

PUBLIC ACCOUNTS COMMITTEE
EIGHTYTHIRD REPORT

SHRI SONAVANE (Pandharpur) : I present the Eighty-third Report of the public Accounts Committee on Excesses Over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil), (Post and Telegraphs), (Railways) and (Defence Services) for the year 1069-68 and action taken by Government on the recommendations of the Public Accounts Committee contained in their Thirty-first Report.

15 hrs.

STATEMENT RE : IMPOSITION OF
TARIFF ON TEXTILES BY U.K.

THE MINISTER OF FOREIGN TRADE
AND SUPPLY (SHRI B. R. BHAGAT) :
This is a 5½ page statement.

MR. DEPUTY-SPEAKER : He may lay it on the Table.

SHRI B. R. BHAGAT : I lay it on the Table of the House.

श्री शिव चन्द्र भा (मधुवनी) : उपाध्यक्ष महोदय, इस स्टेटमेंट पर मेरा पायंट ब्राफ़ आर्डर है।

MR. DEPUTY SPEAKER : He has laid it on the Table of the House. I shall listen to you later on ; you give me notice.

Statement

Mr. Speaker, Sir, with your permission, I rise to make a statement on the announcement made on the 22nd July, 1969 in the British House of Commons by the Honourable Mr. Anthony Crosland, President of the Board of Trade, regarding the action proposed to be taken by the United Kingdom Government on the Report submitted by the British Textile Council. This announcement has naturally caused great concern to the Hon. Members of this House.

2. It appears from the statement made by the President, Board of Trade, that while the U.K. Government have not accepted some of the recommendations relating to

financial assistance to their textile industry, they have accepted the recommendation to introduce, as from January 1, 1972, a tariff on imports of cotton textiles from the Commonwealth Preference Area. On cotton cloth, the main item of trade, the duty would be 15%. From that date, the existing general quota system would be terminated and the U.K. Government would consider the use of quotas only on particular products under the long-term cotton arrangement of on GATT, and only if total imports of cotton textiles rose significantly above the present level and caused disruption to the market in those particular products. We are distressed to find that a conclusion on the treatment of such an important product in our trade with the U.K. as cotton textiles should have been reached without prior consultations with us.

3. As the Honourable Members are aware, the trade between India and the U.K. is regulated by the Indo-U.K. Trade Agreement of 1939. Under this Agreement Indian cotton textiles are entitled to a duty-free entry and a guaranteed margin of preference in the U.K. market. It also provides that any proposal to vary its terms should be the subject of consultations between the two Governments.

4. In 1959, when the U.K. proposed to become a member of the European Free Trade Area, the British Government approached us for releasing them from the operation of certain provisions of the Indo-U.K. Trade Agreement of 1939 to be able to reduce and finally eliminate duties on imports from EFTA countries. At that time the view of the Board of Trade was that U. K.'s membership of the EFTA would not materially affect India's interests. The Board of Trade recognised that if, following the reduction or elimination of Common wealth Preferences one or the other EFTA countries should build up a new trade in the U.K. such as would cause material injury to India's established trade interests, the Government of India should have the right to reopen the matter. The Government of India agreed to give the release asked for by the U.K. Government with, *inter alia*, the following understanding and reservations :

“(a) “the elimination of the contractual preferences *vis-a-vis* European Free

Trade Area goods will not involve the levy of duty on Indian goods at a rate higher than that at present applicable :

- (b) where there is a competing interest, the U.K. will ensure that in matters concerning levy of duty, etc., Indian goods are not placed at a disadvantage in relation to goods from the European Free Trade Area."

5. In so far as it has been possible to study the statement made by the President of the Board of Trade, it appears to us that while the developed countries which are members of the EFTA would continue to enjoy a duty free entry as well as a preferential margin of 17½% on their exports of cotton textiles to the United Kingdom, the Commonwealth countries which have been enjoying identical privileges for a far longer period will lose them. The margin of preference available to Commonwealth will now be a mere 2½%.

6. In 1966 the Commonwealth Trade Ministers reaffirmed the value of the Commonwealth preference system to all members of the Commonwealth, and particularly to its less developed members. The decision of the British Government goes quite contrary to this re-affirmation.

7. In January this year, I had the privilege of accompanying our Prime Minister to attend the Commonwealth Prime Ministers' Conference. After mutual consultations, the Heads of Commonwealth Governments had agreed, and I, now quote from the communique issued after the Commonwealth Prime Ministers' Conference that 'there was continuing scope for the expansion of Commonwealth trade and for this purpose there was a need to strengthen the well-established links amongst Commonwealth members. The Course which the U.K. Government propose to follow from January 1, 1972 in introducing tariffs on imports from the Commonwealth Preference Area would weaken and not strengthen the Commonwealth links and would also adversely affect a major sector of the export trade of a developing Commonwealth country like India.

