

MR SPEAKER : Shri Kanwar Lal Gupta is not here. Now, has Shri Vajpayee the leave of the House to withdraw his Resolution ?

SOME HON. MEMBERS : Yes.

*The Resolution was, by leave, withdrawn.*

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.. 17.10 hrs.

RESOLUTION RE : FOREIGN  
TRADE POLICY

SHRI D. N. PATODIA (Jalore) : Sir,  
I move :

"In view of the adverse effect caused on India's foreign trade by the wrong pattern of trading adopted in the case of East European countries, including Russia, this House resolves that the foreign trade policy of the Government of India, particularly with East European countries and Russia, be suitably changed."

17.10½ hrs.

[Mr. Deputy-Speaker in the Chair.]

Sir, the subject matter of today's discussion, namely the pattern of India's trade with the East European countries and Russia, has been discussed on several occasions on the floor of this House and outside. The Treasury Benches have in the past complimented themselves on several occasions for various so-called achievements of the trading pattern from 1950 onwards. The specific points made by the Government and the Treasury Benches, while complimenting themselves on this trading, are the few which I would like to state before I come to my point.

They claim that when this trading started in 1950, India's exports to these countries were practically nil, less than 1 per cent, and that by virtue of these trading agreements by 1965-66 the total percentage of exports to these countries rose to 18 per cent; similarly, import also went up to 11 per cent.

They also claim that trading with these countries had helped India to increase the volume of export which would not have been possible had India not entered into

these bilateral trade agreements. The third claim that is made by the Ministry is that India's requirement of certain basic material would not have been met had they not entered into this agreements and had they not obtained these materials from Russia and other East European countries.

They also feel that by opening up this new avenue of trading with these countries India could sell her materials in a better way, at more competitive rates, and thereby obtain better rates all over the world for whatever was available for export.

These are the arguments of which all of us are aware. The House is accustomed to listen to all of them. But this is not the entire story and the correct story. The story, if we go deeper into it, is something very different. The point that need to be examined is whether we got any worth while economic benefit by these trading agreements, whether it really, in effect, increased our volume of export in the manner projected by the Ministry and whether we could, in turn, benefit our economy either in the matter of raising productivity or in the matter of diversification of our non-traditional products. If we examine them in this background, we will find that the story is something very different.

But before I come to the comparative figures, I would briefly deal with the background, the mechanism, the content and the pattern of trade that has emerged out of these agreements with the East European countries. The bloc of these East European countries, particularly Soviet Russia, after the Second World War, from 1950 onwards, started industrial expansion in a big way.

SHRI NAMBIAR (Tiruchirappalli) :  
Is it wrong to trade with such countries ?

SHRI D. N. PATODIA : It is not wrong to trade, but it is wrong to trade in the way we have traded with them. That is the point of attack.

Compared to 1950, in 1955 the industrial production of these countries rose by 86 per cent. The same production rose by 304 per cent in 1966. There was an expansion of trading activity and these countries were in need of materials of all types to be purchased. By purchasing from India, by whichever means, they did not show any

favour to India. They needed those materials....

**THE MINISTER OF COMMERCE (SHRI DINESH SINGH)** : Is the hon. Member trying to make out that other countries are purchasing Indian goods even if they do not need them ?

**SHRI D. N. PATODIA** : That is not the point. But the hon. Minister has been making out that in all these agreements, Russians have shown a favour to us. He will have an ample opportunity to reply. I would request him to reply to these points when I have finished.

**SHRI DINESH SINGH** : Nobody shows any favour in trade.

**SHRI D. N. PATODIA** : The U.S.S.R. brought these materials because they needed them; the East European countries bought these materials because they needed them. If India would not have supplied, they would have purchased from somewhere else. This is one background of this trading.

The other background, more particularly, in the case of Russia is that their trading policies are not decided on their economic strategies. Their trading policies are moulded and shaped in accordance with their political strategy. With these two backgrounds, I would now go ahead in explaining the pattern, the mechanism and the working of this trading.

**MR. DEPUTY-SPEAKER** : No country's pattern is mere altruistic.

**SHRI D. N. PATODIA** : The trade pattern of other countries is free trade. You can buy from anywhere you like ; you can sell to any country you like. The currencies are inter-changeable. You can pay in any way you like. You can have surplus with some countries and deficit with other countries. Therefore, it is not a rigid pattern as it has been in the case of Russia and the East European countries.

