instrumentality—No, not your intention—with which you wish to do all this remains the same. Where are you getting that new energy, that new enthusiastic bureaucracy, that new enthusiastic political party from?

In other words, that the key at the heart of all this lies the challenge of productionising the creative genius of India. That is where my second worry lies, Mr. Finance Minister. On account of long term processes of political, economic and social deformation, which you yourself have pointed out, going back to the past forty years in our country, such competitive markets will not be created by market forces alone, or through political mobilisation like, for example, this Budget alone. They require complex strategies, characterised by eclecticism. Do you or your Party possess that kind of eclecticism ? I do not believe you to do. That is why I oppose this Budget.

**Prof. K. V. Thomas (Ernakulam) :** Sir, before I participate in this discussion on the Budget, with pain and anguish I would like to comment on the reactions of the BJP for allocating Rs. 100 crores for the Rajiv Gandhi Trust. There should be no debate on this point. Rajivji was a person, who was loved and respected not by the Congress members alone. The sacrifices made by Shri Rajiv Gandhi and Shrimati Indira Gandhi cannot be forgotten. Even if the Opposition succeeds in cutting out this proposal of giving Rs. 100 crores to Rajivji's Trust, I am sure that thousands and thousands of people, who loved Rajivji will donate more than Rs. 100 crores to this Trust.

Sir, usually when a Budget is presented in the House the Opposition throws brickbats and the ruling party gives bouquets. But this is a Budget which has been welcomed by the people in different walks of life. The fourth estate of this country has widely welcomed the Budget and the new industrial policy.

Sir, I would like to quote an editorial captioned "Truly historic" appeared in "The Times of India" on 25-7-91.

It says :

"India is going to join the global economy but at its own pace and its own terms. That is the principal message of the Budget and the new industrial policy . . . ."

It say again :

"The industrial policy opens a new chapter in India's economic history . . . ."

Sir, never in the history of pre-independent India, we have faced such an acute foreign exchange deficit as we face today. We have to get through this period of crisis without jeopardising our national interest and national pride.

Sir, economic stability and political stability are the two parts of the same coin. We cannot achieve one without achieving the other. When I say that the economic situation in the country is deteriorated to the present state from the end of 1989 onwards, I am not accusing or I am not pointing an accusing finger to the Opposition parties. But look at the bare facts. From 1989 onwards, we had three general elections. Three Governments come to power. Sir, in 1989, all the anti-Congress parties in the country united together to unseat Congress from the seat of power. They won in that attempt. Shri V. P. Singh became the Prime Minister.

16.34 Hrs.

[Shrimati Malini Bhattacharya in the Chair]

But this alternate political conglomeration to Congress Party lacked vision and direction. It fell within 11 months. Another Government came to power. Shri Chandra Sehkhari became the Prime Minister. And that was a comic interlude which lasted for four months. Again the mantle of power is bestowed on the shoulders of the Congress Party.

Congress has to restore political and economic stability that has slipped out of hand during the last one-and-a-half years. This is not a simple task. It needs political will, political wisdom and political courage. It was proved during the last 44 years that the Congress is the only political organisation which has this wisdom, this will and this courage. The path opened by Pandit Jawaharlal Nehru which has been followed by Shastriji, Indiraji and Rajivji, will be followed by Narasimha Raoji.

The present industrial policy has a global vision. The licence-permit raj which has been roaming through the corridors of power and which has been hampering our development, is held in captivity for ever. At last the entrepreneurs have seen the dawn of freedom. Again I quote the editorial from "The Times of India" which says :

"Entrepreneurs are free to decide what to invest, where and how much."

Liberalisation has helped Indian companies to compete in the world market. The door for modern technology is wide open.

Some of our friends accuse that liberalisation will only help the world monopolies. They accuse that the multi-nationals will invade our industrial sector and like a virus will finish our economic and political structure. My question is, is our industrial, economic and political structure which is alive for the last 44 years, is so fragile that it will be crushed and finished off by the multi-nationals?

