That in order to constitute a sitting of the Joint Committee, the quarum shall be one-third of the total number of Members of the Committee;

That in other respects, the Rules of Procedure of this House relating to Parliamentary Committees shall apply with such variations and modifications as the Speaker may make; and

That this House recommends to Rajya Sabha that Rajya Sabha do join in the said Joint Committee and communicate to this House the names of Members to be appointed by Rajya Sabha to the Joint Committee."

Mr. Speaker: The question is:

"That a Joint Committee of the Houses to be called the Joint Committee on Offices of Profit be constituted consisting of fifteen Members, ten from this House and five from Rajya Sabha, who shall be elected from amongst Members of each House according to the principle of proportional representation by means of the single transferable vote;

That the functions of the Joint Committee shall be—

(i) to examine the composition and character of all existing 'Committees' and all 'Committees' that may hereafter be constituted, membersip of which may disquality a person for being chosen as, and for being, a Member of either House of Parliament under article 102 of the Constitution;

(ii) to recommend in relation to the 'Committees' examined by it what offices should disqualify and what offices should not disqualify;

(iii) to scrutinize from time to time the Schedule to the Parliament (Prevention of Disqualification) Act, 1959, and to recommend any amendments in the said Schedule, whether by way of addition, omission or otherwise;

That the Joint Committee shall, from time to time, report to both Houses of Parliament in respect of all or any of the aforesaid matters;

That the Members of the Joint Committee shall hold office for the duration of the present Lok Sabha;

That in order to constitute a sitting of the Joint Committee, the quorum shall be one-third of the total number of Members of the Committee;

That in other respects, the Rules of Procedure of this House relating to Parliamentary Committees shall apply with such variations and modifications as the Speaker may make; and

That this House recommends to Rajya Sabha that Rajya Sabha do join in the said Joint Committee and communicate to this House the names of Members to be appointed by Rajya Sabha to the Joint Committee.".

The motion was adopted.

12.58 hrs.

*DEMANDS FOR GRANTS

MINISTRY OF COMMERCE AND INDUSTRY —*contd.*

Mr. Speaker: The House will now take up further discussion and voting on the Demands for Grants under the control of the Ministry of Commerce and Industry.

Out of 8 hours allotted, 2 hours and 35 minutes have already been consumed, and 5 hours and 25 minutes remain. Shri Kappen may continue his speech.

12.28½ hrs.

Shri Kappen (Mavattupuzha): Yesterday, I was speaking about the Central investment in Kerala during the period of ten years of the last two Plans, and I pointed out that the amount invested was only Rs. 0·79 crores. Kindly compare this with the investment made in other States, namely Rs. 195·35 crores for Madhya Pradesh, Rs. 186 crores for Orissa, Rs. 138 crores for Bengal, and Rs. 61 crores for Madras. I am not complaining about what has been given to them. You may give them more. But what I urge is that, considering the density of population, which is a thousand people per square mile, and the low *per capita* income and the large unemloyment with 12·5 lakhs of unemployed people in Kerala at the end of the Second Five Year Plan, considering all these things, I urge that the Ministry may give some sympathetic consideration to the case of Kerala.

Pardon me, Sir, if I appear to speak too much about my own State. It is not actually the case of Kerala; but it is an all-India case, according to me. Suppose you cut your small finger, can you say 'After all, it is only the small finger which has been cut'? You have got five fingers on your palm, and if you want to grip anything, all the five will have to co-operate. If anyone of them is weak, the grip will be loose. So, it is necessary that there must be a uniform development of all parts of the country and of all States. I, therefore, request that the case of Kerala may be specially considered, in view of the facts that I have mentioned.

As I pointed out yesterday, the National Council of Applied Economic Research has submitted a report, in which it has pointed out that if Kerala is to achieve the *per capita* income of Rs. 410 contemplated at the end of the Third Plan, then it should increase the State's income by 107·6 per cent; which means that the total investment for the coming ten years must be of the order of a thousand crores of rupees.

In the Third Plan, there is a proposal to invest Rs. 45 crores in the Central sector in Kerala. Of the three propects envisaged, one is the Pytochemical factory at Neriamangalam, the second is a Ship building Yard at Cochin and the third is the Precision Tool factory. Compared to the Rs. 1,000 crores required to bring level of the *per capita* income of Kerala to the all-India average, Rs. 45 crores is a very meagre sum. But even in regard to that investment, is there any progress made? Questions have been asked in this House about the progress made with regard to the setting up of the pytochemical industry at Neriamangalam. It has been answered in this House that the State Government has not fulfilled its part of the obligation that it has not acquired the land. Is the statement correct? I do not say that it is incorrect but that there is terminological inexactitude in that statement. I ask what is the sort of factory that requires 400 acres of land? It is stated that 400 acres have not been acquired and so barbed wire has not been put up. It is not a question of putting up the barbed wire; it is a question of starting the factory. It is admitted that 209 acres have been acquired. Is that not enough for constructing the factory? The State Government is prepared to give the additional land because the land there is all forest and there is no difficulty. Therefore, I pray, for heaven's sake, do not shove the burden on to the State Government.

The difficulty now is that the Finance Ministry is considering the

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question of reducing the amount, because in the final calculations made there is an increase in the amount to be invested. The Ministry is considering how this can be cut down. I pray that their miserly calculations may be stopped and the factory started and work proceeded with.

So, also, with regard to the Shipbuilding Yard, there is no progress made. As regards the Iduky scheme, a scheme which was intended to produce much-wanted electricity, it is delayed because somebody in Madras thought that they want some water from the Periyar river. I do not understand why because of that the scheme should be delayed. What right have they to ask for Periyar water? Trousands of people have been evicted from the land and uprooted. They have suffered immensely. Now because some body thought that some water is necessary for Madras, the work is stopped. I pray that the work may be proceeded with.

I also request that special consideration may be given to the case of Kerala. I understand that the location of some of the industries proposed in the Third Plan has not yet been fixed. So the Ministry may kindly consider the question of locating some of those industries also in Kerala. Otherwise, I would request the Ministry to read the writing on the wall. India had been conquered by the British by starting from Kerala. My hon. friends on the opposite side with ravenous stomachs want to swallow that land and swallow the whole of India.

Shri Nambiar (Tiruchirapalli): Even if we are there, we will have industries.

Shri Vasudevan Nair (Ambalapuzha): This kind of quarrel will not help. At least on this let us unite.

Shri Nambiar: We are with them.

Shri M. K. Kumaran (Chirayinkil): We pray you come to economics not politics.

Shri Kappen: Therefore, my request is that reading the writing on the wall, the work of doing something may be accelerated, that care may be taken and new industries may be started in Kerala. With this request. I conclude.

Mr. Speaker: Shri Tyagi, hon. Members who want to speak should not be content that they have given the list. They ought to rise in their seats if they want to catch my eye.

Shri Tyagi: (Dehra Dun): The country is surely going to face a crisis in the field of economics. That is now so obvious that everybody knows it. The very fact that the Finance Minister read that statement today is evidence of it, and the figures he gave, though it seems he is quite satisfied, are alarming. The situation is getting bad, and therefore I think. it is time that the Government and we in Parliament appeal to the nation to be alert on this economic front.

I take it that as far as economics are concerned, they apply uniformly to such a vast country as they do to a small family, and therefore the pattern of economic well-being is all the same. Taking the analogy of a joint family, I feel that when a family is in debt, it behaves differently, and the only course or method of getting rid of that heavy debt is to earn some money, to create new values. If most of the members of the family are unemployed, the family goes to dogs, they cannot pay their debts. The same is the case with the country today.

From the statistics in a journal I find that our industrial growth was going quite well, but lately may be due to lack of foreign resources or foreign exchange, the rate of growth has been going down from year to year. Quite a lot of progress had been made, and we are proud of it, but now there is a slight decline in the progress. The decline in progress has increased from six per cent to eight per cent and now to twelve per cent. That is, the growth is declining. Industry is not declining, but the rate of growth is now declining. That is one thing which I would like the hon. Minister to contradict. I shall be happy if the figures are wrong.

National production is to the tune of about Rs. 11,000 crores. Now, the whole family of 450 million should be making an earning of Rs. 11,000 crores, which comes to Rs. 13 per month per head. This is bad because we are consuming more, and therefore we have to see it from the angle of more production. Our foreign exchange and everything elese depend upon production, and therefor, this is the most important point. We should put in our best efforts to see that we produce more wealth. That can be done either by means of good agriculture or by means of mineral products or the third and the best course is foreign trade through industrialisation.

Our natioal production is very small. The economy is getting indebted from year to year. By the end of the Fourth Plan, as Prof. Mahalanobis once estimated, we shall have spent foreign exchange to the tune of Rs. 10,000 crores, and that will be our indebtedness. And there is no way of paying it back except by exports. Export is the only means by which we can pay back our loans. The imports in 1950-51 were to the tune of Rs. 650 crores. In 1960-61, the imports have gone up to Rs. 1,088 crores. It is very obvious, because the country is progressing and we want plant and machinery and other things, and therefore, our imports must increase. But I am quite sure trat the Ministry will be vigilant enough to see that extravagance is not practised and only the most-needed items are imported. That is for them to judge. But these imports are to be matched by exports. Without that, we cannot do it. Our exports are to the tune of Rs. 600 crores only compared to the import of the amount of Rs. 1,088 crores as at present. So, every year, we have an adverse trade balance and that is heaping up.

Now, I am very grateful to Shri Manubhai Shah for having told us one thing. He has been very vigilant and he has a good command of figures. He once mentioned that the total world trade was about Rs. 40,000 crores and ours comes to only Rs. 600 crores. With such a big population in the world, ours is a very small share in the world trade and that is also a matter for us to examine. It is rather alarming. An increase of even half a percent in our total production, I am told, will be just satisfactory and we can make good the gap. But even that little thing can be achieved only if proper efforts are made and precautions are taken against wastages.

Take, for instance, the customs. There is a lot of under-invoicing and over-invoicing going on hese days. I am sorry that despite the fact that the Finance Ministry has been vigilant enought in respect of the customs department, it has been estimated by many an expert economist that we are losing about Rs. 150 crores every year through the under-invoicing the over-invoicing that is going on. Only recently there was a shipload of jute goods caught by the Calcutta customs authorities, worth about Rs 75 lakhs. It was on the point of being shipped to a foreign country by a certain firm —I do not want to name it—and a fine of Rs. 25 lakhs was imposed on that firm because it was under-invoicing the goods. The trick is, if a thing sells at 100 dollars in America, they under-invoice it for 70 or 75, and so a bill goes for 75, and the Government only knows that goods worth only Rs. 75 are being sold while the figure of 100 is credited at the other end, because the rupee has got a greater value

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there. I think at present in the open market the rupee costs 25 per cent more in dollars than what it is in the official market. So, the exporter keeps 25 as the margin which is credited to his name there. Over and above that, there is another 25 per cent or so. So, there is this under-invoicing; this is going on without income-tax and the money gets deposited in the foreign land. Similar is the case in regard to over-invoicing. They have got their own trade machinery, and the rupee is more costly; they get it cheaper and do it by over-invoicing, so that they cannot for larger sums having been spent. Our foreign indebtedness can immediately be reduced if some severe action is taken and the rules are amended and enough vigilance is effected on our customs border and trade.

Over-invoicing and under-invoicing have gone on for years together. I can say this with a little personal experience. I have dealt with it in the past. I was once thinking of recommending to my hon. friend that they should agree to a sort of open policy, asking the people to find out how much foreign exchange they have in foreign countries and then finish with it; give them a chance so that they might accept and admit that so much is their foreign exchange. Then, charge it to the account and afterwards the severest punishment should be given to the persons who repeat the offence. Now, what happens is, even the names are not printed.

Shri Hari Vishnu Kamath (Hoshangabad): Did your colleagues agree to that?

Shri Tyagi: I do not know what their present position today is. But Parliament has very often insisted that such persons who deal with such trade should be found out and once they are caught their names should be published or publicise and their licences should be forfeited; their trade should be stopped and they should not be allowed to export or import anything in the future. If once they are caught and they know that they will run the risk of losing their trade if they commit such a crime or indulge in such a practice, such things will not be repeated. The remedial measure is very easy; it can be done. So, I want to say that deterrest punishment must be given in these matters.

There was a question only today about gold, jewellery, etc., being smuggled into India. There is no doubt about it. Of course I must congratulate the customs department of Calcutta and Bombay. I know those men because I had dealt with them. I know some of them are very honest and they have done a very good job indeed; and yet, they have found out tha there are some foreigners, some Europeans, involved in this smuggling trade reglarly because gold here costs double that it does in the rest of the world. Therefore, India is the most attractive market for gold smuggling. For years together this smuggling has been going on. So, some drastic action has to be taken on this account.

I do not want to take much more time, because my other colleagues have to speak and perhaps they will have better points to make. As I said, in Calcutta, goods worth Rs. 75 lakhs were seized. They were later on released and afterwards handed over to some third party on a much lower cost because the goods had been lying there for a long time and got spoiled. Experts say—it is not only my opinion—that we can earn foreign exchange to the tune of Rs. 150 crores every year if this smuggling, under invoicing and over-invoicing are stopped.

