

ernment, naturally, has been helping it out of way by giving loans of Rs. 2 crores, 10 crores and so on. Now the Government have realised that their liability is more than the assets, Rs. 47 crores or something like that. Now, having realised this, they want to take it over and manage it for a limited period. Then hon. Minister now tells me that it is taken over for a limited period, while the Constitution itself empowers the Government to extend the period.

We have many undertakings, many textile mills and many sugar mills which have been taken over, where controllers have been appointed and receivers have been appointed, and after the mills or the concerns started making profits, and the Government have spent crores of rupees on them, the mills or the undertakings were given back to the previous management, the capitalists. I would like to know from the hon. Minister whether it is the intention of the Government to take it over permanently, or why not nationalise this concern once it is taken over?

Mr. Speaker: These are not the matters which could be discussed now.

Shri Raghunath Singh (Varanasi): I want to say something.

Mr. Speaker: I have heard the Member who opposed the introduction of the Bill.

Shri Raghunath Singh: I am not opposing it.

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill to provide for the taking over of the management of the undertaking of the Jayanti Shipping Company Limited, for a limited period in order to secure the proper management of the same."

The motion was adopted.

Shri Sanjiva Reddy: I introduce the Bill.

13.34 hrs.

STATUTORY RESOLUTION LEVYING OF EXPORT DUTY ON CERTAIN ITEMS

The Deputy Minister in the Ministry of Commerce (Shri Shaif Qureshi): I beg to move the following resolution on behalf of Shri Manubhai Shah:

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (32 of 1934), this House approves of the Notification of the Government of India in the Ministry of Commerce No. S.O. 1696 dated the 6th June, 1966, as amended *vide* Notification Nos. 43(3)-Tariff dated the 6th June, 1966, S.O. 1841 dated the 15th June, 1966, S.O. 1940 dated the 27th June, 1966 and S.O. 2133 dated the 15th July, 1966, levying export duty on sacking (cloth, bages, twist, yarn, rope and twine), jute manufactures of certain description, cotton waste (all sorts), tea, all oil cake other than copra, groundnut oil cakes, tobacco, unmanufactured mica, all sorts, hides, skins and leather, tanned and untanned, all sorts, but not including manufactures of leather, and coir and coir manufactures from the date of such Notifications."

Shri Hari Vishnu Kamath (Hoshangabad): Sir, on a point of order. I invite your attention to rule 76, and also would like to state that you have ruled twice or thrice before that when a motion or a Bill is put in the name of a Minister, Shri Manubhai Shah in the present case, and if the Minister concerned is not present in the House, the reasons for his absence should be given. They have been consistently violating this. I think this is the third or the fourth time. They have not given us the reasons for his absence.

Mr. Speaker: I must explain that when the Minister concerned is not here to move the motion, some reasons should be given:

Shri Hari Vishnu Kamath: Have they got any explanation at all?

Shri Shafi Qureshi: I have taken your permission to move this resolution. I may state for the information of the House that the Minister is busy in a meeting.

Shri Hari Vishnu Kamath: It is not a valid excuse. If he is outside Delhi, it is all right. (*Interruption*) He has no respect for the House. It is contempt of the House.

Shri Bhagwat Jha Azad (Bhagalpur): I am sorry to hear him say like that. Is that meeting more important than Parliament? He must as usual be made to apologise to the House. It is surprising.

Mr. Speaker: Hon. Members should not be so sensitive. I may point out, however, that the business of the House must get first priority unless there is some State business which is so important that it cannot be avoided. But in this case, when it is said that the Minister is busy in a meeting, that does not explain what kind of meeting it is, what importance has to be attached to that meeting, and whether that should be given preference to attendance in the House. If it was very urgent and important, the Minister could write to the Speaker so that I might inform the House that it is because of inability he is not coming and so on.

Shri N. Dandekar (Gonda): I wish to make one observation. This is a statutory motion, a most important one, arising out of devaluation in so far as the export and import impacts are concerned, and really it should be the Minister who should deal with this matter, because there are a number of important issues arising out of it.

Mr. Speaker: I hope he will be coming soon.

The Minister of State in the Departments of Parliamentary Affairs and Communications (Shri Jaganatha Rao): He will be coming.

Shri Shafi Qureshi: He will be coming soon.

Shri Sonavane (Pandharpur): This is not the first time.

Shri Shafi Qureshi: The Government of India took a decision....

Shri D. C. Sharma (Gurdaspur): Sir, how long is it going to take? He is going to read what the Secretary has written and the Minister will also do the same. How long will it take?