Let us look into the political background of our nation. In 1857 when the great mutiny took place 215 million Indians were subjected to 1000 share holders of the East India Company. When the East India Company was replaced by the British Crown the political and economic power was used as an instrument of oppression. This is what happened before independence.

In 1947 when we became independent and when our population was just 40 crores we had to import rice, wheat, pulses, edible oil, cloth and so on.

Now, after 44 years of independence, we are self-sufficient in food-grains and we can even ship the surplus food-grains abroad. Our beautifully designed textiles are competing in the world market. In 1947, we had to import even the paper, Sir, we had to import the printing machine. Now, what we find the printing machines which we manufacture in HMT are being exported even to West Germany. We have moved ahead, we have gone ahead. Our literacy rate has improved. The infant mortality rate has declined. The longevity has increased. The road and the railway lines have already been doubled or even trebled. So, this is the fast progress we have made. So, from the initial stage of 1947 our economic structure, our industrial structure have grown to a matured stage and this is the time we have to put into test the strength of our economy, the strength of our industrial structure. I am not arguing that everything has gone well. I am not arguing that we are very strong. We have to move ahead. Sir, in this connection, I would like to compare our economic position with the position of our neighbouring countries to know where we are. When we look at the industrial output from 1960-1988 when India was 5.5 per cent our next door neighbour Pakistan was 10.8 per cent, Thailand was 11.5 per cent, Taiwan was 13.2 per cent and South Korea was 16.5 per cent. Similarly, when you look at the volume of farm output from 1970-89 when India was 2.1 per cent, Indonesia was 3.4 per cent, Malaysia was 4.7 per cent, Philippines was 3.7 per cent and Thailand was 4.5 per cent. This shows even though there is a considerable improvement in our agricultural sector, in our industrial sector, our neighbours have moved far ahead. So, we have to cope with the development that has taken place in the neighbouring

countries which can be done only by opening our doors to modern technology.

I would like to read out the comments made by one of the economists. Indian economy is like an elephant, immense cautious, slow moving but also sure footed, strong and purposeful. It has to get the fastness of a tiger. Sir, I quote from *London's Economist* of 4th May 91.

It says :

"India is a tiger caged. This tiger, set free, can be as healthy and vigorous as any in Asia. Releasing it will, however, be immensely difficult. What needs to be done is quite clear—which makes India's misery all the more heart-breaking. The challenge is political."

Again it says :

"India has huge economic strengths ; its comparative advantage is cheap and well-trained labour could make it a global source for many sorts of manufactured goods. Everything you see in a humming centre of business such as Bombay tells you that India would thrive on greater competition, astonishing itself and the rest of the world."

So, this shows where we are. Should we be afraid of the monopolists, or foreign technology to have a free walk into our industrial structure ?

When we change our industrial structure, when we change our economic structure, we should look also at the world scenario. What is the present world scenario ? The communism is collapsing in Eastern Europe and the period of the battle of slogans is over. In Soviet Russia, which is one of our very closest friends, "Perestroika" and "Glasnost" have changed their political structure and the economic face.

So, Sir, when the entire world moves, when the entire world changes, can we say that we are bound to close our doors? We have to open

our doors much more wider. So, with this perspective in mind, I would like to put some questions to the hon. Finance Minister. One is on devaluation. I am not an economic expert but I am asking the question as a layman. I come from Cochin from where we export fish. Before devaluation, for one particular type of prawn which is called the tiger prawn, we were getting \$ 10 per kilogram, which means about Rs. 140. After twenty per cent devaluation, for these ten dollars, we are getting about Rs. 168. So, many of our sea products exporters who had a good stock, minted money to the tune of Rs. 70 lakhs to Rs. one crore. But what is the situation now? The foreign buyers know the market position in India. What they have done is that they have brought down the price of this tiger prawn—which had been fetching ten dollars—to eight dollars or nine dollars ... (Interruptions). This is wide open. What I am telling is that this decision for devaluation has been taken so that our exports increase. What we find is that the foreign buyers know the actual position of our Indian market. We have to compete with other countries like Thailand with regard to sea foods. So, I think the hon. Finance Minister should again give his mind to this problem whether the devaluation itself is going to help our Indian economy.