Another difficulty which we are facing today is with regard to the ECM. They are deciding the thing. We have not been effective at all. We are members of the commonwealth no doubt, but the commonwealth is not only a love affairs. After all, the commonwealth is our relationship, so to say. But this association is not for the sake of our old relationship. It is not any parental relationship. Our relationaship with the Commonwealth was for the mutual advantage of trade. etc., or sometimes for defence. So, if this mutual advantage of having a mutual trade, concessions and all that goes, where shall we be in the Commonwealth? I appeal to the Prime Minister to see to it. It is no use our sitting here ineffectively. The ECM talks go on. After all, 20 per cent of our total export trade will be affected and we shall be nowhere. Further, all the other countries in the commonwealth are like us. There are other countries belonging to the same family and they are agitating. But we seem to be sitting silent and not uttering a word. Are we afraid of our old bosses? We must see that the United Kingdom and other countries with whom we have friendly relations give us an answer as to where we shall be and where our trade will be. Our relationship is based on trade relations in foreign countries. It is not any blood relationship. Therefore, this is an important matter, and I find that the Government, even if they have been active about it, at least they have not taken Parliament into confidence. I would like the Government to move in the matter and see that we do not just lose our trade with these friendly countries. After all, it is not only to our advantage but they have also a lot of benefit from the trade.

Then I come the bottleneck in trade. I must congratulate my hon. friend Shri T. T. Krishnamachari; he has come back to the Cabinet.

Shri Hari Vishnu Kamath: To smash the bottlenecks?

Shri Tyagi: He himself made a speech once and remarked that he envied my being on these Benches and I retorted that "God willing, you will soon have it." He had it. I envy; his going to the Treasury Benches. But I am reminded of what he said five or seven years ago.

Mr. Speaker: Is it going to be extended to you also?

Shri Tyagi: Seven years ago, he vehemently advocated the point and said that we are soon going to face a bottleneck and a crisis on account of our transport difficulties. He had already foreseen that. Now when he comes back, he has that problem and I hope—there is a talk of his being made Minister for Co-ordination—he will tackle that problem first, because the whole trade will go to dogs if transport, difficulties, wagon difficulties and coal difficulties are there. The whole production will be affected adversely, because we have not got enough energy for that purpose; transport bottleneck comes in the way. It will be for the Ministry of Commerce and Industry to see that their Ministry's functions do not suffer on account of bottlenecks of transport, lack of coal, etc. This is one important factor which has to be looked into.

Then, equitable distribution of industries is another matter which is really relevant. My friend has been complaining that Kerela has not been cared for enough. I have got a list of investments made in various States. In terms of lakhs of rupees per million of population, the total outlay, excluding steel, lignite and oil, in Kerala has been Rs. 307 lakhs, whereas in a State like U.P. it is only Rs. 70 lakhs, Rajasthan Rs. 25 lakhs, Punjab Rs. 100 lakhs, etc. So, really Kerala has not suffered; Kerala has enough, but there are really States

Shri Vasudevan Nair: It is not "Kerala", but "Kerala".

Shri Hari Vishnu Kamath: Not bitter as *karela*.

Shri Tyagi: Anyway, there are States which have not had a fair deal in this country. I would suggest to the Minister kindly to take the Members of Parliament into confidence, have a little informal discussion with them and see to it that on this score, the States should not have any com-

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plaint. If not according to population, according to the availability of raw materials, let fair treatment be given to all the States.

Shri Manubhai Shah is in charge of foreign trade and it all depends on him, because we cannot pay our debts except through him. It is he who is responsible for paying off the debts. Therefore, he occupies a very important position. I hope the House and the people at large, particularly those who are in the industry, will give him all cooperation, if he is out with a big campaign for foreign trade.

Mr. Speaker: Any hon. Member from the IPG—none, D.M.K.—none. Socialist—none. UPPG—Shri Yajnik.

Shri Yajnik (Ahmedabad): Mr. Speaker, Sir, I am sorry I cannot share the complacence of friends who are complimenting this Ministry on its achievements. To begin with, the reports and the documents put out by this Ministry are very faulty in their form and very imperfect in their substance. In the report and in the Demands for Grants, we have neither any table of contents in the beginning nor an index at the end. So, it is really diffifficult for anybody to find what he wants. But more important is the fact that while this Ministry has invested crores of rupees in many undertakings, industrial, financial, commercial or developmental, no integrated, intelligible or businesslike account has been given of the management of these concerns.

During the debate on the general budget, the Deputy Minister of Finance was pleased to state that he would like to give an explanation or a report about the working of these undertakings. That report has not been forthcoming. This Ministry in its report has given a very slipshod account of the working of the different corporations that are managed by the Ministry. There are crores of rupees invested. What is the dividend secured by Government? What is the total investment, what is the total amount of loan and what is the dividend that has accrued to Government? What is the part-payment that has been received by the Government?

The third Five Year Plan provides for a return of about Rs. 450 crores from all the undertakings. I want to know—we have passed through one year of the Plan—and it is up to the Ministry to tell us what they have got as return from all the hundred of crores of rupees that have been invested in the undertakings. It is regretted that the Ministry takes too much upon itself. The millions of India are really the share-holders in all the concerns, even though the shares may be held on behalf of the President of India, but in the name of some civilians or some industrial magnates. It is high time that this Government gave a full, clear and precise and business like account of all the hundreds of crores of rupees that have been invested by the Government in all their undertakings and told us how they fare and how they are going to get Rs. 450 crores that have been aessessed as return in the Third Plan.

The STC is one of the concerns managed by them. I am astounded to hear from a reliable source that the STC charges 7½ to 10 per cent commission for allowing the existing importers and established channels of trade to operate, by securing orders for them. This high rate of commission was never heard of in any business community and it is necessary for the Government to explain in detail the way in which they operate this STC, so that the fair name of the public sector may not be disgraced by any such devious methods.

As Shri Tyagi said just now, we have to pay off the foreign loans and the interest on them, which will stand at about Rs. 1520 crores at the end of 1963—from the earnings of our exports. We also know that the exports are practically standing steady at about Rs. 650 crores to Rs. 660 crores. It is necessary to understand that while export of other items such as metallic ore; pepper, spices and cashew kernels also registered a small increases, there is significant decline in regard to important traditional items of export such as cotton manufactures, tea vegetable oils, hides and skins and raw cotton, according to the *Economic Survey.*

What is the cause of this fall? One commentator said that between 1954 and 1958, prices of raw materials for export fell by 8 per cent while the prices of manufactured articles rose by 9 per cent. According to the General Agreements on tariff and Trade, Western Europe earned through such terms of trade 2600 million dollars and the USA nearly 700 million dollars. These sums are more than the developmental loans granted to the under-developed countries by the International Bank.

13 hrs.

Sir, the prospect for our exports is very dismal indeed and I agree with what Shri G. L. Mehta, who is Chairman of an Industrial Investment Corporation, stated in Bombay, that he did not expect much progress in exports during the next few years. I say that it is high time, in order to check all the malpractices to which Shri Tyagi has drawn attention, it is highly necessary, that the scope of the STC should be expanded and ultimately it should be given complete charge of all the imports and exports of this country. We will have to do that if all these mal-practices are to be avoided and our exports are to be systematically developed.

Now, one of the biggest items with which this Ministry deals is the textile industry. I profoundly regret to say that the textile industries have been treated as spoiled or pampered children or masters of the Ministry. Firstly, this industry has consumed, according to the testimony of the Reserve Bank more foreign exchange than it has earned during the last two years or the last few years. Secondly, the prices of cotton have been rigidly controlled and even last year when there was a bad harvest the Ministry remained a heartless spectator of the peasants' woes till it woke up last month to increase the ceiling prices for the next cotton crop. Did not the Ministry know, did not the Textile Commissioner know that the cotton crop had failed and the peasants lost heavily if their prices were to be controlled by the ceiling that was fixed before-hand? If the cotton crop had failed, why did not the Textile Commissioner and the Ministry wake up betimes and immediately give instructions to the Textile Commissioner to increase the ceiling prices whenever it was necessary in the interests of the peasants and the growers of cotton? Nothing was done in the matter. And, Sir, it passed into the hands not merely of cotton traders but also of cotton co-operatives. There are ginning co-operatives, pressing co-operatives and sales societies. It is these societies that have been clamouring, shouting and agitating for a serious increase in the cotton ceiling prices. Unfortunately, now that the cotton goods in the possession of these concerns have been commandered or they have been compelled to sell it at the old ceiling prices, the new prices will operate from next year.

Thirdly, while cotton prices have been very severely restricted, the voluntary control of cloth prices arranged with the millowners has entirely benefited them. No *status quo* has been observed as was agreed to Thousands of new varieties have been produced by the millowners in order to swell their own profits, as can be seen very well from their accounts. I am surprised to hear from the hon. Minister that no enquiries were necessary. If all the designs that have been registered by the Textile Commissioner and all the documents in their possession were enquired into, it would have shown that in the name of new de-

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signs practiaclly the same style of cloth has been stamped with higher and progressively higher prices in order to swell the pockets and the treasuries of the big millowners.

This has naturally resulted in the gross exploitation of the ignorant consumers who sometimes do not even understand the difference between a metre and a yard. The price marked is per metre whereas cloth is sold by yard, and nothing has been done in order to save the consumers from the tricks of the trade.

The fantastic and fanciful process of sanforizing cloth should be immediately stopped as it involves payment of extravagant amounts of foreign exchange to the manufacturers of these processing machines.

Sir, it all points out to the fact that sterner measures should be taken to see that the prices are scaled down and the textile magnates clearly told in no uncertain terms that their industry will be nationalised if they do not behave sensibly and with due regard to the interests of the millions of this country.

Like the textile industry, there are many other industries which have also been pampered and fattened by this Government. No industry has been compelled to provide residential accommodation to its employees as is done even in capitalist countries like Japan. Then, I was surprised to hear from my hon. friend Shri Oza that the number of labourers employed in all the mills has decreased while the factories have increased. No regard has been paid to the employment potential. The whole report, this bulky volume, is absolutely quite, absolutely silent so far as increase or decline in the number of employed persons is concerned.

Then, the conditions of safety and quality control are more observed in breach than in their implementation. The food of men and cattle is being tampered with by free licensing for Guar gum, starch factories etc. The food of the poor is naturally getting dearer and dearer. Export of oil and oil cakes is permitted to the serious disadvantage and starvation of the people and the livestock in the country. Forward trading in edible oils and many other oilseeds is permitted though the Minister was bold enough to slur over the matter without specifically replying to my question, without specifically stating that this forward trading was permitted. Edible oil is a food commodity and forward trading is permitted in that. If forward trading is not permitted in foodgrains, why is it permitted in edible oils? This is a question that has to be answered by the Ministry. I say, Sir, that all staple food items like oil, cotton seed, oil seeds and guar should neither be exported nor allowed to be processed in the interests of a handful of industrialists. All forward trading in these items should be banned forthwith.

That brings me to the most important point of foreign collaboration in our industries. The matter is considered so insignificant that a question had to be put in the House in order to elicit information. If foreign collaboration is a very important matter, should it not be dealt with in a businesslike manner in the report? Only the other day the hon. Minister was pleased to state that about 400 cases of foreign collaboration were agreed to. Yet the Law Administration part of the report is absolutely quiet in the matter. This material may be found from some corner or the other, but the main fact remains that the investment of foreign capital in Indian industries or industries planted in India stood at about Rs. 610 crores in 1959 and it stood at about Rs. 655 crores in 1960. And, according to the calculations, in the Third Five Year Plan Rs. 300 crores are to be permitted to foreign capitalists in the total of Rs. 1200 crores that are allotted to the private sector. This is a big pill to swallow. May I remind the House that the Britishers had established practically an undivided monopoly over our foreign trade, insurance banking and shipping in the British days? They had also large interests in plantations and mines and the jute industry. Now it remains for this Congress Ministry to plant foreigners in every part of this country. Do you think that you are serving the interests of *swadeshi* by banning the imports of foreign material and, at the same time, planting the foreigners right in the heart of the country? These foreign consultants and capitalists clad in panoply of power and patronage have immense influence, totally at variance with the numbers not only over our economic life but also over our political life as well. It is, therefre, necessary to hark back on the old maxim of *swadeshi* that has been promulgated by Mahatma Gandhi. This Ministry is totally oblivious of the big *Sutra* given by Gandhiji that there is no *swaraj* without *swadeshi*. And what was the definition of *swadeshi*? I learnt at the feet of Gandhiji in 1921 that a *swadeshi* article had to be manufactured by hundred per cent Indian capital, by hundred per cent Indian management and by hundred per cent Indian labour. That is the formula or definition of *swadeshi* that as given to us by Mahatma Gandhi. You may take foreign loan, you may take loans from private capitalists, but let it be invested in India, in Indian concerns which have at least a very large portion of Indian capital, a very large number of Indian personnel and, naturally, with the full complement of Indian labour.

I must remind this House that Indian capitalists and personnel working with mighty foreign combines have taken to approximate to them in their economic and political ideas. Do we not know that the Federation of Indian Chambers of Commerce and Industry was one of the first to lodge a protest against the incursion of foreign capital into this country right from the beginning in 1948 or 1949? Since then, they are cooing and wooing foreign capitalists and finding it very pleasant to get the partnership or cooperation of the mighty foreign capitalists. And it is an irony of fate that today if anybody wants to register his business or industry, he gets a very good preference in the government departments if he is assured of foreign collaboration. Foreign collaboration is one of the pets of this government; foreign collaboration, once secured, opens the portals to all facilities that are available with the State. While the Ministry may be complacent, the people are not; let me remind this government that the incursion of the foreigners in all departments of industry and commerce is being viewed with the greatest suspicion and opposition by the millions in this land. So, I would request Government to revise its policies in this matter.

In spite of the Industrial Policy Resolution, foreign collaboration has crept in sections that are reserved for Indian enterprise with the maximum of foreign capital, with more than 50 per cent foreign capital permitting and less than 50 per cent Indian capital. There are also industries in which there is more of Indian capital and less of foreign capital, but the spirit, if not of the Industrial Policy Resolution, of the great gospel truth that was preached by Mahatma Gandhi, is being violated by this government every day and every hour of its life. I assure this government that people will not be lazy, or will not be careless, in this matter. They will wake betimes and there will be an agitation, a thunderous agitation in the country against these tricks and whims and the policies of the Government of India. So if the government does not wake up betimes then, I say, the government will face an agitation the like of which perhaps it has not seen before.