8. The proposed step of the U.K. Government runs counter to the provisions

of the General Agreement of Tariffs and Trade. Article XXXVII of the GATT provides an undertaking on the part of the developed contracting parties to "refrain from introducing or increasing the incidence of, customs duties or non-tariff import barriers on products currently or potentially of particular export interest to less-developed contracting parties."

9. The U.K. proposal also constitutes a retrograde step in the context of Resolution No. 21 (II) which was unanimously adopted in UNCTAD II recognising the consensus in favour of the early establishment of a mutually acceptable system of generalised, non-reciprocal and non-discriminatory preferences which would be beneficial to the developing countries.

10. The importance of the cotton textile industry to our economy is well known. This provides direct employment to 1 mill on workers and indirect employment to many more. The health of this industry is, to a considerable extent, dependent on favourable export opportunities abroad. Since the U. K. market accounts for nearly 35% of our total cotton textile exports, a close relationship has developed between Indian production, exports and the requirements of the British market. The unilateral action now proposed by the U. K. Government will involve a structural change and add to the problems which face our textile industry.

11. In his statement the President of the U. K. Board of Trade has recognised that under the proposed arrangement, India would be able to export to the U. K. less than what would have been possible under the existing system. He has added that when the time comes his Government would take this factor into account in determining their aid to India. I would only add that aid is no substitute for trade.

12. The British textile industry may be experiencing some difficulties. It is, however, significant that during the last eight years, while a number of countries have increased their textile exports several fold, Indian exports have been more or less steady and have posed no threat to the British textile industry.

13. The Government of India regret the course of action proposed to be followed by

[Shri B. R. Bhagat]

the U. K. Government in this matter, which goes against the commitments made by them to India bilaterally as well as multilaterally. I am therefore, instructing our High Commissioner in London to bring to the notice of the U. K. Government our serious concern in the matter. The President of the Board of Trade has himself said in his statement that he would be initiating necessary discussions with the Governments concerned. It is my earnest hope that these discussions will make it possible for the two Governments to arrive at a mutually acceptable solution of the difficulties of the textile industries of the United Kingdom and India in consonance with the accepted basis of economic relationship between the two countries and also the evolving international policy in relation to the trade of developing countries.

15.01 hrs.

GOLD (CONTROL) AMENDMENT BILL*

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P. C. SETHI) : I beg to move for leave to introduce a Bill to amend the Gold (Control) Act, 1968.

SHRI S. M. BANERJEE (Kanpur) : Mr. Sethi is asking for leave to introduce a Bill to amend the Gold Control Act. The Statement of Objects and Reasons refers to the provisions declared invalid by the Supreme Court. The provisions in this Bill are unnecessary and should be scrapped.

Division No. 6]

Ahirwar, Shri Nambu Ram
Arumugam, Shri R. S.
Asghar Husain, Shri
Azad, Shri Bhagwat Jha
Barua, Shri Bedabrata
Barua, Shri R.
Barumatarai, Shri
Bhagat, Shri B. R.
Bhandase, Shri R. D.

AYES

The Act had three objectives. It aimed at stopping smuggling. It has not stopped; on the other hand it has increased. It was meant to bring out to surface concealed gold. It never came; it went deeper. Shri Morarji Desai is out. Fourthly, they expected the price of gold to come down; it has not; in fact it has gone up. In the interest of the country and in the welfare of goldsmiths some of whom had to sacrifice their lives because of the wrong decision of the Government, the Act should be scrapped. We want no amendment; we want the Government to withdraw this and scrap the Act.

श्री शिव चन्द्र झा (मधुबनी) : उपाध्यक्ष महोदय, मैंने भी इसका विरोध करने का नोटिस दिया है।

MR. DEPUTY-SPEAKER : I have received three or four notices but only one person will be permitted,

SHRI P. C. SETHI : Parliament is competent to legislate on this matter. The Supreme Court has struck down only five or six provisions of the Act and this Bill rectifies it.

Mr. Banerjee talks on the merits of the Act which we can very well take up during the course of the debate.

MR. DEPUTY SPEAKER : The question is :—

“That leave be granted to introduce a Bill to amend the Gold (Control) Act, 1968.

The Lok Sabha divided.

[15-07 hrs.

Bisnu Prakash Singh, Shri
Bhattacharyya, Shri C. K.
Bist, Shri J. B. S.
Bohra, Shri Onkarlal
Chanda, Shri Anil K.
Chanda, Shrimati Jyotsna
Chandrika Prasad, Shri
Chatterji, Shri Krishna Kumar
Chaturvedi, Shri R. L.

* Published in Gazette of India Extraordinary Part II, section 2, dated 28. 7. 68.