**SHRI DINESH SINGH** : Which country has free trade ?

**SHRI D. N. PATODIA** : Can the hon. Minister tell me whether countries in the East European market have free trade ? Take the case of Japan. Is it not a free-trade country ? Take the case of U.K. Is

it not a free-trade country ? Can you not purchase whatever you like and can you not sell whatever you like ? So long as you have money to purchase goods and the goods to sell, you can do.

Now, I am coming to the point from where I started. One of the claims made by the Ministry is that compared to 1950-1951, they have been able to raise the volume of export, and that has been raised from Rs. 2 crores in 1950-51 to Rs. 156 crores in 1965-66, and to Rs. 224 crores in 1967-68. The figure of Rs. 224 crores is a post-devaluation figure. Therefore, in items of pre-devaluation period, it is very much less, that is, about Rs. 175 crores.

What are the items exported against them ? The items exported are jute manufactures, tea, black pepper, cashew nuts leather, spices, coffee, hides and skins, cotton waste, cakes, raw wool and so on and so forth. These are the traditional items which constitute more than 75 per cent of the total volume of exports to these countries. The supply of these traditional items is limited by the factor of availability in our country. We cannot go on expanding the exports of these items to any extent we like. Therefore, whether you export to country 'A' or to country 'B' or to country 'C', the total volume of exports cannot be raised beyond a certain point. Our markets were there for these items. Simply by virtue of the fact that we started exporting these items to the East European countries, our traditional markets which used to purchase these commodities from us, in the past, had to seek and meet their demands from other countries. Take the case of tea.

Because we discontinued export to traditional markets, Ceylon has stepped in. Our market to that extent was captured because our supply was limited. Take the case of jute manufactures. Pakistan captured our market because in the case of jute manufactures, we started exporting a lot to Russia and East European countries. Therefore, to the extent of 75 per cent, it was a diversional trade. Our export in respect of total quantum and volume did not rise. Instead of exporting to the free exchange areas, we exported to the rigid economy of rupee-payment areas. Instead of getting free exchange against which we

[Shri D. N. Patodia]

could buy anything in the world, wherever we want, at the best possible price, we accumulated foreign exchange in the form of rupee, a notional rupee, a rupee in a restricted form which enables you to purchase the commodity only from one specified country to whom you have exported at a price dictated by him and in the manner desired by him. This is how our 75 per cent of the exports worked.

About the balance of 25 per cent, it consisted of non-traditional items. One of the claims made by the hon. Minister and the Government of India is that, by developing trade with these countries, we have been able to raise the export of non-traditional items to a great extent. This is absolutely wrong and fallacious. The pattern of India's trading over the last 18 years has considerably changed. Gradually, steadily and slowly, India is assuming a position by which export of engineering goods, export of non-traditional goods, is slowly mounting up, and to that extent, export of traditional goods is slowly going down in percentage.

In this respect, may I quote some figures? In 1960-61, the percentage of export of non-traditional items was 28. In 1967-68, it went up to 38. In other words, out of a hundred units exported, in 1960 61, 28 units were non-traditional items, but in 1967-68, 38 units were non-traditional items. That is, the percentage rose by 10. Let us see what are the relative figures of these countries. The relative figures in respect of East European and Russian countries are : whereas in 1960 61, the export of non-traditional items was 24 per cent, in 1967-68 it was 26 per cent. Here the rise was 2 per cent, whereas in the case of total exports from India to the whole world, the rise was 10 per cent. It was bad in absolute terms and in relative terms. Compared to 38 per cent to the world over, the East European countries are consuming 26 per cent. Compared to the 10 per cent rise in the case of the whole world, here the rise was 2 per cent. Therefore, it is absolutely wrong to say that trade with the East European countries and Russia has helped us to increase the export of non-traditional items.

Now, what are the characteristics of trade with these countries? One principal

characteristic is that the payment agreements with these countries provide settlement in terms of inconvertible rupees, it is not settlement in terms of rupees, but it is settlement in terms of inconvertible rupees, India's account with East Germany—if the trade is with East Germany—has got to be settled with East Germany alone. If my exports to that country are more than my imports, then I am forced to purchase goods equivalent to that gap from East Germany alone to meet that gap, to meet the surplus of exports.