Shri Morarka: (Jhunjhunu): Mr. Speaker, the Ministry, whose demands

[Shri Morarka].

we are discussing today, is charged with two main functions—firstly, the industrialisation of the country and, secondly, to develop our foreign trade I wish to confine my remarks to the second task of this Ministry. The Third Plan has entered its second year with the exchange reserve further deplteed to about Rs. 100 crores, with virtually no visible foreign income with foreign debt of Rs. 1,650 crores and with a yawning gap in our balance of payments. Our total needs of foreign exchange in the Third Plan are more than Rs. 6,000 crores. As the Finance Minister stated this morning, about Rs. 2,000 crores are required for the development of new projects, about Rs. 3,800 crores for maintenance purposes and about Rs. 600 hundred crores to repay our borrowed loans with interests thereon. The interest amount alone would come to a little more than Rs. 200 crores on the foreign borrowings, during the Third Plan. We propose to raise this amount, firstly, by our foreign trade exports to the extent of Rs. 3,700 crores or 3,800 crores and secondly by external borrowings to the extent of Rs. 2,600 crores.

It may sound paradoxical, but it is a fact that as our industrial production increases, as our industrial development progresses, our imports also increase simultaneously. During the entire First Plan, our total imports were of the order of Rs. 3,620 crores, or Rs. 724 crores per year. During the Second Plan period our total imports were Rs. 5,360 crores, or Rs. 1,072 crores per year; that is, an increase of 50 per cent as compared to the imports during the First Plan period. Our import Bill for the Third Plan is put at Rs. 6,350 crores, or Rs. 1,270 crores per year, including the import under PL 480 agreement. These are our minimum requirements of foreign exchange, and these are the requirements on the basis of the projects which we have included in the Plan. If the cost of these projects increase, or if we include any new projects in the Plan, our requirements of foreign exchange would accordingly go up.

Recently there has been a trend visible that the promised or the anticipated foreign exchange of Rs. 2,600 crores may not be forthcoming. We read recently about the Senate Committee of the USA proposing to cut down our aid, then of the German Parliament withholding the aid for the Rourkela project, the USSR delaying the supply of the power equipment and the unsatisfactory conclusion of the Aid India Club meeting. All this created some sort of a doubt about the quantum of external aid being available to us and at the proper time. Therefore this obliged the Planning Commission to hold a meeting of the Chief Ministers of all the States and to warn them about this almost impending crisis of foreign exchange. It suggested to them not to start any project even if it is included in the Plan unless the foreign exchange for the project is specifically allocated and not to start any project outside the Plan at all.

This difficulty of foreign exchange is not new or without anticipation. Yesterday some of the hon. Members who spoke left an imppression on the House as if this Ministry did not do all that was in its power or that the officers have failed in augmenting the exports or in averting this foreign exchange cirisis. As a matter of fact, the Third Five Year Plan itself anticipated all these things and, if I may use the phrase, this crisis was built in in the Plan itself. The latest ECAFE Report very ably enunciates the reasons for this crisis. It says:

"Mainland China and India, both large economies, have chosen to build first a 'basic' structure of heavy industry, such as steel and chemicals, even though these require large capital and long gestation periods and are heavily dependent on imports."

Then it says:

> "The country has gone in for capital intensive development in the hope that external economies and availability of domestically produced capital goods would ultimately lower capital and foreign exchange coefficients, and secure more rapid growth."

The Report sums up the situation by saying:

> "A different investment strategy might, in the short run, have made the process of growth not only quicker but easier for the people. Agriculture, export industries and social services could have been given even more emphasis. Foreign aid could have been sought more as grants than as loans. Some greater reliance could have been placed on adjustments through the price mechanism... Some of these decisions, however, were made in the light of 'larger social ends' to which economic consideration were necessarily subordinate."

This is the verdict of impartial observers. We just asked for, what we call, the crisis of foreign exchange. We anticipated it. There is nothing new in it and we have to do our best to meet it. The Plan says in so many words that we will have to tolerate the under-utilisation of the installed capacity because we will not be able to import all the raw material required. It says that we will have to make sacrifices and that augmenting the exports is by no means an easy task.

But our Plan target for exports which is Rs. 3,700 crores or Rs. 3,800 crores, must be achieved. Let me tell you something about what happened during the First and Second Five Year Plan periods. During the First Five Year Plan period our total exports were Rs. 3,045 crores or Rs. 609 crores per year. During the Second Five Year Plan period our exports were Rs. 3,070 crores or Rs. 614 crores per year, that is, an increase of Rs. 25 crores over a period of five years or Rs. 5 crores per year. In terms of percentages our export increased by 0.8 per cent whereas our imports increased by 50 per cent. Now in the Third Plan, as I said, our taget is Rs. 3,700 crores or Rs. 3,800 crores. On the basis of Rs. 3,800 crores it comes to Rs. 760 crores per year. For the first year of the Third Plan our target was Rs. 680 crores and our actual achievement is Rs. 660 crores, that is, a shortfall of Rs. 20 crores. Our target for the second year of the Third Plan is Rs. 715/720 crores. It still remains to be seen how far we would achieve this target, but I may say straightaway that if our target is not achieved, this Plan is bound to run into difficulties even if the promised or anticipated foreign exchange by way of external assistance and loans is forthcoming. That, I think, is the most important point which the hon. Minister must take into consideration.

But these targets which we have laid for our exports can be achieved only if we augment production at home, reduce costs and consumption, improve quality and provide incentives. During April-November 1961 our exports were Rs. 443 crores as against Rs. 405 crores during the corresponding period in the previous year. This increase of Rs. 38 crores was mainly due to sugar, raw cotton and jute goods. I do not think this gives any reason to the Government to be complacent because we know under what conditions we have exported sugar. If we are to export other commodities as we have exported sugar, I have no doubt that we can multiply our exports very, very fast because the price of sugar in the country is about Rs. 110 per bag and the export price that we obtained per bag of sugar is Rs. 35 or even something less than that. At this sacrificial price if we are going to export the products, surely we can increase our exports faster. During the same period, that is, April-November, 1961,

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our trade with America has particularly improved. Our imports from that country went down by Rs. 80 crores and our exports went up Rs. 11 crores, that is, a total improvement of Rs. 91 crores. This is a very encouraging feature and I do hope that the Government will do everything in their power to maintain this progress.

We hear hon. Members making criticism against the Government for not increasing our exports.

13.28 hrs.

[MR. DEPUTY-SPEAKER *in the Chair.*]

There are three types of countries for whom it is very easy to increase their exports. Unfortunately, we are among none of these three. One type of countries is which have got huge funds or surplus capital to loan out to other developing countries. When they give those loans they make it a condition that those loans are meant for particular projects and that the equipment for those projects would be purchased from those countries. In other words, they do not give money loans but actually give loans of capital equipment. So, the exports of those countries are automatically increased.

The second type is of countries which are technologically very much advanced. Those countries have got the advantage of scientific invention to such an extent that all other developing countries in order to be competitive in the world market and in order to have the latest means of production go to them to buy their equipment, for example, the LD process in steel which we acquired through Germany from Austria.

The third type is of countries which are not developed at all but which are producing only agricultural goods by way of raw materials or mineral wealth. If they are prepared to export that, many developing countries and countries which are already developed would be anxious to buy those things. Thus, they can easily improve their exports.

It is quite true that we want to increase our exports, but it is also true that we want to increase it more in different commodities. We want to change our pattern of export also. Our country was traditionally an exporter of raw materials and other agricultural products. Now we want to export manufactured and semi-manufactured goods, engineering goods, steel, etc. When we want to change the pattern of our export and we want to change on to manufactured goods, it is natural that more expert salesmanship would be needed. And the job of a salesman is almost as technical as that of an engineer. It seems in this country we do not give due importance to the technique of salesmanship, and I think one of the steps that Government could take with advantage towards augmenting exports is to secure the services of some expert salesmen, whether from this country or from outside. According to me an expert salesman is one who can sell a frigidaire to an Eskimo, and a poor salesman is one who cannot sell even a camel to an Arab. Sir, I do hope that the hon. Minister would give consideration to this matter and try to recruit some expert salesmen for developing our export trade.

One of the best ways to give impetus to our exports is to increase our production, particularly by utilising the installed capacity to the fullest extent. The augmented production would reduce costs, save imports and develop exports. Above all, it would keep inflation at bay and would support the falling rupee. But I regret to say that so far as the actual increase in production is concerned, which is well within the powers of this Ministry, precious little has been done in that direction.

At present, because of the absence of foreign competition, limited home production and the ever-increasing domestic demand, the Indian market is both sheltered and more attractive for the Indian producer. It offers quick and easy returns. Under such circumstances, the incentive to efficiency becomes very very weak, and as a result both quality and price suffer. That is, the cost tends to go up and the quality goes down.

Our products, in order to sell, must compete not only in prices but in quality and design. We may have for developing our exports a short-term strategy and a long-term strategy. In the long-term strategy you may plan to export your locomotives, machine tools, steel and various other things. But as a measure of short-term strategy I think you should give top priority to anything that can be exported from this country. They may be oilseeds, cashew nuts, raw cotton, tobacco, hides and skins or even vegetable oils. There should be no restriction on these exports and, if need be, the domestic consumption may be curtailed drastically. The Third Plan itself talks of a sacrifice in the interests of exports, but I do not think any sacrifice has been imposed so far for augmenting our exports.

For the short-term strategy I suggest one incentive, and I am sure that if that is accepted the exports would increase beyond our expectation. I suggest that 10 to 15 per cent of the foreign exchange which any exporter can earn over and above the basic period, that foreign exchange should be allowed to him for the purpose of importing anything that he likes. I know there are items in the import trade where the profits are 600 per cent, 700 per cent or even 1,000 per cent. But those profits are there only because the imports are drastically curtailed. Once you give an exporter this facility to import to the extent of 10 or 15 per cent of his additional foreign exchange earnings, I am sure that on the one hand the prices of these things will come down, because there would be more import, and on the other the exporter himself would be able to compensate the loss he suffers in his exports. I hope the hon. Minister would get this matter examined and do whatever is possible.

Even the industrially developed and economically prosperous countries have been worried and taking steps for augmenting their exports. Western Europe particularly has been very busy experimenting with different types of economic unions to see whether their export trade as a whole can increase or not. For that purpose the countries in Western Europe formed themselves into different regional groups with common economic objectives. They made various experiments and I will mention only seven of them here. First of all, they formed the Customs Union Study Group; then the Organisation for European Economic Co-operation; then the European Payments Union; then the European Coal and Steel Community; then the European Atomic Energy Community; then the European Free Trade Area; and, finally, the European Economic Community or the European Common Market.

Some of these unions succeeded beyond expectations, particularly the Common Market, and they brought unprecedented prosperity to countries like Germany, France, Italy, Belgium, etc. And the position of these countries is so enviable that even a mature country like U. K. felt obliged to apply for entry into this Union.

We read the other day, and again today, that Premier Khruschev has called communist countries to a summit conference in Moscow to discuss the effects of the added strength of the European Common Market. This meeting will be held within the framework of the Communist Bloc Council for Mutual Economic Assistance. This conference is also likely to consider Premier Khruschev's plan for international trade. What that plan is and what would come out of it, we yet do not know. But this indicates that even Premier Khrus-

[Shri Morarka]

chev is worried about the export trade of that country, and worried also about the growing strength of this E.C.M.

May I say that in this context or in this respect we have done very little? Now that U.K. is negotiating its entry into the E.C.M. we, along with the other members of the Commonwealth, have started thinking about it for the first time.

Our most important item of export is tea, and Britain has taken up the question of duty-free entry of tea into the E.C.M. But unfortunately France is resisting it. At present 37 per cent of India's tea goes to U.K., whereas only 1 per cent goes to other members of the E.C.M. That shows the importance of our tea trade with U.K. and the repercussions it would have if U.K. joins the E.C.M. The new fiscal proposals recently made by the hon. the Finance Minister in his Budget certainly provide some relief to the tea industry. But the extent of this relief would actually depend on many other factors. This, again, would be offset to a great extent by the increased excise duty on tea, aluminium foil and plywood, as well as higher freight rates. U.S.A. actually increased imports of Indian tea by 5 million pounds last year.

There are two danger spots in the tea trade, and they are East Africa and South America. In East Africa, the acreage under tea has increased from 66,000 to 146,000 acres. Similarly, in South America, tea cultivation acreage has increased from 7,000 to 92,000. Other countries like Russia, Turkey and Iran are also growing tea. In the Far east, Formosa and Japan have extended cultivation in recent years.

The hon. Minister who has recently given charge of this difficult task of augmenting our export trade has taken some steps, if I may say so in all humility, in the right direction. He has put the incentive schemes on a permanent basis. That has given some sort of confidence to the exporters. He has also established the Board of Trade and has promised to start the Second State Trading Corporation for the export of agricultural commodities like oilseeds, pepper, cashewnuts etc. He has proposed to impose a cess on domestic production for financing some of the export items. Finally, he has proposed to set up an Expert Committee with a full-time Chairman to study the cost structure of the various items of export production. I wish him well. I do hope that his efforts will be rewarded with success. But I may also say that he should not be disappointed if he does not meet with immediate success in all these things. Because, after all, export is not an one-sided affair. You have to compete in the world and you have to compete with various developed countries when export industries have achieved fully the advantage of division of labour. So, the Minister who has a reputation for dynamic personality and all the rest should not feel disappointed if he does not show the same progress immediately which people expect from him.