Shri Shafi Qureshi: I may state for the information of the hon. Member that I have heard with attention the discussion in the House. The Secretary's brief, in order to help us, may be there, but I have my own knowledge of the devaluation problem and allied problems, I know the subject with which I have to deal.

Now, as I said, the Government of India took a decision to refix the par value of the rupee with effect from 2 a.m. on the 6th June, 1966. The new par value has been fixed at Re. 1 equal to 0.1185 gramme of gold as compared with the earlier par value of Re. 1 equal to 0.1866 gramme of gold. The rupee has thus been devalued by 36.5 per cent.

13.40 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

This corresponds to a new rate of exchange of Rs. 7.50 to 1 US dollar which again corresponds to Rs. 21 to 1 pound sterling as compared with the rates of Rs. 4.76 to 1 US dollar and Rs. 13.33 to 1 pound sterling before 6th June, 1966. This decision to change the par value of the rupee was taken after the fullest consideration when the Government became convinced that it was in the best interests of the Indian economy. A copy of the Press Note dated the 5th June 1966, issued by the Ministry of Finance, has already been placed on the Table of the House.

With devaluation a revision in the present range of import duties has also become necessary. In carrying

out this revision, Government have kept in view the need to avoid any adverse effect on the budget. At the same time, the new range of duties would be such that the total import cost, especially for machinery items, is not out of line with the cost of similar or comparable items produced in India.

श्री हुकम चन्द कछवाय (देवास) :
उपाध्यक्ष महोदय, मैं आपकी व्यवस्था चाहता हूँ। क्या सदन में गणपूर्ति न हो और बिल रखा जा सकता है ? मैं प्रस्ताव रखता हूँ कि यह बिल न रखा जाय।

Mr. Deputy-Speaker: The bell is being rung—Now there is quorum. He may continue.

Shri Shafi Qureshi: In the case of those our traditional exports which required relatively little assistance prior to devaluation, it became necessary to levy appropriated export duties so as to mop up windfall profits, but at the same time leaving a sufficient edge to the exporter so as to give him a competitive advantage. Thus export duties were levied on a small number of specified items to ensure that (a) the unit value in foreign exchange of traditional items of export did not decline significantly and (b) there was no windfall for the exporters as

a result of devaluation. Thus with the change that has been made in the par value of the rupee on devaluation, an exporter who earns 100 dollars will now be able earn Rs. 750 as against Rs. 476 earlier. This is a strong stimulus to our export effort in respect of items which were more or less competitive before devaluation, in the world market. Quite apart from helping competitiveness of our exports, this will provide a strong inducement for the flow of investment into export industries and thereby progressively strengthen our export position. Now such a stimulus was not called for in the case of certain traditional items of exports. In such cases, the Government has levied export duties to moderate the stimulus and yet leave sufficient incentive for growth.

In the first notification which was issued, the levy was put on jute manufactures, tea, all oilcakes other than copra cakes, tobacco unmanufactured, cotton waste all sorts, mica all sorts hides, skins and leather, tanned and untanned all sorts but not including manufacture of leather, coir and coir manufactures. Subsequently certain other notifications were issued and the final position regarding statutory rates of export duty as it obtains today, as a result of the five notifications, is as follows:

Jute Manufacturers:

(i) Sacking (cloth, bags, twist, yarn rope and twine)	Rs. 600 per metric ton
(ii) all other descriptions of jute manufactures not other wise specified.	Rs 600 per metric ton

Tea

All oilcakes other than groundnut and copra cake	Rs. 125 per metric ton
Tobacco, unmanufactured	75 paise per kilogram

Cotton waste, all sorts	40 per cent <i>ad valorem</i>
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Mica, all sorts	40 per cent <i>ad valorem</i>
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Hides, skins and leather, tanned and untanned, all sorts, but not including manufactures of leather	10 per cent <i>ad valorem</i>
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Coir and Coir manufactures

(i) Coir fibre and yarn	25 per cent <i>ad valorem</i>
(ii) other coir manufactures	10 per cent <i>ad valorem</i>

[Shri Shafi Qureshi]

This is the net result of all the five notifications.

I will not take much time of the House, but in conclusion I would like to emphasise that the whole object of these measure taken by the Government is to put our economy on a sound footing and pave the way for further progress and development. This objective would, however, be defeated unless the necessary discipline is observed to keep the inflationary pressures under control. Only by so doing can we defend the value of our currency and prevent the recurrence of a similar situation in future.

With these words, I move.