Any surplus lying with East Germany becomes blocked amount which cannot be taken or used in any other way, and we have to purchase the commodities which East Germany alone is capable of offering, and nothing else at a price that they demand and at no other price.....

**SHRI NAMBIAR :** That is what is meant by barter deal.

**SHRI D. N. PATODIA :** And, similarly in case where your imports are more than your exports, you are bound to export the commodities to East Germany alone and nowhere else. And, you are bound to sell them whatever they want, at whatever price they want, so much so, I am surprised that.....

**MR. DEPUTY-SPEAKER :** There is a certain price for traditional commodities. There is a certain market mechanism in this country. At that price Government buys and sells at a depreciated rate to such countries.

**SHRI D. N. PATODIA :** The point is very clear, Sir. Exports have got to be met by imports. Say, India exports particular units of Rs. 100 crores. Now, as soon as India exports Rs. 100 crores worth by virtue of the annual plans that are drawn up between the two respective Governments, India is obliged to import Rs. 100 crores worth if not this year, at least next year, or the subsequent year. That is how trade is balanced. On that basis India has to import for Rs. 100 crores import licenses are issued. You know, Sir, about some of the items imported from

those countries. There are various items of machinery and machine tools for which import licenses are issued. You can import only from the respective country and from nowhere else. Once those licenses are issued to importers, they have to import commodities, may be, at 25 or 30 per cent higher price. Free market operation does not apply in this particular economy. The licenses are conditional and by virtue of that you are compelled to import from that country alone. There is no other alternative but to import from those countries. Therefore, free market operations do not apply in respect of any such bilateral trade agreements.

MR. DEPUTY-SPEAKER : There is one point. 100 units of black pepper has to be exported. In return, now, because we are exporting black pepper from this country we will have to import also others on the prevailing market price, whatever the other thing is, and they get cheaper than market price. Do you want to say that ?

SHRI D.N. PATODIA : No. If they offer cheaper price they will never get it. What happens ? From India we export 2 types of commodities. One commodity is such where the supply is limited, compared to the demand. They are very clever people. Take the case of jute manufactures. In case of jute manufactures, the Russians will offer 2 per cent more than the world price for Indian jute manufactures, and therefore book the goods according to their demand. By that, they create potential demand for their goods in India, and that has to be met by importing from Russia. There is no alternative and import licenses are issued by the import licensing authorities in a manner by which you have no other alternative than to purchase from them. *Inter-ruption*.

SHRI NAMBIAR : When you take loan from America, you will have to purchase only from America.

SHRI D. N. PATODIA : We are talking of trade. We are not taking loans. Please don't confuse yourself. I wish you confine yourself to trade aspect alone.

SHRI NAMBIAR : I want to learn from you. You are a good businessman.

MR. DEPUTY-SPEAKER : It is 5.30. We shall take up the Half-an-hour discussion now.

SHRI D. N. PATODIA : Sir, you may please give me extra time as my time has been taken away by interruptions and disturbances ..

MR. DEPUTY-SPEAKER : That is part of the debate.

SHRI D. N. PATODIA : I wish you give me 40 minutes more because my time has been taken away by interruptions.

SHRIMATI TARKESHWARI SINHA (Bash) : Where will we be if he takes 40 minutes more ?

SHRI D. N. PATODIA : For you I will make accommodation.

SHRIMATI TARKESHWARI SINHA : I do not need it.

SHRI NAMBIAR : Because I am a man, the hon. Member is not accommodating me.

17.30 hrs.

#### HALF-AN-HOUR DISCUSSION

##### Second Public Sector Refinery in Assam

SHRI DHIRESWAR KALITA (Gauhati) : The question of the establishment of a second public sector refinery in Assam has been exercising the minds of the people of Assam. Last August, a starred question was put by Shri Hem Barua on this subject and Government flatly refused to consider this demand. We in Assam protested against that decision. On the 23rd August, there was a general hartal and it was a unique success. I think Government know it very well.

Assam got one oil refinery in 1962. But for that an agitation had to be mounted. Panditji was there. We ourselves had also to go to jail for six months.

Assam was the first State in India to produce oil. In 1886, the first oil well was sunk in Digboi. In 1900, the Digboi Refinery came. We had our first public sec-