In conclusion, I wish to say this that with a huge foreign debt, the country's future is more or less mortgaged. Any casual acceptance of the illusory export prospect is likely to lead to disastrous results. Unless the problem is tackled in a practical manner and a special climate is created, the results would not be easy of achievement. This difficult task of export promotion will demand the willing and enthusiastic co-operation of every sector of the economy both at the Centre and the States. I regret to say that the States are not at all alive to this national difficulty. In fact, their indifference is perfect.

Shri T. Abdul Wahid (Vellore): Sir, Shri Morarka has taken great pains to explain the import-export position in detail. He has tried to dispel the impression that was created yesterday by the Opposition Members that our exports had not made any progress during the last decade. I also want to support the same view. We need not be so pessimistic; it is not such a bad picture of our export trade in the last ten years. Actually, if we take up the First Plan period, leaving out the first year, that is, 1951-52 which was an abnormal year of the Korean War—that year we had an export of Rs. 733 crores—, the average for the next four years works out to Rs. 576.5 crores. In the Second Five Year Plan, our average works to Rs. 614 crores. That means, we had a gain of Rs. 39.5 crores.

Shri Morarka has explained the disadvantages and handicaps which our country had as compared with other countries whose exports had progressed steeply. Our position is, while the world export trade has almost doubled itself in the last decade, our share of world export trade has declined from 2.1 per cent to 1.1. per cent. It may be that if we take individually highly progressive industrialised countries, their exports might have trebled or even reached four times. The reason was, as explained by Shri Morarka, they were highly industrialised countries. They were countries which had the technical know-how. We must understand the position in the country as we inherited after Independence. What did we have? Nothing but an agricultural economy. What we had was, we were depending only upon our traditional exports of agricultural commodities. The only industry that we had was the textile industry and that too a highly worked and worn-out industry during the war. So, that textile industry cannot be considered to be efficient when compared with what we have in other countries of the world.

What we have done is highly creditable. We need not be charged that we did not do well, as the Opposition Member did yesterday. We have progressed well even during the last two years—though the Plan target was very high—as compared with previous years. In 1960, we had done Rs. 644 crores and in 1961, Rs. 645 crores. We have to analyse these figures still further. We were all along dependent on traditional items of export. But, during the last 5 or 6 years, we have developed our trade in engineering goods, in machinery, etc. If we take the figures of last year's performance,—April to November—there has been a decline in our imports to the extent of 13 per cent. The decline in the import of cereals was Rs. 26 crores as against 117 in 1960, in iron and steel, we had a decline of Rs. 17 crores, in transport equipment Rs. 12 crores, in chemicals Rs. 12 crores. Besides this decline in imports, compared with the figures of the previous year, there is a substantial progress that we have made in the export of industrial commodities.

As everybody knows, we started our industrialisation very recently—only in the last 7 or 8 years. When the production of these industries comes out fully, naturally, our exports in industrial commodities will go up. Even the progress that we have made industrially was tried to be minimised yesterday. In engineering goods, we have progressed considerably. In production of machines, our growth has been almost five times. In chemicals also we have almost trebled our production in the last one decade.

Still, I agree with everybody who spoke before me that the most important thing to do is the rapid industrialisation of the country. Our export trade was stagnant because we were mainly dependent upon the traditional items like jute, tea etc. We have to have varied items of export of industrial commodities. Then only our exports will go up. For that, we have to step up industrialisation very rapidly and also try to produce industrial goods at competitive rates. In producing industrial goods at competitive rates, there are so many handicaps to be overcome in which we

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would require the co-operation of everybody, especially of labour. We have to try to keep the cost of production as low as possible. This can be done only by having large-scale production and at the same time, by keeping down the wage structure. Since we are aiming at stopping our dependence on imports and stepping up exports of industrial commodities, we have, as far as possible to keep down the cost structure of the commodities. For that, we cannot go on increasing the wage structure. We do not want to be harsh to labour. We realise that the cost of living is going up in the country and labour is finding the position very difficult. We would request that cost of living should be kept down as far as possible. For that, there should be intensive cultivation of agricultural commodities and we should see that the prices of agricultural commodities come down so that the cost of living comes down and labour is not unnecessarily put to difficulties by maintaining the present wage structure.

As I said just now, the main reason for the stagnation of exports was our dependence mainly on traditional items. Even here, it is really alarming to see the competition that we are meeting from other countries in tea, jute, cloth and other things. Here also, we have to make serious efforts and see that our exports in these things are stepped up and not allowed to go down in any way.

Regarding export promotion, we have really to appreciate the work turned out by the Export Promotion Directorate, the various Export Promotion Councils, and our various trade Commissioners abroad. Their work has been highly commendable. But I think that the most important thing is that there should be intensive and on-the-spot efforts to market our goods in foreign countries. We have to encourage our business people and even have to compel them to open their business-houses abroad. And as has been rightly pointed out by the enthusiastic Minister of International Trade, we have also to open branches of the State Trading Corporation abroad.

It was most surprising to me that in places like Hamburg, Frankfurt, Stuttgart, Milan and others, I found hundreds of Iranian, Iraqi and Syrian business-houses selling handicrafts, carpets etc. of those countries. But it was indeed very painful to me not to find any Indian business-houses in any of those countries. I found several other business-houses in Hamburg, but no Indian business-house at all.

It is surprising that such a big country like ours has not done anything to expand its business. As I had pointed out in a previous speech of mine, if at all we have any exports today, those exports had been developed by the European business-houses in those days. We the Indian business-men have not made any serious efforts to develop our exports.

In New York, there is a small show-room maintained by our Ministry. I had been to that show-room. I know that there is a very big demand in the United States for our handicrafts, our handloom goods, our *saris* and so many other things. But what I found in that show-room was that it was housed in just a small building with a few articles on display. That is not the kind of show-room that we should have in such a big international marketing centre like New York where there is a very big potentiality to market our handicrafts and other goods. What we should do is to have a very big show-room in New York. The difficulty which importers in the United States find is that they cannot find reliable exporters with whom they can place huge orders. You know, Sir, the American way of business; when they place orders they place orders in millions of rupees. But they do not find reliable people with whom they can book orders by the millions.

So, it is very necessary that whatever it may cost, we have to open a very big show-room and a very big store in New York, which can readily supply the goods and also display our handicrafts, handloom goods and other things to the importers in that country.

In the statement of the proposed steps for export promotion, furnished in reply to a question in this House, the hon. Minister of International Trade has given some very valuable proposals. It is a very impressive list which he has given. I only wish, as he assured me and the House, that these will be implemented fully. The establishment of export houses and international trading firms should have priority over every other step. Allowing 10 to 20 per cent of the foreign exchange earning for the import of capital goods and spare parts etc. are very necessary steps and these should be implemented without delay.

In this connection, I would refer to Shri Morarka's suggestion that about 7 to 8 per cent of currency retention being allowed for importing anything that we liked. This is a demand which we have been making in the Export Advisory Council for the last two years. But I know that Government do not yield on that point. So, I would go one step forward and say that we may not be allowed to import anything that we like; Government need not allow us to import anything which contravenes the import regulations; but they can allow us to import those things which are within the list of things which can be imported. Of course, if we still have 10 to 20 per cent profit on it, it will go a long way in reducing our export costs. But I do not know what is in the mind of the hon. Minister. I hope that he will consider this favourably, because it will be of great help to the exporters.

Regarding credit facilities, the hon. Minister has suggested that these will be expanded. Here, I want to make a suggestion that the export industries should be treated differently. The advances on stocks made to the export industries should not be under lock and key. They have to be on hypothecation of goods in the manufacturing process. Also, the advances made by the State Bank of India should be increased from 60 to 75 per cent of the value of goods, because 60 per cent is too low.

The exports of our textiles is going down. As against the target of 1000 million yards, it has come down to 602 million yards. So, the only thing we have to do is to rapidly modernise our textile industry.

Of course, it is a matter of gratification to know that the allocation of 25,000 automatic looms for mills to produce flawless cloth has been decided upon, and also 16,500 automatic looms for replacement of the ordinary looms. But I think that instead of that, a few mills should be taken, and they should be given permission to expand; instead of allotting 500 automatic looms only in the case of each mill, these few mills should be given much more than 500 automatic looms, and they should be made very big and large units of production, so that the cost of production may come down, and the production could be marketed locally at cheaper cost, and the extra profit made thereby can go still further to reduce the cost of our exported commodities. I suggest that this can be thought over.

In handlooms also, our performance is going down. From 63 million yards in 1953, the quantity has come down to 28 million yards in 1961. The difficulty is the high cost of our handloom cloth and the uncompetitive prices of our handloom cloth in the world markets. It may be that in the coming future, the handloom weaver will be in considerable difficulty, because already our mill cloth is finding difficulty in meeting world competition, and with the high cost of our handloom cloth, I do not know how

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we are going to meet this competition in the future.

Hence, I would suggest that we should revive the Kanungo Plan, and despite the decision of the Planning Commission against the installation of powerlooms in place of the handlooms, we should think about replacing these handlooms by powerlooms. Of course, we should take abundant care and precaution to see that advantage is taken of this only by the handloom weavers and not by the other people.

Mr. Deputy-Speaker: The hon. Member should try to conclude now. I have a long list of persons who want to speak, before me.

Shri T. Abdul Wahid: I shall finish in two or three minutes.

From the statement showing the allocation of spindles, I find that 75,000 spindles have been allocated to Madras. Sir, I come from the constituency of Vellore, which is constituted of Vellore and Guidyatham taluk. It is an extremely backward area. There is no industry worth the name there except perhaps one co-operative sugar mill. There is a lot of economic distress in the villages there, and, I therefore, request that licence may be given for setting up a sizable spinning mill in that part of the country. As I have pointed out, the constituency from which I come is extremely backward economically, and industrially, and there is acute poverty and unemployment there. I request that the Central Small Scale Industries Organisation be asked to undertake an intensive campaign for the development of small-scale industries in that area.

In conclusion, I shall be failing in my duty if I do not make a reference to hides and skins, because I represent that trade. The hides and skins industry during the last year....

Mr. Deputy-Speaker: The hon. Member can pass on those points to the hon. Minister and he would look into them. It is a long speech which the hon. Member has written down.

Shri T. Abdul Wahid: I shall not take more than two minutes.

The hides and skins industry is a very important industry. Last year, this industry had earned about Rs. 26 crores, which was Rs. 36 lakhs over and above that of the previous year. If we take up goat skin alone, it was one crore of rupees more. But I am afraid that this has been earned at a very big sacrifice on the part of the trade. The whole of last year was a very bad year. But still, we earned that much of foreign exchange for the country. But I am afraid that this year it is going to be extremely bad. I would not be surprised if this amount is going to be cut off by Rs. 6 or 7 crores. Even yesterday, I was talking to some people, and I learnt that even Russia has stopped buying our goatskin. So, there is a lot of difficulty, and I am afraid that a crisis is developing. I would suggest to the hon. Minister that if we want to retain this export market at the level at which it remains now, then we have to immediately send a small delegation of people to Europe and other places to find out the reasons why the people in those countries are not buying our tanned goatskin and our Papra sheep skins. Otherwise, I am afraid that there will be a big decrease in our export trade in tanned hides and skins.

I had many other points to deal with, but since there is no time for me to deal with them, I shall conclude here.

14 hrs.

Shri K. C. Pant (Naini Tal): Even after losing the Department of Heavy Industries, the Ministry of Commerce and Industry has widespread ramifications and one has to be careful not to lose oneself in them.

Taking a broad view of the functioning of the Ministry over the last 11 years of planned economic growth, I must say that its record of performance has been impressive. The two Plans have seen a substantial growth in industrial production. The manufacturing production index has almost doubled between 1950-51 and 1960-61. The annual rate of growth has been of the order of 7 per cent. rising to 11 per cent. per year in the last two years of the Second Plan. The rate has again declined to 7·6 per cent. in the first ten months of 1961, but can be expected to pick up as the Third Plan gets into its stride. So much for the quantitative aspect of growth.

Qualitatively, the two Plans have laid stress on capital goods industries which go to form the base of an industrial economy. As against a 45 per cent. increase in consumer goods production, the production of intermediate products and capital goods has gone up by almost double that rate, and since these basic industries are predominantly the domain of the public sector, that sector has growth correspondingly. Even in absolute terms in the Third Plan, we find that the allocation for the public sector is higher than that for the private sector. This is a measure of the progressive strengthening of the relative position of the public sector in our national economy.

Another prominent feature is the marked diversification of the industrial structure. A recent publication of ECAFE, to which Shri Morarka also referred earlier, has acknowledged that in India modern industry has advanced rather rapidly and broken new ground. More and more new items are coming out of our factories and workshops every day.

Another welcome feature is the slow but definite change in the structure of private enterprise in this country. The number of small companies has been growing rapidly in recent years. I have it on the authority of Shri Asoka Mehta that 85—90 per cent. of the new companies coming up have an authorised capital of less than Rs. 10 lakhs. Thus the undergrowth is thickening rapidly and the spirit of enterprise is percolating in an ever-increasing measure to groups with lower incomes and capital.

I have briefly touched upon some of the encouraging trends that catch the eye. Now I come to some of the drawbacks. I regret to say that hardly any scheme or project in the Second Plan was executed in time, with the result that costs went up and too many disappointing shortfalls were there in our plan targets. Now we are faced with the danger that the Third Plan might run into very serious difficulties on account of shortage of coal, transport, power and foreign exchange. Though coal, transport and power do not come within the direct purview of this Ministry, it has a vital stake in their availability, because without these essential ancillaries of economic growth, all its plans would be left high and dry.