Mr. Deputy-Speaker: Resolution moved:

"In prsuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (32 of 1934), this House approves of the Notification of the Government of India in the Ministry of Commerce No. S. O. 1696 dated the 6th June, 1966, as amended *vide* Notification Nos. 43(3) — Car'66 dated the 6th June, 1966, S. O. 1841 dated the 15th June, 1966, S. O. 1940 dated the 27th June, 1966 and S. O. 2133 dated the 15th July, 1966, levying export duty on sacking (cloth, bags, twist, yarn, rope and twine), jute manufactures of certain description, cotton waste (all sorts), tea, all oil cakes other than copra and groundnut oil cakes, tobacco, un-manufactured, mica, all sorts, hides, skins and leather, tanned and untanned, all sorts, but not including manufactres of leather and coir and coir manufactures from the date of such Notifications."

The time allotted is one hour.

Shri N. Dandeker: This is an extremely import resolution.

Mr. Deputy-Speaker: All right; I extend it by another hour.

श्री हुकम चन्द कश्यप : उपाध्यक्ष महोदय, मैं आपकी व्यवस्था चाहता हूँ। आपको ध्यान होगा कि सदन में कोई भी कार्यवाही चले उस समय मंत्री मंडल के मंत्री को उपस्थित रहना चाहिए। यह इतने महत्व का विषय है लेकिन मंत्री मंडल का एक भी मंत्री उपस्थित नहीं है। इसलिए पहले मंत्री मंडल के मंत्री की प्रतीक्षा की जाय उस के बाद इसको चलाया जाय।

श्री हरि विष्णु कामत : यह आश्वासन दिया गया था कि श्री मनुभाई शाह बुलाये जा रहे हैं कहीं आ रहे हैं, वह रास्ते में है क्या ?

Shri Shafi Qureshi: He is just coming, Sir.

Shri N. Dandeker: Sir, I would like to add my protest to the one made earlier. This set of measures that has just been announced in relation to adjustments of certain import duties and imposition of certain export duties is among the most important follow-up measures connected with devaluation and it is astonishing I am glad Mr. Manubhai Shah has now come but it is astonishing that none of the two or three Ministers concerned with devaluation—the Finance Minister, the Minister for Industries and the many other Ministers concerned with economic affairs, who are also vitally concerned with this fundamental set of follow-up measures is present in the House. However, I will proceed to deal with this motion from two different standpoints: first of all, what was the situation that devaluation endeavoured to cure in the narrow sphere of external trade and, secondly, just exactly what these measures will achieve. I would like to preface that, however, by saying that it is, perhaps clear from the Commerce Ministry's Report of 1965-66 that the Ministry of Commerce, at any rate, and certainly the Minister of Commerce admittedly....

श्री हुकम चन्द कछत्राय : उपाध्यक्ष
 महोदय इतना सुन्दर भाषण हो रहा है
 और सदन में गणपूर्ति नहीं है। मैं इसके
 बारे में आपकी व्यवस्था चाहता हूँ।

Mr. Deputy-Speaker: The hon.
 Member may resume his seat.

The Bell is being rung.

There is quorum now. I would
 request hon. Members to sit in the
 House at least for some time. In ten
 minutes we had to ring the Bell twice.
 Shri Dandekar may now continue his
 speech.

Shri N. Dandekar: Sir, I was saying
 it is well known and indeed it is evi-
 denced by the Commerce Ministry's
 Report for 1965-66 that the Minister
 of Commerce and the Commerce
 Ministry were completely convinced
 that there was no cause for devalua-
 tion at all. When the debate took
 place on the demands for grants in
 the months of April and May that was
 one of the matters I touched
 upon and I then dealt with
 the enormous jungle of vari-
 ous types of export incentive
 schemes that then existed with a view
 to stimulating what are known as non-
 traditional exports.

The crux of the matter, in so far as
 the situation demanding devaluation
 in relation to the balance of payments
 —just that narrow field—is concerned
 was this, that over the years, and in
 particular since the year 1966 onwards,
 while on the one hand the price level
 in India was rising and costs were
 rising, the artificially pegged value of
 the rupee was gradually and steadily
 widening the disparity between the
 purchasing power of the rupee in India
 and the supposed purchasing power
 parity at which it was pegged in terms
 of its foreign exchange value. The
 situation was one of increasing dis-
 parity between these two values. When
 that sort of situation prevails over a
 period of time what happens and what
 did happen in this country is that
 import-oriented industries are at a

premium, industries that are concer-
 ned with the domestic markets are
 at a premium, but export oriented in-
 dustries are at a discount. They are
 at a discount for two reasons. While
 their internal costs and prices are
 rising the cost of these goods to the
 foreigners (at the false rate of parity
 given to them is higher than that at
 which they could be produced and
 exported on a large scale. In other
 words, translated into economic terms
 the long-term consequence is a con-
 tinued incentive to deployment of
 resources in import-oriented indus-
 tries and in domestic-market-orien-
 ted industries, but not in export-orien-
 ted industries. The effect of this will
 always be that there will be an awful
 drag on exports and a tremendous
 boost on imports, and that in turn
 will be reflected in adverse balance
 of trade and subsequently in adverse
 balance of payments.