Then I come to the banking sector. I do not want to go into an argument. But, there is a feeling in this country that our banking sector is like an egg shell. It may crack at any moment. An in-depth debate or discussion should be on the effect of loan mela as well as on loan waivers on the Indian banking sector. We should have an in-depth discussion on this matter, without prejudice to anybody.

Coming to the withdrawal of subsidy on fertilizers, I have got my own doubts. The Indian farmers are a group of people who make use of fertilizers to the least

and their percentage of use of fertilizers is the lowest in the South Asia. I am not talking of any particular State. By and large, our use of fertilizers is the lowest in South Asia. Now when you are removing the subsidy, that means the price of fertilizers will go up. I am coming from Cochin where FACT is manufacturing Ammonium Sulphate, Urea and other fertilizers. The price of Ammonium Sulphate has gone up from Rs. 1,650 per tonne to Rs. 3,500 per tonne. The price of Urea has gone up from Rs. 2,350 per tonne to Rs. 3,290 per tonne. It is more than double. So, the price of fertilizers is going up. It means that the Indian farmer, who is using lesser percentage of fertilizers compared to his neighbours, will again reduce the use of fertilizers resulting in the retardation of the production of our agricultural product. This is my idea.

Secondly, please look at the world price of the fertilizers. The world price of the fertilizers—even when the subsidy was available in India—was 10 to 15 per cent less than the price of Indian fertilizers. Again our farmer is put to trouble.

Sir, an assurance has been given on the floor of the House that even though the fertilizer subsidy will be withdrawn, the procurement price of the food-grains will be enhanced. Then my question is how are you going to help the cash crops. I am coming from Kerala where we produce rubber, spices and other cash crops. How are you going to help us? You will be able to help foodgrain-growers by increasing or enhancing the procurement price. How are you going to help the cash crops? I want an answer for this question.

Another problem, the fertilizer industry is going to face is the ten per cent increase in the price of petroleum products. Many of the fertilizer industries are using Naphtha as the basic raw material. Ammonia is produced from it. But, when you have increased the price of petroleum products by ten per cent, naturally

the price of Naphtha will increase and again the price of fertilizers will go up.

Another issue is that a number of raw materials like phosphoric acid, rock phosphate etc. have to be imported by us. Due to the devaluation of the rupee, again the price of these raw materials will go up. So, my request to the hon. Finance Minister is that he may look into the entire fertilizer set up in this country on the basis of its effect on the farmers and on the fertilizer industry.

Sir, the cash compensatory subsidy has been withdrawn and in that place you have allowed the REP licence. What is this REP licence? An exporter who exports articles of the value of Rs. 100 is getting Rs. 30 as a REP licence and what is the position of the REP licence now? Your export target for this year is Rs. 43,000 crores of exports and 30 per cent of this target means roughly Rs. 12000 crores and out of Rs. 12000 crores, Rs. 6000 crores goes to jewellery export and gem export. So, another Rs. 6000 crores is available as REP licence and the exporter has got 40 per cent premium and it becomes another parallel black money. How are we going to control this? Out of this Rs. 6000 crores of REP, when the premium is 40 per cent, altogether it becomes about Rs. 9000 crores and this amount of Rs. 9000 crores is going to become a parallel black money for another 18 months. So, we are to find it out how best this can be controlled.

Another point is how the Export Promotion Councils are going to function in the present context. When you have liberalised everything, the functioning of the E.P.C. becomes irrelevant. I have got some suggestions. One is, the EPCs are to merge with the respective industrial organisations which they represent. And these EPCs have to raise their own resources instead of getting the chunk from the respective Ministries.