As for foreign exchange, we have heard a statement from the Finance Minister this morning. It can be said that this is perhaps the most burning problem of the day. We have been pulling on so far mainly on account of the cushion of sterling reserves that had been built up during the war, but now we find that these have practically disappeared. So we have a disturbing situation in our hands.

Let us take a look at the foreign exchange requirements. In the Third Plan period, the total requirements of foreign exchange for maintenance and development imports, amount to nearly Rs. 5.750 crores, which is more than half the total outlay of the Plan. As against this, the earnings on account of exports are estimated at Rs. 3,700—Rs. 3,800 crores. For covering the shortfall in earnings estimated at about Rs. 2,600 crores, we depend mainly on the assistance of foreign countries. But there is no

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certainty that this gap will not increase further. For one thing, it will be extremely difficult to peg imports at the level indicated; for another, the atmosphere of foreign assistance seems to be somewhat clouded at the moment. According to newspaper reports, at a recent meeting of the Aid India Club, the members were reluctant even to honour their previous commitments to meet the foreign exchange requirements of this country in the first two years of the Third Plan. The present assurances of aid in the second year of the Third Plan fall short of earlier commitments and expectations by as much as Rs. 100—Rs. 150 crores,—that is the report appearing in the papers. That is a serious shortfall. But I would not like to comment on it at this moment, because the Aid Club is going to meet again. I would only point out that it would be an unfortunate development if foreign assistance even from the friendliest of countries could not be counted upon by this country in times of need with some measure of confidence.

Another method to ease our foreign exchange difficulties is to promote foreign investments in this country. Foreign investments are increasing to some extent, but they would have to increase at a much faster rate if they were to make any palpable contribution to the solution of the foreign exchange difficulties.

Taking all these facts into account, one is led inevitably to the conclusion that the Third Plan target for exports must be increased. Looking ahead, it is estimated that exports should total about Rs. 1,500 crores per year by 1965-66. Therefore, we must step up our export target, even though past performance in this respect has hardly been encouraging. It is regrettable that our exports have been virtually stagnating during the last 11 years. It is against this background that the magnitude of the export problem should be considered.

On the one hand, we have to maintain our present exports at their present level, and on the other, we have to promote exports of new items. The main traditional items which account for nearly one-half of our total export trade are tea, cotton textiles and jute manufactures. These are meeting with ever-increasing competition in foreign markets. As regards tea, the main difficulty is that of quality and the fact that countries like Ceylon, British East Africa and those in South America are increasing their production at a much faster rate than we are. In this context, it is surprising that the Tea Board were not able to utilise the grant made to them for purchase of machinery in 1961-62.

As regards jute and cotton, our only hope lies in the rehabilitation and modernisation of old, archaic machinery, and I am glad to see that there has been some improvement in this direction, particularly in respect of jute. We have to take note of the fact that the jute industry in Pakistan is coming up very fast, and that cost factors are in their favour.

As regards cotton textiles, one major handicap is our continuing inability to produce sufficient long-staple cotton in this country.

I have just mentioned some of the difficulties faced by our established exports. But these difficulties will pale into insignificance when compared to what our traditional exports will have to face when the U.K. enters the European Common Market on the terms it itself has offered. It is perhaps not as widely realised as it should be that withdrawal of the Commonwealth preferences and their replacement by Common Market tariffs will affect 90 per cent. of our exports to the U.K., or as much as 25 per cent. of our total export trade. The Indian Ambassador to the European communities has made it abundantly clear that the U.K. plan does not provide for adequate safeguards for Indian exports. In the circumstances, we hope that the European Common Market countries which have now been directly approached by our Government will do their best to accommodate India in this matter. It would be a great pity if a move directed to promoting world trade and demolishing tariff walls has the unfortunate side-effect of crippling the export trade of developing countries.

This brings me to the question of developing new items of export. The Mudaliar Committee has gone into this question exhaustively and has made a number of recommendations. Many of them have been accepted by the Government, and others are under their examination. Among the various measures announced in recent weeks to promote exports are the constitution of a Board of Trade, the proposal to levy a cess on industrial products, the offer of transport and credit facilities and fiscal and other incentives to exporters, etc. Seeing the seriousness of the situation, all kinds of extraordinary measures may have to be adopted. However, in the ultimate analysis, only those measures can hope to meet with full success which look upon export activity as an integral part, or one might say, as an extension of the general economic activity inside the country. For one thing, enough will have to be produced so that there is a surplus left over for exports; for another, it has to be produced at the right cost. For that, the method is to select industries with export potential, and keep an eye on their costs right from the beginning. The only way to bring down costs is to operate at higher levels of technology. Modern techniques should be adopted, and economies of Scale should not be sacrificed by making a bugbear of industrial bigness. At the same time, over-capitalisation, which is not infrequent in this country must be avoided at all costs. As far as possible, raw materials should be supplied to export-oriented industries at international prices. Quality should be the watchword. Today, unfortunately, our products do not enjoy the kind of reputation which they must in foreign countries if we are to become an exporting nation.

In this matter of exports, let us not slur over the fact that our back is very much against the wall now. The producer, whether agricultural or industrial, the consumer, the Government, labour, the exporter, every one must play his part. The producer must realise that he should accept lower profits inherent in export trade in the interest of future profits which are interlinked with the general buoyancy of the economy. I appeal, therefore, not merely to his sense of patriotism but to his farsightedness and his enlightened self-interest. The same holds good for the consumer who will also have to share a part of the burden. In this context, I would agree with Shri Yajnik that what is needed today is that we must have another *swadeshi* movement in this country. The Government should not only give reasonable incentives, but give them properly and in time. Labour must realise that expansion of industry and employment opportunities may well depend on our ability to export at this juncture, and that in turn may depend on the degree of rationalisation we have in certain industries.

I have almost done. These were the main measures that I wanted to place before the House. I wanted to say something more on *swadeshi*, but since there is no time, I shall not go into that. In the end, I shall just give a small quotation from the Mudaliar Committee which sums up the situation rather neatly, as follows:

> "The high task of export promotion as envisaged in the Plan will demand the willing and enthusiastic effort of the whole nation. It will be impossible of achievement unless the requisite export climate is created which should embrace every sector of the economy."

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With these words I support the Demands of the Ministry, and thank you for giving me this opportunity.

Shri Nataraja Pillai (Trivandrum): I was rading the report of the Commerce and Industry Ministry, and one thing which struck me was that the Ministry is well organised, and it has with meticulous care provided for autonomous corporations, decentralised directorates, special directorates in charge of particular aspects of the work, and special committees to help the work. If this organisation is worked with some care, it must yield the result which we all expect of it.

The most important thing at the present day seems to be the very low reserves we have got in foreign exchange. That is a matter which ought to engage the anxious attention of the nation as a whole. When I heard the Finance Minister today, it struck me that we were climbing up a steep road with economic prosperity as our goal with the hope of making our country an industrial nation in the modern world. In that effort, when we climb up, it will be difficult to turn back, it will be dangerous to turn back, but at the same time, to climb up seems to be equally difficult. That kind of situation is being faced by the nation as a whole. The effort from all sides must be to do our best to get at our objective by making every possible sacrifice, so that we may survive as an industrial nation.

As I see it, the fall in foreign exchange is not due solely to the adverse trade balance. On the other hand, the other aspect of invisible transactions has also dragged on and caused a burden on the nation. Even in the *Economic Survey* that was distributed to us, that aspect has been dealt with in one or two sentences, as follows:

"The main explanation for the continuation of balance of payments difficulties despite the improvement on trade account has to be sought, therefore, in terms of the deterioration in regard to invisible transactions, both current and capital."

Not only that. I had occasion to read a study by Dr. Rajan of the Delhi University in which he gave some figures as to the invisible transactions which deplete our foreign exchange reserves. In his *Study on Investment Trends, Policies and Problems in India* estimated at the current payments, the invested income is mentioned as follows: 1959-60, Rs. 44·7 crores; 1960-61, Rs. 55·9 crores; six months in 1961-62, Rs. 38·6 crores. The payments of rayalty and fees shown as "Miscellaneous" in Government accounts are as follows: 1959-60, Rs. 25·6 crores; 1960-61, Rs. 31·9 crores; six months in 1961-62, Rs. 21·4 crores.

Our indebtedness to other countries and foreign collaboration and investment in India by foreign countries have led to this effect: we are faced with the necessity of paying for their investment and their fees, and that is a drag on our foreign exchange, without, at the same time, any chance of adding to our foreign reserves. The only go out of the situation is to promote exports—export promotion. In regard to that, the Ministry has been trying its best to promote exports. In that, we are limited by certain considerations or limitations. Our traditional export commodities are more or less agricultural products Fickle monsoon plays a very vital part in that. Jute, cotton and tea form the most important items of our traditional exports. The chances at present do not seem to be very rosy, but, at the same time, there is no reason to become despondent.

But one feature which we see in the present industrial organisation of our country is that our heavy or capital industries are still in the gestation period or are suffering from teething troubles or they are not yet in a position to stand on their own feet. The heavy investment we have incurred has not begun to give us any return. On the other hand, we find that medium-sized industries which have come in the privatae sector have progressed so far as to give an adequate return. The engineering industries, especially, are giving us a return and even producing articles for export. It has to be considered whether, in the export promotion sphere, we cannot do something really substantial to increase the quota of export from the engineering industries, the products of our small engineering industries, and to get some foreign exchange of a substantial amount.

The effort to increase our traditional export commodities at the present moment may not be very feasible. But there are certain products which come under the classification of agricultural products, namely, the products of the sea, which can easily earn substantial foreign exchange. Recently, freezed and canned fish was exported in some decent quantities; I am not in a position to give the figures at present, but I would say that with a little more effort, this export can give us substantial foreign exchange.

In the same way, the rare mineral sands in certain portions of the country must yield a good earning by way of foreign exchange. For example, in Kerala, the minerals and rare earths concern sponsored by the Government of India is earning profits and in their report, it has been recorded that they are not able to meet the demands of the market and that with a little expansion they will be able to do it. The reports published by the Government of India make a definite statement like that. That is true. Years ago, the mineral sands of that area were giving a substantial income to the Indian State there. Now, with further expansion we must be in a position to make more foreign exchange.

In the same way, there are certain export-earning articles—not on a major scale—like spices, cashew-nuts and so on, which, with a little more attention can earn some more foreign exchange. While dealing in crores, we are apt to forget lakhs. That is a common human failing which sometimes occurs. Here, the prospects of these small industries may not be in crores. but, at the same time, it will be in substantial lakhs, and that will go to relieve the strain we feel at the present moment.

I would especially say that cashew-nut is an industry which gives us a return though in a smaller sum. There is a real difficulty for this industry. Unless it is substantially helped by providing for the export of cashew-nuts either by creating some agency or by asking the state trading organisation to do it, the industry will come to grief in the very near future.

In the same way, coir is also a foreign exchange earning commodity. Unless it is also helped to a certain extent, the coir industry will not be able to give us the return which it has been giving during the recent past. So in the field of coir, cashew nuts, and monasite, if Government were to concentrate their attention to a certain extent, they will be able to earn foreign exchange to the tune of one or two crores of rupees—I do not say you are going to get Rs. 200 crores or anything like that.

Mr. Deputy-Speaker: The hon. Member should now conclude.

Shri Nataraja Pillai: Sir, I have to place before the House one other factor. During the Second Plan period the Government and the Planning Commission decided that a certain number of handlooms may be converted into powerlooms. The Government of India accepted it and provided funds in the budget itself. The scheme was asked to be implemented. It was implemented in certain States. Later on for the Third Plan period when the States asked

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whether they can proceed with the scheme, they were told they could very well proceed with the scheme because whatever balance was left after the provision of the Second Plan period, will be available for the Third Plan period. They wanted to carry it on. But later on, it seems from the report that on the advice of the Planning Commission the Government of India have not revised their scheme and they do not want the States to proceed with it, that is the conversion of the handloom into powerloom.

Sir, there is one basic factor which has to be borne in mind in this connection. There is no displacement of labour involved in this process. It is only making the handloom weaver a better fitted economic man by giving him facilities to earn more by utilising the powerloom. Powerloom is a decentralised industry. We all say that in rural India industries must be decentralised and must be made available for the larger number of people, so that their living standards may increase. In the same way an ordinary weaver who operates a handloom will not be able to earn as much as a men who operates a powerloom. As a matter of fact, coming as I do from an area where 500 looms are working, I know that each of the loomholders is getting thrice the amount he used to get as a handloom weaver and is in a thriving condition. This fact was noticed by the Estimates Committee. The Committee in their Hundred and Sixty-Third Report observed as follows:

"The Committee are inclined generally to agree with this assessment made by the Textile Enquiry Committee 1954 on the likely effect of the progressive conversion of handlooms into powerlooms. While there may be some employment displacement, it is likely to be of comparatively small dimension. The Committee recommend that the laudable scheme of conversion of handlooms into powerlooms may be suitably modified to meet the requirements of the State Governments and implemented on the basis of a perspective plan to be drawn up for this purpose."

This report came out in March 1962. Soon after that a note was circulated by the Ministry that one fact which came to the notice of the Department was that a number of unauthorised powerlooms came into existence without any licence, without any sanction, and that they had to be controlled. But for that purpose the authorised powerlooms should not be penalised. Now it is being proposed to licence the unauthorised powerlooms by demanding a penalty. But why should authorised powerlooms which substantially help the people be prevented? This is a matter which the hon. Minister should consider.

Mr. Deputy-Speaker: The hon. Member should now conclude.