That this was realised is obvious
 from the fact that a whole lot of mea-
 sures, which virtually amounted to
 discriminatory devaluation, were
 taken with a view to encouraging the
 export trade in non-traditional items.
 There was a very wide range of multi-
 tiered arrangements ranging from tax
 credit, straight export subsidies, im-
 port entitlements and various things of
 that kind in varying degrees for
 different types of non-traditional in-
 dustries whereby it was hoped they
 would get by the left hand what they
 were losing through the right hand
 and, therefore, they would have an
 incentive to boost their exports.

Now I come to devaluation. I should
 have thought the follow-up action
 that was necessary was not to
 negative but to re-inforce the
 boost provided as a result of devalua-
 tion to the deployment of resour-
 ces in export-oriented industries; not
 just a temporary minimum boost of
 current exports or the minimum damp-
 ening of current imports, but a posi-
 tive impact on the total structure of
 deployment of resources, such as
 would shift them more and more in
 the immediate future towards export-
 oriented industries and less and less,

[Shri N. Dandekar]

comparatively, to domestic market industries and in so far as capital inputs were concerned less and less to import oriented industrial structures.

But what the Commerce Ministry has done, by the set of import duties and export duties referred to in the motion, is almost wholly to negative the entire basis reasons for devaluation in their impact upon foreign trade. Let me take, first, the import duties. Last year, there were two sets of import duties imposed precisely as an *anti-dote* to devaluation: one set was imposed early in February known as regulatory duties and the other set was in a supplementary budget in September 1965 in the shape of an enormous increase in a whole range of import duties so as to make them more expensive in rupee terms than would otherwise be the case, on the ground specifically then mentioned, to defend the rupee and stave off, if possible, the need for devaluation.

Devaluation having come, it is not enough to so to adjust those import duties that although the rates have been lowered the quantum of their impact by way of import duties still remains the same as in 1965, and that is exactly what was done. Reduction in import duties has been, broadly, only of that magnitude by which the rupee amount impact on a whole range of commodities has been kept just the same as in 1965. What is the consequence of this? The consequence is this, that not only do we add to the value of goods by the depreciated value of the rupee in terms of amount of money you have to give for a given amount of foreign currency, but the monetary impact of import duty levied at a time when devaluation was not there and enhanced as a specific alternative to devaluation, that also remains. This is going to bring about, in so far as impact on import is concerned, quite an unforeseen heavy impact in terms of rupee cost of imported goods, twice over so to speak, once in terms of anti-devaluation

duties which, *qua* their amount remain the same, again in terms of devaluation.

14 hrs.

The situation is even more serious on the export duty side. In the first place, the whole argument proceeds on a complete fallacy—the fallacy that there would be, if no export duties were imposed, a fall in the rupee value of the goods exported and, consequently, a fall in the foreign exchange value of the goods exported and, consequently, perhaps a fall in the amount of foreign exchange earned. The proof that this argument is wrong is immediately furnished by the second reason which the Government has advanced for the imposition of export duties, namely, windfall profits ought not to be allowed to be made. In other words, the prices of these commodities in rupee terms, but not in terms of foreign exchange, would go up so that the foreign exchange prices of these things would remain the same, in which case it is true that considerable profits would be made in export industries. But, if that is so, the argument that you would be earning less foreign exchange would become meaningless. If, on the other hand, you would be earning less foreign exchange because rupee prices would drop, then the fear of rising prices and unforeseen profits become meaningless. So, Sir, there is a lot of *mumbo jumbo* in this relating to the immediate situation.

The real point for consideration is this. Even these so called traditional industries, were they or were they not in need of a boost of one kind or another? The Finance Minister has said—he made it quite clear in his statement the other day; he has repeated it in the Supplementary Economic Survey also—that a very large section nearly 70 per cent of the traditional export industries was in receipt of certain types of assistance, direct or indirect, in various forms. The funda-

mental question therefore, is this: is it or is it not the government's desire that even in regard to traditional industries there should be larger and larger deployment of resources in those industries? I do not know whether you are aware, Sir, that in the deployment of resources over the last ten years, the traditionally export-oriented industries have received the least.