Now, every one of us is concerned with the price rise of the essential commodities. In this connection I would like to bring to the attention of the hon. Finance Minister a simple experience that I have got. In 1984 when I came to this House from South Avenue to the Parliament House, I was paying Rs. 4/- for an autorikshaw. Now after Shri V.P. Singh presented the Budget, it become Rs. 5/-. Now it is Rs. 6/- to Rs. 7/- So, this is the steep increase. This is what I have experienced. Sir, it is something which is going to percolate throughout the country.

Coming to the prices of essential commodities, everybody agrees that whatever may be the assurances that are given, the prices are slowly increasing. For example, the hon. Minister has assured this House that even though the subsidy given to the sugar industry will be withdrawn, the price of levy sugar will increase only by 85 paise per Kg. But what is the actual position? The actual position is, the price has increased by Rs. 2 to Rs. 3. I am pointing out only in respect of one issue. If the prices of essential commodities are to be brought down, then we should have an effective public distribution system. I am proud to say that I am coming from one of the States where we have got a very effective public distribution system.

17.00 hrs.

We should distribute the ration cards to those people at a particular financial level; those who are above that level should not be entitled for the ration cards and through the Public Distribution System, either the State Government or the State Government by getting adequate help from the Central Government should distribute all the essential commodities that are needed for the common man. So unless we take adequate steps to have an efficient Public Distribution System, we will not be able to control the price rise. When I look at the, general Budget allocation for strengthening the Public Distribution

system, it is very meagre. So, I request the hon. Finance Minister to make adequate financial provision for having an effective Public Distribution System.

**Mr. Chairman :** May I please ask you how much time you will need ?

**Prof. K. V. Thomas :** Madam, I would like to continue tomorrow.

**Mr. Chairman :** The hon. Member will continue tomorrow. Now, we will start the discussion under rule 193.

[*Translation*]

**Shri Madan Lal Khurana** (South Delhi): Madam Chairman, an assurance was given in the morning that a clarification on the statement made by Shri Ramamurthy would be given in the evening before the House adjourns. We would like to know from the Leader of the House or from the Home Minister whether such a statement was given. This assurance was given. No Minister is here to reply.

(*Interruptions*).

[*English*]

**Shri Chandra Jeet Yadav** (Azamgarh): Madam Chairman, this is a very relevant point. It was demanded by all sections of the House. The Speaker gave a direction and the Leader of the House said that he would try his best to inform this House today. Now, today's sitting is coming to an end. Somebody should come and tell as to what efforts have been made and what is the position. They cannot take the House for granted. Once a categorical assurance is given here, the House must be taken into confidence. We would like to know as to whether the Leader of the House is coming to make the statement or not.

[*Translation*].

**Shri Rabi Ray** (Kendrapada): Madam Chairman, I raised this issue in the House. It was discussed here for nearly 40 minutes. The ruling given by the Speaker was that the Government would make a statement before this sitting of the House comes to an end. Observing the mood of the House, the treasury benches did not raise any objection. It shows the failure of the Government, if it is unable to obtain information from a Minister who has gone to Madras. If they do not make the statement, it means that they knowingly want to mislead the House. The entire country is waiting to know whether Shri Ramamurthy is a Member of the Council of Ministers. It is very important. Shri Chavan is present here.

[*English*]

He is a Senior Member of the Cabinet. He is also the Home Minister. The Home Minister is sitting here. I think he can send for Mr. Ramamurthy, can contact him and ascertain his views. This is very simple. (*Interruptions*).

**Shri Anbarasu Era** (Madras Central): In the absence of the Minister concerned, let us wait for his coming back. Let him come and give his personal explanation. What is the hurry ?

**Shri Rabi Ray :** I have never heard such an incident before. A member of the Council of Ministers who is holding an independent charge of Labour has categorically stated that he does not agree with the Government view of referring the Cauvery dispute to the Supreme Court. That means he differs from the Central Cabinet. That is the reason why the House should know. My point is, you may direct the Government to tell us what is the situation before the House rises for the day.

**Shri A. Charles** (Trivandrum): I would plead with you to check up the proceedings. My information is