The Minister of International Trade in the Ministry of Commerce and Industry (Shri Manubhai Shah): Mr. Deputy-Speaker, Sir, I am very heartened by the speeches made by hon. Members this afternoon and yesterday. Sir, the problem today which faces the Indian people, the supreme national task and the supreme national obligation before us all is export promotion not only as a long-term measure, but also as an emergent measure to be undertaken immediately in order to fulfil all the national priorities and national plans. I am heartened not only because in the House in general there has been a full appreciation of this problem, not only because of the full support of the entire House and the country to this problem, but also because intrinsically and inherently as I examine and analyse the situation I see many rays of hope and a silver lining in the clouds of tomorrow and of a distant future.

Sir, what is the export problem? That is the question which we should ask unto ourselves. It is true that our exports in the First Plan and the Second Plan have more or less stagnated. As Mr. Wahid pointed out, if we take away the first year of the First Plan, namely the Korean boom, Second Plan, on an average about Rs. 20 crores extra was registered. If we take the five years' average, Rs. 610 crores was the annual average in the First Plan and Rs. 613 crores was approximately the average in the Second Plan. More or less one can say it had not caught up, it was stagnation. Yet, the world trade is expanding. All over the world, the effort of every country, whether it is a highly industrialised country, a developing country or an under-developed country, is in the direction of increasing exports.

Here in India we command a national gross product of Rs. 11,980 crores which might become almost Rs. 12,500 crores during the current year. Five or six per cent of that to be pushed out to foreign countries should not be beyond the possibilities of human endeavour, more so in a country surcharged with an overall enthusiasm created in every quarter of the community to do their mite and bit for the national plans.

Sir, if we examine the history of the world trade in the last decade, even though the total figure of the European countries are not available, a rough estimate of it would be about Rs. 13,000 to Rs. 14,000 crores. What we have to participate in is less than 2 per cent for a country which commands a population of one-sixth of the whole mankind. Therefore, even speaking from a purely physical angle it should not be difficult for us to reach our targets which are very modest and yet which we find very difficult to fulfil, namely Rs. 40 crores to Rs. 50 crores a year. It is just ½ per cent extra every year, of our average national gross product. In terms of percentage, it is hardly from 6 per cent to 7 or 7½ per cent. If we can catch up, we should be able not only to fulfil our obligations, but to dynamise the economic activities all round. Compared to the world trade, in which we might have to push out all our goods, it is just an insignificant portion—Rs. 50 crores, Rs. 100 crores or even Rs. 750 crores, if we total up the base plus the increase—it is just a small fraction. I am saying this because, in the export potentialities, it is just as industrialisation—I remember those days when I associated myself with the industrial programme of this country, way back in 1956, when we were feeling whether industrialisation could be achieved on the same massive scale which this country had determined to achieve. I found that the enthusiasm among the small, medium and big men in this country was so endemic and so contagious that today we find it is impossible to catch up with the demands. Those of us who were leading them in entrepreneurship today find ourselves lagging behind, not even able to cope with their enthusiasm adequately. This is the first analysis of this problem.

Shri Tyagi: So, my hon. friend admits that so far as demand for industries is concerned, there is demand, but the Government is not in a position to meet it in full.

Shri Manubhai Shah: That is already understood; so far as the industrial side is concerned, we know there is tremendous demand, which we are not able to cope up with.

As regards the weakness of our export trade, firstly the primary consideration is that we are priced out in agricultural commodities. We are priced out in industrial manufactured articles. These are long-term mea-

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sures which should increase the productivity of a nation. This is not peculiar to India only. All under-developed countries of Europe, Africa, Asia, the Latin American countries, the American continent and the East European countries, when they began on the highway of industrialisation, had these very built-in handicaps of a community not accustomed to modern productivity and modern technology. Therefore, I would not try to run down, as many times people do, the people of this country, the entrepreneur, the agricultural producer or the planter in this country, by merely saying that he is too inefficient as compared to his counterpart anywhere in the world.

We will have to create long-term conditions for higher productivity. The economy will have to be very effective. We will have to provide for quicker and cheaper transport. We will have to provide fertilisers, so that the productivity of the soil may go up. We will have to provide for various measures of soil conservation, lift irrigation, mechanical cultivation and all those things which go to raise the productivity and bring down costs. So also in the manufactured articles.

I am prepared to assure all the exporters of this country that this Government is prepared to stand by them and make the export trade some what profitable, from what it is today—a more or less losing proposition. We shall not let down any exporter of this country, if it comes merely to neutralising costs. After all, costs can be compensated. But I would like to secure their cooperation in terms of quality and sustained after-care service and whatever follow-up service is required for the goods that have been sold. It is my unhappy experience that this tendency has not developed, because we are new to the world trade; we have not been able to establish agencies which can do sustained export trade for a long period of time and provide for standard quality and maintenance, which can create full confidence in the Indian community and which can community and which can bring the rewards of continuous trade with the different communities of the world, with whom we want to enlarge our trade in general.

Therefore, I make this appeal to the entire merchant and industrial community of this country. The Government of this country—both at the Centre and in the States—is prepared to undertake all measures to help him out of matters of costs and to convert his losing proposition into a somewhat profitable one, even though it may not be as profitable as the internal trade or internal market. But I do realise that no army can march on a hungry stomach. No General or Commander can expect that his followers and the army would continue to go on starving and yet conquer battles. It can never be done. Therefore, we do not expect the impossible from them. What we expect is that the terms of profit should be very moderate and reasonable, because we cannot convert a very highly priced out economy into an extremely profitable economy, as in some other countries.

Then, quality also is not a thing to which we are not accustomed. This country, way back in the 6th and 7th century and even before that, was one of the most leading trading communities of the world. Indians were the most sea-faring nations of the world. The merchandise, the handicrafts and other articles produced in this country used to cross the seven seas and the trader, his son and the grandson, used to take pride that whatever goods were once advertised and sold, they were followed up by better goods and still better goods. So, this is one appeal which I would like to make to the merchant community that while we can compensate prices, it is not possible to compensate quality or after sale service, after-care service or the maintenance of goods sold. I am quite sure that our people will respond to this generous appeal.

We will have to create the climate for export. Today, even if the price is neutralised, even if the quality is maintained, there is not sufficient awareness in the larger part of the country as far as export obligations are concerned. As I said, it is a supreme national task, a supreme national obligation, for which I or nobody can wait for another three or five years, for something to happen. I want to assure the House that we consider this problem on an absolutely emergent basis of today, tomorrow, the day after, month after month, this year and the next, so that none of our plans gets into the hitches which come out of lack of performance. This climate can be created in multifarious ways.

From the last five or six weeks' study I made, I can say that there are more than 60,000 exporters in this country; may be 70,000—a very large number. Also about 30,000 registered companies and firms under the Companies Act are operating in the trade and industry of this country. So, these lakhs of people, with very great background in trade and industry, supported by the entire community and their Government are not a small force, which cannot push out Rs. 40 crores or Rs. 50 crores extra over the present level in order to see that our targets are fulfilled and none of the cuts, which we sometimes have to enforce now and then, are not enforced and are avoided.

I, for one, do not believe in decreasing the imports. It can never lead to increase in economic prosperity. The prosperity of any country is almost coterminous with the larger volume of foreign trade and larger volume of imports, higher technological machinery, higher levels of scientific development and various other forms which go to increase the industrialisation and economic development of a country. As the hon. Finance Minister rightly said this morning, if we have to take some mergent action to have a rearguard action for a little time, it should not cause any depression or discouragement. I remember we faced a similar situation in 1958. We had to make a drastic cut and we had to extend the licences issued for six months to nine months, without issuing any new licence. Again in the end of 1959, we had to make a drastic cut in different industries from 10 to 20 or 25 per cent. These are only strategies of economic development. Sometimes when we find that a particular effort has not reached its fruition, we have to do certain things to conserve the resources in order to see that the economy does not receive a severe jolt. Therefore, all the restrictions announced today are being implemented for a few weeks or a few months only and a new climate has to be created in the country, for greater and greater efforts towards export promotion. There is no need at all for any kind of disheartening or for any alarm to be caused.

Then, this climate has to be created also by the Government. Here, Sir, I must confess that as far as the incentives and their payments are concerned, we have been very tardy. It is not the fault of anybody in particular. The government machinery in a democratic country being what it is, we being quite new to what these incentives are and because they mean some payments in cash for certain services rendered, we have been somewhat delaying. Therefore, we have taken a few measures which in due course perhaps will improve the situation. We are appointing a Director of Incentives, a very senior official of the Central Board of Revenue, who has been charged with the responsibility of looking after all the import entitlements of the exporter, all the import entitlements of raw materials and components, and any incentives in the form of cash or kind are to be supervised by him

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without too much or undue delay. I do not promise that all the delays will be cut out. But I do want to say to one and all that if anybody will bring these delays to our notice either through the Ministry or through the Federation of Chambers of Commerce and Industry or through the trade organisations or through the 16 or 17 export promotion councils and panels that we have appointed, we shall feel extremely grateful and we shall also try to see that such delays are obviated.

Shri Nambiar: There is a general feeling in the business community and industrialists that for anything and everything in the department of industries there is delay. For import licence, for export licence, for the purpose of securing even incentives there is delay. That is the general feeling in the country.

Shri Manubhai Shah: I am confessing that. But I am saying—I am not without heart in confessing it—that while we confess there is delay and we should avoid those delays, we are also trying to gear up the machinery so that these delays will be avoided. It is not very difficult to avoid them at least as far as export obligations and incentives are concerned—I am not talking of the entire machinery of the Government in every respect, and this is not the forum where I can make any mention or suggestion about it. But I can assure hon. Members that because export today is an emergent business and the incentives have got to be funnelled as quickly as possible, we shall try to cut the redtape, or whatever tape it is, as short as possible and funnel the incentives in the earliest possible manner.

Then there is the difficulty of transport. I have seen statementr showing it commoditywise. There has been difficulty in reaching iron ore, manganese ore and other bulk commodities to the ports in time. We are also appointing a very experienced officer of the Railway Board as Director of Movement in this Ministry. His work will be to look after those emergent problems of transport bottle-necks with respect to export trade. I am here menioning generally only as far as the foreign trade is concerned, and I may not be miunderstood as talking over the entire scope, both in the Centre and the State as my hon. friend was pointing out. I am merely saying that an emergent problem has to be fought in an emergent manner. An army cannot always say that the entire civil supplies will be maintained by them. We are saying that the struggle is on and the struggle has to be combated and all those weak points and bottle-necks which come in the way of the particular performance have to be tackled.

Therefore, the two basic issues are incentives and transport. I do not think there is any other impediment except, as I said, the lack of a proper climate. If the proper climate is created—I am quite sure it will be created—we shall be able to show a somewhat better performance than what is envisaged today among the difficult conditions.

Then I come to the question of strategy of export. Take the pattern of export in this country. 85 per cent of our exports come from the traditional items like agricultural commodities, plantation crops, textiles etc. The new additions are manufactured goods like engineering goods, iron ore, metallic ores etc., which form less than Rs. 100 to 150 crores out of a bill of Rs. 650 crores. Therefore it is true, as Shri Pant rightly pointed out, we should concentrate on new articles. But, at the same time, we should not neglect the traditional items. The traditional items are the base and we can achieve immediate results if we can push out more jute goods, more tea, more cotton textiles, more oil seeds and more agricultural products.

I would like to place before the House a few figures. In jute, the present year is a year of good confidence. Our raw jute production was a bumper crop. Our production of jute textiles today is also on the increase. Fortunately the world market is also responding. In the jute trade, it is true that last year we earned about Rs. 22 crores more than in the previous year because of the short supply of jute and the world prices having gone up. Presently, even though our quantitative exports are more our earnings are less. But I am quite sure that about Rs. 10 crores can be earned as extra if all efforts are geared by the Indian Jute Mills Association and various other agencies concerned in the field of jute.

In the field of tea, we are thankful to the Finance Minister for the new measures. I disagree with my hon. friend Shri Morarka. I would rather say that no further incentive or assistance is called for in tea. Actually the present incentives are more than adequate. The trade is highly satisfied. We have had serveral discussions with them. Of course, everybody can always ask for more and more incentives. But we have got to see also what is the social cost that we have to bear for every commodity that we promote. With regard to tea, on the whole, I can say that the picture is not bleak, it is quite bright. We may be able perhaps to earn another Rs. 5 crores to Rs. 10 crores extra from tea.

Then comes the question of cotton textiles. Here, what had never happened in this country has happened in the last one month. I am very thankful to the Indian Cotton Mills Federation for having accepted the Government's suggestion for, what I call, export obligations. What I would urge upon every industry and trade in this country is that if everyone participates only then the cake can grow and if only a few participate and the others are there only to enjoy the cake then the cake can only shrink and it can never grow. Therefore, the sacrifice has to be evenly spread. There are 509 textile mills—about 498 operating mills. But only 50 or 49 of them export and the rest only take pleasure of the internal market. You can never expect the volume of export trade to go up. It is here, therefore, that I would appeal to the entire trade and industry in this country, that they should themselves work out the export obligations.

The textile mills only yesterday finally passed a resolution with all the members more or less consenting—though there was some difference of opinion it was all sorted out—that 12½ per cent of the annual production of every textile mills will be accepted by them as an export obligation. I very much congratulate them on behalf of this House, the Government and myself for having accepted a voluntary export obligation. They have also been very practical. They have said that in case of any mill defaulting an extra premium of 12½ per cent on the present premium that they are charging to the entire industry will be levied on those who default. This is a good measure. I will not call it a penal measure but it is a voluntary measure. That only shows that most of the mills, practically all the mills would try to fulfil their obligations and not create a situation where one feels that somebody, a member of the society has let down the entire society.