The tea industry, for instance, has been suffering from dearth of capital resources over a number of years. There have been committees and special reports about the supply of finance in order to enable them to undertake rehabilitation, modernisation and replantation programmes; and in order to enable them to do that, there were also tax concessions in relation to the new plantation and replantation of tea estates and so on.

My submission is that these countervailing export duties, so to speak, for—that is what they are—they are designed to take away from export-oriented industries, both traditional and non-traditional, particularly traditional, the main situation that was intended by devaluation, namely, that there should be a diversion of resources to them, so that there would be greater and greater deployment of resources in the export-oriented industries. The smaller ones, the so-called 20 per cent of the foreign trade which is non-traditional, are being spoon-fed by a whole mass, as I said, of export promotion schemes, so many in fact that you could not really find your way around unless you were an expert. The great shortcoming of that whole scheme was that, in the first place, there were all kinds of assumed calculations of the extent of need for export incentives and export promotion schemes of one kind or another for different industries, but more particularly there is a paragraph in the Red Book—I wish I had it with me so that I could quote it,—in the volume relating to import export policy which says that these export promotion schemes of all sorts were

really temporary, being subject to such decisions as Government may take from time to time, with the result that all these schemes while providing tremendous incentives for trading profits to be made, did not provide incentives for deployment of resources of a long-term character to the industries concerned with the non-traditional exports.

Now what is sought to be done is this. It is assumed that most non-traditional export industries will now be adequately enthused to go in for exports in a big way and to go in for further deployment of resources in those industries by the mere stimulus of devaluation. Actually, I know, and I think the Minister knows, that a good deal of export trade in non-traditional items has come to a standstill. Nobody knows which way they are pointed; not even the Ministry knows which way they are pointed. In consequence, of this I am told they are now working out, after taking a measure of the stimulus provided by devaluation, the extent to which further devaluation, or rather further differential devaluation in terms of export promotion schemes etc. is necessary; and so on.

I will conclude by saying, it looks to me as if, almost deliberately, the statutory resolution before the House is calculated—it has certainly that effect—to negate the benefits that are otherwise likely to accrue from devaluation in terms of relative deployment of long term resources. I think it is altogether bad and they ought not to impose these monstrous export duties on the contrary, they ought to make those industries, even the traditional export industries, reactivated and stimulated by devaluation so that they may attract more and more resources and things of that kind. Only in that way can we really get our export industries established on a firm, solid foundation, and not a flimsy foundation of all sorts of schemes of export promotion and import entitlement, tax concession, straight subsidy and so on. For these reasons,

[Shri N. Dandeker]

Sir, I do oppose this motion. I think these duties are all wrong and they will undo the effect of devaluation.

Shri P. C. Borooah (Sibsagar): Mr. Deputy-Speaker, Sir, I would like to confine my remarks only to item No. (3) of the Second Schedule to the Indian Tariff Act, 1934 wherein some changes have been proposed in the export duty on tea.

Tea plays a very vital role in building the economy of our country. It is one of the two highest foreign exchange earners and also one of the biggest employers. The benefits reaped by the country from this industry are many and I need not repeat them here. The tea industry is now passing through a very depressing state. I find the Minister is smiling at my so saying. I hope he will go into this matter deeply.

If we look at the profitability of the industry for the last ten years, we find that it has come down from 9 per cent to 4 per cent in 1964. In 1965 and 1966 the industry have got wage increase on the recommendations of the Wage Board and payment of bonus. These two items are hanging above the head of the industry like Damocle's Sword. I do not think the Government or the people are fully alive to the present lot of the industry. Of course, the trouble will not be alone on the industry; it will have to be shared by the Government also, because 90 per cent of the benefits of the industry go to Government and only 10 per cent goes to the industry. So, I hope Government will look into the matter and set matters right before it is too late.

There is a fall in the output of tea; from 372 million kg. in 1964 it dropped to 362 million kg. in 1965. It is gratifying to note that this year the production is better; it is a phenomenon not peculiar to India but appli-

cable all over the world. Every major tea-producing country has got a bumper crop this year. That will naturally mean keener competition for the Indian tea in the international market during the coming year.

Coming to exports, we have lost the fight for being the leader of the world in supplying tea, a position which we have enjoyed during the last 65 years, at the hands of Ceylon. Politics plays a big part in every field, particularly in international trade, and tea is no exception to it.

Since the year of our independence import of Indian tea into UK, which is our mainstay, is gradually declining and not only in UK but also in USA, UAR, Canada and some other countries. In 1964 we exported 120 million kilograms of tea to UK but in 1965 it had come down to 110 million kilograms. So, there is a loss of about 10 million kilograms of Indian tea in the UK market. Similarly, the exports to USA declined from 9 million kilograms to 8 million kilograms and to Canada from 5½ million kilograms to 5 million kilograms.

Shri Tyagi (Dehra Dun): Is it due to competition?

Shri P. C. Borooah: Naturally we have been priced out. Our cost of production is very high.

I have told you about exports to UK, USA and Canada. Now I come to UAR. UAR has signed an agreement with Ceylon last month under which Ceylon's main export will be tea and this will surely affect our export of tea to UAR. Coming to Iran, India's share in Iran's total tea imports declined from 47 per cent to 38 per cent. In 1963-64 India's share was 66 per cent in that country's import of tea. Iran also produces some tea of its own and they import tea from outside for blending. That tea for blending purposes was generally taken from India,

but now they are gradually switching over to Ceylon. The First Secretary of the Embassy of India at Teheran says that the causes of this continuous decline in the import of tea from India are the higher prices of Indian tea. Then, all the requirements of Syria and Libya are going to be taken from Ceylon and India stands nowhere in the picture there.

This is the position of exports of Indian tea. There are many other countries where also we are not faring well, but I do not want to take much time of the House in making out a list of all the countries. Our energetic Minister, my hon. friend, Shri Manubhai Shah, will possibly say, "Produce more, cut down your internal consumption and increase in exports will automatically come". I admit that an increase in production must be a must for the development of Indian tea, but we should not forget that our cost of production is also one of the factors because of which we are gradually being priced out of the market and for this high cost of production our fiscal policy is mainly responsible of which a part is going to be played by today's Resolution, that is, fixing of Rs. 2 per kilogram of tea as export duty.

I have said already, the fiscal policy is no less responsible for our increasing cost of production. I may cite a few examples of that. Apart from the Central Income tax and agricultural income-tax, there is possibly no duty or tax up till now evolved or levied by our Finance Ministry which is not applicable to the tea industry. All sorts of duties and taxes are paid by the tea industry. First of all, there is the excise duty. Excise duty is being paid from 18 paise to 54 paise per kilogram. That means, the average excise duty on one kilogram of tea comes to about 34 paise because most of the tea comes from the Zone where 54 paise is fixed as the excise duty on one kilogram of tea. Then, there is the cess which comes to 4.4 paise per kilogram; West Bengal Entry Tax comes to 13.25 paise per kilogram;

Assam Passengers and Goods Tax comes to 10 per cent of the freight; Kerala Sales Tax comes to 5.25 per cent *ad valorem* on prices realised at the Cochin Auctions. All these go to raise the cost of production of the commodity, viz., tea.

Then, comes the export duty which has been proposed to be fixed at Rs. 2 per kilogram. If we take that our export will be in the order of the previous year, that is, 199 million kilogram, straightaway Rs. 40 crores the industry will have to bear, if this Resolution is passed as it is.

Apart, from the excise, export and other taxes mentioned earlier, the Plantation Inquiry Commission had listed what are the other duties and taxes paid by the industry. They are land tax, licence fee for factory and vehicles, land cess, education cess, health cess, vehicle tax, profession tax, panchayat tax, district board tax, terminal tax, road cess, conservancy rates, water and lighting rates, octroi and house and building tax. So many are the cesses, taxes and duties dumped on the tea industry; a small list indeed.

It is not possible yet to determine the effects of devaluation on tea exports but if exports are maintained at the 1965 level, i.e., 199 million kilograms, as I have already said, the Government receipt and for the matter of that cost of tea will rise by Rs. 40 crores, which surely is not a very small sum. Then, inevitable rise in prices of materials, higher wages.... (Interruption).

श्री काशीराम गुप्त (अलवर) : इस में इन्वैशन् फ्रंड और जोड़ दीजिए ।

Shri P. C. Borooah: Nothing about elections here Sir.

Then, inevitable rise in the prices of materials, higher wages, statutory minimum bonus, provision of labour amenities at higher costs, over which the industry has little or no control,

[Shri P. C. Borooah]

all add to the increase in the basic cost of Indian tea. On top of these port charges increase as well as ocean freight and in spite of the industry's best efforts to increase production to lower the cost per unit, a situation has arisen where the industry has to ask the Government for direct assistance.