There was also the Wool Textile Mills Association meeting in the last few days. They were only exporting goods worth Rs. 22 lakhs. Export of wollen cloth is very difficult because we are not one of the principal wool textile manufacturing countries. Yet, I am grateful that each mill in India in the woollen textiles have accepted an obligation of 5 per cent. That means woollen goods worth Rs. 1,10,00,000 will now be exported during a year as against the present meagre export of

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about Rs. 20 lakhs. This particular movement we are going to enlarge.

Shri Bade (Khargone): When there is shortage of long staple cotton, when there is a shortage of nearly ten lakh bales of cotton, how can they produce more?

Shri Manubhai Shah: Shortage of cotton is a subject which I have dealt with on the floor of the House several times. There is shortage of a million bales. But we have imported, as I have given the entire enalysis, 2,25,000 bales under PL. 480, earlier to that some 3,00,000 bales, one lakh bales under the recent Indo-Pakistan agreement, under barter agreement and tender offered in the United States another 50,000 bales etc. I need not go into the whole breakup. I can assure the entire textile industry of this country that the Government is fully alive to the needs of cotton requirements not only at the present level but also on the basis of increased production in order to meet with the enlarged export obligations which comes to nearly Rs. 65 crores which is a substantial obligation.

Shri Firodia (Ahmednagar): What will be the increase on account of this?

Shri Manubhai Shah: About two lakh bales extra.

Shri C. K. Bhattacharyya (Raiganj): Did not the Minister for Agriculture state yesterday that there was no shortage of cotton?

Shri Manubhai Shah: My colleague the Minister of Agriculture did say so. But there is a little difference. He said that including the imports that we are working for plus the production, which has gone short to about 43 lakh bales, the total is likely to be equal to the requirements of the entire industry. That is what he was really trying to point out, and there was not much difference between the two.

15 hrs.

Shri C. K. Bhattacharyya: I can only say that we feel confused. I will quote what Gita says:

" न बुद्धिभेदं जनयदज्ञानां कर्मसंगिणाम् "

we should not confuse the minds of simple people.

Shri Manubhai Shah: What he perhaps meant and what I am trying to say is that there will be no shortage and both the indigenous production and the import programme that we have on hand, the total of the two, will make up the requirements of the textile industry in an increasing way. Therefore, this is the cotton textile position.

Then we come to the role of the State Trading Corporation in this matter. The STC has a very vital role to play. My hon. friend, Shri Yellamanda Reddy, yesterday mentioned that because we are not taking advantage of the trade more with the European countries, we are doing a wrong thing and we are working with some other people, which is not true. We have everybody as friend in this world. With every country we have highly developed friendly relations. We want to trade more and more with the United States, we want to trade more and more with the European Community and the UK; we also want to trade with the East European countries and if one goes through the report to find out whether our trade has gone up with the East European countries, one would be more than satisfied. In 1955 the trade with the East European countries under rupee payment was Rs. 8·38 crores. In the last year, the corresponding figure was Rs. 43·40 crores on the import side. On the export side, in 1955 the trade was worth Rs. 4·36 crores. In 1961 it was Rs. 57·79 crores. Therefore, here is an answer that, as far as trading is concerned, we are friends of all, as we have done in industry, as we have done in economic collaboration. We have received assistance on a global basis. There is no country in the world which has refused to assist us, whose co-operation we have not received in a large measure. What I want to say is that the STC has a much more important role to play and perform than merely trading with the East European countries under the rupee payment.

I have mentioned a few days back that we are working for a second State Trading Corporation, which may be called the Ores and Metals Corporation of India or whatever it may be, which will mainly deal with iron ore, manganese ore, various alloys, ferrous and non-forrous metal so that we can do that trade in a big way. I would like to place before the House certain salient facts in this regard.

Shri Tyagi: Why not establish one for commodities like textiles?

Shri Manubhai Shah: Agricultural commodities will be looked after by the parent corporation. As it is, there will be two corporations, instead of one handling everything. So, except minerals and metals, all othre things like agricultuarl commodities will be handled by the exiting corporation.

Shri Tyagi: What about jute?

Shri Manubhai Shah: Jute will also be looked after by the present corporation. Only metals and minerals will be taken out of its purview. Our approach at present is this. It may be, as trade goes up, a third corporation may come for agricultural commodities. Anyhow, at present we have about 28,000 million tons of high grade iron ore and about 72,000 million tons of medium grade and low-grade. So, in all, we have about 100,000 million tons of low, medium and high-grade iron ore with us. It is a very paying commodity today and subsequently we hope it will go up to 6 million to 7 million tons. We hope that when the new Corporation has developed quality trade with different parts of the country, when it enters into five-year, ten-year or fifteen-year long-term arrangements, arranges transport wherever necessary, does proper mining, develops ports and harbours, we may be able to devlop the trade to 10 million to 20 million tons of ores I am here merely forecasting the figure for a foreseeable future date; it may be more than that. It will be one of the principal export-earning corporation.

Therefore, the basic philosophy would be that the State Trading Corporation is more for export promotion than any other thing which might incidentally come to it as a part of the national performance. It has to do so many important functions like canalising various scarce commodities over which inflation is caused in the country if they were left in the hands of the private trade. But the state trading is in the direction of participating in a large measure in the foreign trade of the country.

Here I want to assure the traders, businessmen and industrialists of this country that just as the public sector in industry which has expanded to enormous proportions at the end of the Second Plan and will be more than double at the end of the Third Plan over the Second Plan level, the STC is their friend. It is not as if we are supplanting private trade; it it not as if we are displacing private trade. As the volume of trade in this country goes up, some will be shared by the State and some will be shared by the private people. I am glad that in the recent discussions which we are having with the various traders, on the whole they are gradually appreciating the role of the STC. I would like to make a special pleading for the STC because even in those countries which are not wedded to socialism it is there. Ours is an under—developed country where we want to remove the inequalities and distribute the wealt in an equitable manner. So, it is all the more necessary that, specially for a country wedded to sacialism, in order to distribute the means of production and

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merchandise, we should expand State trading. I have no doubt that the businessmen in general will appreciate the comradely spirit in which the STC expanded its activities, specially in the matter of export promotion, without hurting the legitimate interests. Without supplanting them or the trade channels which they have developed, there is a large volume of work that the STC can do. So, in that field we mean to go forward in an expansionist way, in a very dynamic way, from year to year and trade in more and more commodities which are bulk in quantity where the qualities are not too much so that the civil servants, or the trades specialist in the Government, who cannot be specialised in so many items dealt with by millions of traders, is in a better position to trade on a long-term basis, as compared with the private trader.

Then there was mention that even though Government have looked into the Mudaliar Committee Roport, they have not given the fullest consideration to it. There I might say that we are looking into all the aspects of the Mudaliar Committee Report. Even on the question of the currency retention scheme we have an open mind. We have considered it in very great detail. Here I must take the House into confidence because many well-meaning friends have asked why, when it is an obvious thing which has been tried by many countries in the world, namely, a portion of the currency being retained by the exporters, it is not being considered favourably here. The reason is that we cannot give the currency retention, nor is it the suggestion of the Mudaliar Committee to give it, on the basic and staple exports. It is on the greater quantum over the basic export. There are, as I said, over 60,000 to 70,000 exporters in the country. If only in order to avail of the currency retention 5,000 or 2,000 export join together and bill up in one man's name, the export figures would rise from ten to fifteen percent. So, without any actual increase in export, in that stagnant export, we will have to forego a large amount of money and foreign exchange, so that the nation in the end becomes a loser instead of a gainer. This is a point which has to be borne in mind, untill a scheme is so worked out. We have an open mind on this question and we welcome suggestions from every quarter. So, unless some currency retention scheme is worked out, even with the restrictions which Shri Abdul Wahid has rightly pointed out, there are many items which are permissible for imports in the red book and so unless the extra export effort is properly located, which should lead to the totality of the exports being increased as a result of the currency retention scheme, I hope the House would agree that the currency retention scheme would be a very dangerous and risky thing, if it is not properly worked out in the fullest context what the plan and minus of the export and import as a result of currency retention.

Then there was reference to export finance. In this matter we are one with the Mudaliar Committee. We want to enlarge our export finance. In this matter I would like to place before the House a few steps that we have taken. What we have done is that we have put the export incentive scheme on a permanent basis. Therefore, any time-datedness about the scheme is no more there. Unles and until the Government modifies them, the schemes will remain as they are. The modification also, I want to assure the trade and industry of this country, we will do only in consultation with them. Of course, consultation does not necessarily mean that every advice would be accepted. The decision of the Government will be final. But we will not do anything without consulting them and also giving them due notice. This has created, as I can see, a sense of security among the exporters. I hope that this measure of putting the export incentives on that basis will be appreciated by the trading community as a whole and lead to larger number of contacts in the long-term period.

Secondly, what we want to do is that the scope of the export promotion councils, the role of the manufacturer-exporter and the merchant-exporter will have to be properly defined. In the first meeting of the Board of Trade tomorrow we are going to discuss that problem at great length. There is a feeling in the country that the merchant-exporter is not being cared for as much as he should be.

Here I want to say from this House that we very much appreciate the services of the merchant exporter. The merchant exporter is as integral and important a part as the manufacturing exporter. As a matter of fact, 50 to 60 per cent, or even 70 per cent. of the trade in different commodities in export today is handled by the merchant exporter. It is for the merchant exporters, the Chambers, the Federations and various other association to place before us the way in which we can fit in the merchant exporter in the scheme of things. The incentives in kind, machinery, raw materials, companents etc., naturally, will go to the manufacturers because they replace the raw materials of that particular article. But to make the sale and the profitability of the merchant exporter worth while for the services which are very highly essential and which he renders to the nation, we are prepared to consider the role of the merchant exporter as very important in the national economy.

Then one of my hon. friends mentioned the question of export finance. We have the Export Risk Insurance Corporation which helps a great deal. We are also having now a small study group to find out in what manner the working capital can be provided in a larger measure for the export trade. So far, broadly speaking, the banks are giving up to 80 or 85 per cent. and sometimes even up to 100 per cent. to different exporters depending upon the creditworthiness of the exporter as far as the f.o.b. or the c.i.f. price is concerned. The value of goods for internal price is somewhat higher, to the extent of the international price being lower than the internal price, and what he receives is only the international price advance. He does not get the whole advance against the internal price. His money gets locked for eight to nine months. Here the model of the Italian law, called the Martenelli Law is under study and I do hope that the new working group which is examining the various export financing methods, devices and organisations throughout the world will come to some decisions quickly. We will have discussions with the various banks concerned including the Reserve Bank and will bring about some measure and, if necessary, even have some export credit guarantee corporation as a separate corporation both to finance and guarantee export financing on a short-term basis.

My hon. friend, Shri Nataraja Pillai and Shri Pant, mentioned that there are developing countries of Africa and Asia where perhaps a small-term deferred payment of two to three years may be necessary. We cannot afford very long term deferred payments. Yet it is our hope that some scheme will be worked by this guarantee method or the exports guarantee corporation, or whichever the body that comes up, to see that three to five years deferred payment in specified cases of capital goods are arranged through such mechanism.

Then the question about the revolving fund which the Mudaliar Committee has recommended came up. This is a highly important aspect. If export industries are financed by a revolving fund—let it be a modest fund in the beginning—an advance component licence can issue to the export guarantee performance of the exporting industry so that whatever it suffers today due to lack of raw materials or the timelag can be avoided.

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That is a highly useful suggestion. It is under consideration. Even if we cannot begin with a Rs. 100 crore fund as they have said because the present foreign exchange situation is such that such a big amount is out of the question, we will be able to start the fund with about Rs. 10 crores. We are having talks with some foreign exchange banks and after the details are worked out in various quarters we will be able to start a foreign exchange fund which will be a revolving fund, the exports paying within the same year or within three to six months of the component licence and refinancing so that it is a pool which works as a support or as a buffer stock of components to the exporting industry.

There are various other small items of the Mudaliar Committee's Report which are also under examination. On quality control, I may say that tomorrow before the Board of Trade we are bringing a proposal of quality control and the Inspection Council of India which will be instituted shortly. The function of this Council will be to activise the social action of voluntary quality control through trade associations. We have studied this matter rather closely. The enforcement immediately of a statutory or legal type of quality control is not only impracticable but we do not also have the necessary wherewithal and the facilities, nor has it worked in any country of the world to any great success. But if the trade associations, as the old *mahajans* of India were doing were conscious of the social obligations to the community in seeing to it that with modern technology test controls are carried out and proper analysis and inspection are carried out, it will go a long way. I bank upon this movement of quality control in a big way and the Government will certainly see to it that the pre-shipment inspection is rigidly enforced. This is a task which Government cannot divest itself of. The prestige and image of India that we want to create is that of a very strong trading community with healthy traditions of quality and adherence to strict specifications. We get odd complaints many times, not like that Shri Kamath was saying that there are many complaints. There are some complaints. More than that, as I said in the earlier part of my speech, the after-care and the follow-up action of what goods are sold, particularly the manufactured articles, is lacking to a great extent and I do hope that we shall be able to rectify that defect in as short a time as possible.

Following that, the establishment of export houses, both Indian-based and foreign-based, is a very important thing. It is true that in the past we have been able to register only two export houses but I can assure the House that we are removing all those bottlenecks because that export house had more conditions attached than even a normal company registered under the Indian Companies Act. The gentleman who was prepared to do the work and service for the community was put to a far larger disadvantage than even an ordinary man who makes the profit here while he is running. Therefore the export houses scheme is being considerably modified in consultation with the trade and industry and the various ministries concerned and we do believe that a very streamlined, simple and easy registration of international trading firms and export houses will be brought about.

Then some hon. friends said that we want a salesman who can sell a refrigerator to an Eskimo and we do not want a salesman who cannot sell a camel to an Arab. It is absolutely true. It is one of the weaknesses of Indian trade today because over the centuries we lost our freedom and our economic independence. Therefore we became a weak trading community. Anybody could enter commerce, perhaps barring politics without any qualifications commerce was one thing which did not require much of the experience or academic qualifications or expertise. We, therefore, want to see that the education of applied commerce, as we call applied science and technology, should be widespread in the universities and various other schools of economics. As an apex institute of foreign trade we want to establish an institute of international trade which will receive young men between the ages of 30 and 45 experienced in business, to some extent, and having academic qualifications, who would be given training for specialisation in foreign trade, how to tender goods, how to make a follow-up service, how to make contracts, how to build up a million contracts throughout the globe etc. because trade is subjective. If you and I tick off well, you buy from me and I buy from you, but if the subject angle is not there, the trader does not trust the other man. It is, therefore, to build up the correct contracts all over the globe that we should have specilists in international trade. This is being done throughout the world and we hope that here within a period of a decade we shall be able to take a long-term measure to produce real specialisation and expertise in international trade in whatever way it means, that is, technology, salesmanship, marketing techniques, proforma, inventories making contracts, opening up trade shops and trade centres, shop windows and various other types of depots throughout the world, so that an image of India is created on a wide front in the right perspective. That is the idea for having expertise developed on that line.

Only in passing I may say that an hon. friend referred to modernisation of the instruments of production in order to reduce the high cost of production. This has already been referred to by me several times here in the past several years. We are modernising textile mills and jute mills. As a matter of fact, 87½ per cent of the jute spinning section is already modernised. We are now undertaking the installation of the broad looms. I do not know how many broad looms will come about, maybe, 1,500, 2,000 or 3,000. We have also requested the IJMA to go ahead with the modernisation of the weaving and the perparatories sections; so also in the cotton textile mills. But we are making compulsory 10 to 20 per cent of the incentive in terms of machinery in every export promotion scheme in order to see that every unit which participates in exports will have to put up new machinery. Unless we modernise in a built in scheme or phenomenon, productivity of the instruments of production in the country can never be geared up. We cannot afford huge amounts of foreign exchange because technology becomes obsolete even before it is born. By the time the machine comes the world produces some better machine and therefore in the race we are getting left out. Therefore as a part of export incentives we want to take that constructive path and take the industry into confidence that every unit must modernise and utilise 10 to 20 per cent of its earnings in foreign exchange by importing modern machinery to modernise. And that will be saleable by it only after the Development Wing officer certifies that the particular unit is modernised and does not need that machinery. Then it can certainly be transferred to another unit. So that, the process of modernisation, as a whole, of the instruments of production is built in as a part of export promotion.

Then, as regards the question raised by my hon. friend Shri Yajnik, my colleague Shri K. C. Reddy will deal with it. I will only say this much, that this has to be seen in the proper context. As Shri K. C. Pant rightly pointed out, we need more and more foreign collaboration from various countries, as we are deficient in technology, both of production and sales. Modern technology does not come without proper experience being borrowed from those who have developed. And out of 430 cases— I do not know the exact number

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how, it might be 440 cases—of foreign collaboration approved in 1961, only 11 to 12, or maybe 13 or 14 cases were there where foreign majority has been allowed. It is the policy of this country to always try to have Indian majority in foreign collaboration. And it is a preponderance of Indian majority in most cases. In a few cases it might be 49—51 per cent. But the cases of foreign majority in technical collaboration and participation are few, and indeed very rare. I have dealt with that subject several times. I would rather say that we welcome foreign collaboration from all parts of the world, because it helps us to industrialise. And as we have well established industries in those sectors where we do not need it, we do not invite it. It is not correct to say that all the industrial licences are issued on the basis of technical collaboration. As a matter of fact, three-fourths of the industrries are being licensed without any collaboration at all. Out of 1,290 industrial licences, there are only 430 cases of technical collaboration, of which some are for old industries and not new industrial licences. So it is only 20 per cent or 15 per cent of the industrial economy of this country which is receiving the benefit of technical collaboration. That is because we do not need technical collaboration in those fields of industries and production in which we are very familiar or where we have already achieved the necessary expertise.

Regarding the question of the European Common Market and U.K's entry into it, I would not like to deal with it here. It is a long subject. I propose to take a little more of the time of the House, perhaps in the last week of the session when I propose to lay a consolidated statement on the approach and attitude of India towards the decision of U.K., from various angles. All that I can say now is this, that we are extremely anxious, and we feel very much concerned at U.K.'s entry into the E.C.M. We would like all our trade practices, preferences, quantitative advantages, Commonwealth preferences which are there today to be preserved intact, not only for today but for a very very long time to come.

Shri Nambiar: Only the other day the hon. the Finance Minister said that we are not much worried about the entry of U.K. into the E.C.M. But now the hon. Minister says that they are very much concerned.

Shri Manubhai Shah: I am rather surprised how the hon. Member says like that. Every time, the hon. the Prime Minister and the Finance Minister and the Minister of Commerce and Industry and every one of us has been saying that we are all concerned about it. We have given our statement; our Ambassador at Brussels has held a press conference and given a statement to the European community; we have given a statement to the U.K.; we have given a statement to the six countries and even the European Free Trade area. As the House is aware, we are very much concerned.

But I am mentioning another aspect, and that is this. It is not only the trading today, what is going on. We consider the European Continent and U.K. to be a very large future potential market for India's trade abroad, just as we want to develop our trade relations with the East European countries, with America, the United States which is a high consuming market. We also want to develop in an equal way, in a wide measure, the trade with the European Common Market countries, the Continent of Europe and U.K. And from all these angles, immediate as well as long-term problems, we are very much concerned, and we are trying to take all the steps about it. As far as the details are concerned, it is a highly technical subject-commodities, percentages tariffs, customs duties, quanta restrictions—it is not a subject which I would like to take up in a cursory way while intervening in this debate. It may form perhaps a separate part of the discussion when the statement in this respect is laid here. I know the House and the country are equally concerned with the situation, as Australia is concerned, as New Zealand is concerned, as Canada is concerned, as all the Commonwealth countries are concerned. We are equally concerned with any effect it may have—I would not say what is the percentage effect as Shri Tyagi said, but it is going to be of considerable effect. We would like to protect our interests not only for the short-term measure, but we would like to build up contacts, individually and collectively, with all the six countries of the European Common Market, the Continental countries and U.K., in order to see that a widening measure of trade develops between India and those countries. That is as far as that matter is concerned.

Then there was a question of over-invoicing and under-invoicing which my hon. friend Shri Tyagi raised. I entirely agree with him that this has become . . .

Shri D. C. Sharma (Gurdaspur): I also raised that point.

Shri Manubhai Shah: Yes, Shri D. C. Sharma also raised that point, as also many other hon. Member of this House.

Shri Harish Chandra Mathur (Jalore): You have neutralised all the credit!

Shri Manubhai Shah: I remembered it just now. Shri Tyagi raised it today, but Shri D. C. Sharma had referred to it yesterday. And he is right. This is a question which is really of concern and we are looking into the matter. But it is not easy to check over-invoicing and under-invoicing. I do not know what will be the actual amount and from where my friends got certain figures; but it is a nuisance and an evil which cannot be allowed to go unchecked. There are many countries which have taken severe measures, and we also propose to make a study of it intensively. The general tendency is this: under-invoice exports . . .

Shri Tyagi: Why can't we have distributing agencies in foreign countries, so that whatever is exported is exported through them?

Shri Manubhai Shah: It is not possible to do a global trade by a few agencies. Thousands and thousands of agencies are concerned. But this is one of the small devices which can certainly be thought of. But the important point is this. I would request ahe co-operation of all the importers and exporters and the industrial houses and the trading community in considering under-invoicing of exports to be a national crime. When we are fighting every inch of the battle to win on the export front and to have more foreign exchange, to under-invoice exports in a country which is so under- developed as ours is really a national crime, and to over-inovice the import, so that you pay to the foreign trade more and you earn from the foreign trade less. There cannot be a—I do not want to use strong language—greater crime or guilt at this critical juncture of India's economic development. Therefore, any suggestion which may come across from hon. Members in this House and from outside will be most welcome and studied carefully. We ourselves are studying it in a more detailed manner.

Shri D. C. Sharma: I think you should not be a kind Shiva but a tough Rudra! Then things will become all right.

Shri Manubhai Shah: We have to develop a community sense. A mighty country like ours cannot be governed entirely by the rod. There the carrot, there has to be the stick. There has to be more of friendliness,

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more of persuasion, more of creation of a proper climate, and automatically over a period of time we can certainly develop, as Shri D. C. Sharma has pointed out rightly, a certain penal attitude also to this growing social evil. But that is one thing which is engaging our immediate attention

Then one of my friends from Kerala, Shri Kappen, mentioned about our falling trade of tea with U. K. It is not correct. It is stagnant, it is not falling. It was 75·7 crores in 1959. In 1960 it was 75·4 crores, and in 1961 it was 75·4 crores. So there has not been a fall. But we are certainly concerned that it should go up, because our production of tea is going up. As regards the feeling which Shri Morarka mentioned that tea trade is going elsewhere, I can assure him that we are leaders in the tea trade and we will maintain that leadership. Our target of the Third Plan of about 910 million lbs. is more or less going to be exceeded so far as production is concerned, and we will try to conserve even at the cost of using less tea in the home country and export every bit of the surplus of tea that we can afford.

On the matter of hides and skins, which was raised by Shri Abdul Wahid, I am really grateful to him for having made that suggestion. It had not caught my attention so far; it might perhaps be known to the Ministry. But I will study all the suggestions that have been made by hon. Members, and it is my invitation to all that this is a responsibility of the whole nation. Though some friends have tried to say that I or any one in this Ministry particularly is being watched or looked after or being sympathised or being supported, I say this is the task of all. I am only one of the humble men, along with the rest of the community and the nation, who has to see that all the weaknesses of the export trade, to the extent possible, are removed on an emergency basis and not merely wait for a long-term measure to take place. Therefore, the problem is here and now. Six months or a year hence, we have got to rectify the imbalance. In that respect, before I close, I would tell my hon. friends in trade and industry that I look upon their association in this great task as a matter of great challenge. It is not beyond the competence of Indian trade and industry to push out Rs. 40 crores or 50 crores or 100 crores more out of a gross product of Rs. 9600 crores, of which about Rs. 4300 crores is agricultural production and Rs. 5300 crores is manufactured articles, including shipping and other invisible services. It is only a question of determination. I hope that the support that this House has given and the country has given will be reflected in due course in a determined effort on the part of all the exporters and manufacturers of this country. Once more I want to reassure that the export trade of this country will not be made a losing bargain. We will convert it into a modest profit making bargin. They will have to go ahead without worrying about incentives. To talk of incentives all the time is to create a poisonous air. First do the job and then come to the country and ask for your rights that flow from the obligations that you have discharged. In that spirit, I hope all my colleagues in the Government, and in this House and in the country outside will participate in the export sacrifice that we have to launch.

In this respect, four divisions are being created in the different Ministries. The Agriculture Ministry is creating an Export division in the Food and Agriculture Ministry. The Railway Ministry is considering having an Export division in the Railway Ministry so that the transport problems and various other types of things that the Railways can do for the promotion of export trade will be looked after by them. An Export division in the Mines and Fuel Ministry is being considered so that they can help us in the development of minerals for export. An Export division in the Ministry of Steel and Heavy Industries is also under consideration.

With all these different Ministries, wide mercantile community, more participation of the State Trading Corporation in future in a larger number of commodities and in a larger way of the international trade, while the task of export promotion is extremely difficult, all these measures do not make us disheartened.

Mr. Deputy-Speaker: We have to take up non-official business.

15.32 hrs.

*POLITICAL SUFFERERS AID BILL

by Shri S. C. Samanta

Shri S. C. Samanta (Tamluk): I beg to move for leave to introduce a Bill to provide for aid to the political sufferers.

Mr. Deputy-Speaker: The question is:

"That leave be granted to introduce a Bill to provide for aid to the political sufferers."

The motion was adopted.

Shri S. C. Samanta: I introduce the Bill.

12.32½ hrs.

*HINDU MARRIAGE (AMENDMENT) BILL

(*Amendment of section* 23) *by Shri J. B. S. Bist*

Shri J. B. S. Bist (Almora): I beg to move for leave to introduce a Bill further to amend the Hindu Marriage Act, 1955.

Mr. Deputy-Speaker: The question is:

"That leave be granted to introduce a Bill further to amend the Hindu Marriage Act, 1955."

The motion was adopted.

Shri J. B. S. Bist: I introduce the Bill.

Mr. Deputy-Speaker: Shri Indrajit Gupta: not present.

15.33 hrs.

LEGISLATIVE COUNCILS (COMPOSITION) BILL—*contd.*

by Shri Shree Narayan Das

Mr. Deputy-Speaker: The House will resume further discussion of the motion moved by Shri Shree Narayan Das on the 25th May 1962,

"That the Bill to provide for the composition of the Legislative Councils of States and for matters connected therewith be circulated for the purpose of eliciting opinion thereon by the 31st December, 1962."

Out of two hours allotted for the discussion of this Bill, 1 hour and 24 minutes have already been taken up on the 25th May, 1962. Thirty-six minutes are now available.

Shri D. C. Sharma (Gurdaspur): Mr. Deputy-Speaker, I wholeheartedly support this Bill. There are some persons who have been doubting the value of the Upper Chamber. But I believe they are not thinking along democratic lines, but along different lines. Democracy is a series of checks and counterchecks. It is a series of balances and counter-balances. I think the Upper House is an effective check on the Lower House as the Lower

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