Apart from income-tax and agricultural income-tax, all other taxes and duties go towards directly increasing the cost of production. I do not want to take much time of the House. There are two important suggestions which I want to make under this Resolution. One regarding excise duty and the other export duty. Excise duty has been made refundable in all cases of exportable commodities in the country with the single exception of tea. I do not understand what offence tea has done for which it has to pay excise duty for the exported part also. So, as I said many times in this House, which is also supported by the Tea Finance Committee, Government refund at least 18 paise per kilogram. It is a *via media* suggestion; not taking away the whole of it but a refund of 18 paise per kilogram may be given. That is one thing about which I make an appeal to the Commerce Minister. Of course, I know, he also is helpless. How can he say anything? It is a question of finance.

Shri Tyagi: Is excise duty realised on exported tea and not refunded?

Shri P. C. Borooah: It is the only industry which has to pay excise duty on the export commodity. I want our energetic Commerce Minister to fight the Finance Ministry and see that this is done for the good of the country, for the good of the industry and for the better earning of foreign exchange.

Then, about export duty, Rs. 2 per kilogram has been fixed. I think, it is too much. If you want to fix a duty on account of devaluation, you do it, but Rs. 2 per kilogram is arbitrary.

There was some news recently in the papers that during the last few sales in Calcutta some very high prices have ruled. The Minister, in his reply might say, tea price fetching Rs. 129 per kilogram, Rs. 100 per kilogram and so on and so forth. Let there be no mistake that these are only prestige prices. Not even 1 per cent of the production is sold at such high prices. Some producers think, "Let me make name having very high prices" and they pick up very good leaves, collect them and sell them at the cost of remaining people only to be satisfied at the big headlines appearing in the newspapers that tea has been sold at Rs. 129 per kilogram and so on.

Actual average price is Rs. 7 per kg. or so for quality tea now. On that, add Rs. 2 as export duty. It comes to Rs. 9 per kilogram. Even then, it has got some market because of high quality of Indian tea. But there is common tea. It is 50 per cent of the tea that is produced and for that common tea, there is no chance of its export for high cost. It is very doubtful whether, following the devaluation, this common tea will be possible to be exported out of India. It will be subjected to great discrimination. I, therefore, suggest that either there should be a reduction in export duty or an *ad valorem*— I do not know to what extent it will help and if it is fixed to help to some extent the exporting of our common teas. If that is not possible, if that is considered as a cumbersome process, let there be a simple reduction of 50 per cent and make the export duty fixed at Rs. 1.50 per cent per kilogram. This is an appeal of the industry to the Minister. If this is done, it will act as a stimulant for export and make devaluation a success so far as tea is concerned which will go to the ultimate benefit of the country.

With these words, I support the Resolution with the request that the hon. Minister will reconsider the

suggestions, if not immediately, after some time and I hope that he will take up the matter with the Finance Ministry and see that the minimum demand of the industry is accepted.

Shri Vasudevan Nair (Ambalappuzha): Mr. Deputy-Speaker, Sir, the Minister has stated that following devaluation there is a windfall as far as profits are concerned for the exporters of traditional goods to the foreign markets. There may be some logic in the argument of the Government as regards certain items mentioned in the Resolution. I cannot speak about every industry because I am ignorant about many of them. But, as far as one industry is concerned, I know the position of that industry and my apprehension is that in the name of mopping up part of the profits which they are going to get, the Government may be putting this industry in greater difficulty. I am referring to the coir industry.

Sir, already everybody knows, the Minister himself knows, that the coir industry is passing through a very serious crisis. Specially, after the Second World War, due to the discrimination practised by the countries that import our coir goods, and even because of the discrimination in the freight charges of the international shipping lines, our coir products are practically kept out of many of these Western markets and following this drop in exports of coir manufactures, practically, the manufacturing sector of the coir industry is closed down. As you know, Kerala is the home of the coir industry and I have the privilege to represent that particular area where the manufacturing sector of the coir industry is situated and Mr. Manubhai Shah knows that practically all the major factories had been closed down during the last ten years and there had been splitting up of all the major units. If there is one single industry in the whole country where the worker, the primary producer, is not at all benefited by the various kinds of schemes that his Ministry has brought up for boosting exports, the incentive schemes and all that, it is

in this particular industry that the producer has not yet at all benefited.

The Minister of Commerce (Shri Manubhai Shah): There is no incentive scheme for the coir industry.

Shri Vasudevan Nair: There was, I am a member of the Coir Board. We had discussed the incentive scheme in the Coir Board and always it was felt in the Coir Board, and even the Chairman of the Coir Board had agreed, that it is a scheme that during the last so many years the Board or the Government would do, practically, nothing to see that the wages or the remuneration of the workers in the manufacturing sector of the coir industry could be helped.

The Government wants to mop up part of the profits for itself. I look at the problem, perhaps, from a different angle than that of my friend Mr. Dandekar and, I am afraid, as far as this industry is concerned, the result of this action will be that this industry will still remain as a sick child and that it will not get out of its difficulties. You should remember, and the Minister should know, that the industry taken as a whole is giving employment to nearly 4 lakhs of people—it is not a small matter—and their conditions had been very pitiable. Following devaluation, some of the manufacturers and exporters themselves told the labour representatives that perhaps now they may be in a position to pass on part of the benefit to the working class. Actually, there was an interim increase in wages immediately after devaluation. Of course, we had a feeling that the benefit passed on to the producer, that is, the worker, was not enough, was not sufficient and, perhaps, much more could be done.

Now, the Government has come forward with this proposal. I do not know what will be the situation following that. I am certain about one thing that it will stop with that interim award and that nothing more will come out as far as the workers

[Shri Vasudevan Nair]

are concerned. We are the people who believe that unless the primary producer is taken care of, whatever the Government thinks about boosting up exports, they are not going to succeed.

The biggest weakness, the drawback, in the policy of the Government is that they never take into consideration the real producers. They think about their Treasury, they think about the profits of the exporters, they think about the incentive schemes, and all that, they think about everything else, but they can never think about the vast masses of the people who really put this industry on their legs. I am reading the reports about the crisis in the jute industry—I do not know; maybe, the reasons are different. That is one of the major exports. Following the recommendations of the Wage Board, as far as tea is concerned, I have seen apprehensions expressed by the representatives of the manufacturers. These are some of the major traditional items of our exports and, I do not know, I have my doubts as to whether Government has really given serious thought to all aspects of the problem when they come forward with this proposal.

I do not want to speak about other industries. But as far as the coir industry is concerned, I want to get an assurance from the Minister that this will not stand in the way of some little benefit for the working class. They are speaking about windfall of profits. Let the Government take some prompt action to see that part of the benefits that they claim have come due to devaluation should go to the real producer and that they should see that the industry, as a whole, including all parts of the industry, should be helped to come forward to thrive following the recent developments. They should see that a single industry, especially an industry like the coir industry should not be throttled by such measures.

Shri Himatsingka (Godda): The measures that have been proposed, arising out of devaluation, to mop up the excess profits that are expected to come on some of the export items, have so far been good, but one or two items need our consideration.

So far as tea is concerned, the target for the Fourth Five-Year Plan is 1,000 million pounds and for the Fifth Five-Year Plan it is 1,200 million pounds. These targets can be attained only if an additional acreage of 25,000 acres is brought under tea annually and that will need a lot of funds. The Tea Board has been given a certain amount of money by the Government for advances to tea industry, but I am told that the terms of such loans are very stringent and they are not at all attractive. Therefore, I feel that the Tea Board and the Government should take into consideration this fact and liberalise the terms; they can make a distinction between two kinds of loans, namely, the commercial loan which is taken for ordinary purposes and the other loan which is taken for developmental purposes; the terms of loan for developmental purposes should be more liberal and the companies which require loan for purposes of development should be given loan on easier terms than those allowed for commercial loans. I feel that this is an important point and should be taken into consideration. If the tea industry cannot increase the production, it will be impossible to reach the targets that have been proposed for the Fourth and subsequent Five-Year Plans for export. In that connection, it also needs consideration as to whether the export duty of Rs. 2 per kilogram on common tea will be justified. As has been mentioned very ably by Mr. Borooah, we have been priced out so far as common tea is concerned. Africa and Ceylon are replacing Indian common tea on account of competition in price. I am told that there are no labour laws so far as Africa is concerned, and,

therefore, the cost there is much less than the cost in this country. We are meeting with very heavy competition so far as common tea is concerned and I feel that the rate of export duty so far as common tea is concerned should be reduced by at least 50 paise per kilogram, if not more.

As regards jute, as you know, this country produces less jute than what we need. This country had to import raw jute from Pakistan and other places. On account of the conflict last year with Pakistan, no jute could be imported from Pakistan. The country has been importing a certain amount of raw jute from Thailand; the quality, of course, is not good, but whether it is good or bad, it does not matter because we need a certain quantity for our production. But unfortunately on account of devaluation of our rupee, the price of imported jute has gone up very considerably, by about 57.5 per cent more than what it was costing before. Therefore, the jute industry needed a certain amount of relief; a certain amount of relief has been promised recently, but there has been considerable delay in that relief being announced; therefore, very little jute could be imported, and I do not know what will be the position, whether we shall be able to meet our demands for the same.

As regards non-traditional items also for export, I think attention should be given to see that they get impetus for export and whatever is required in that regard, should be done; otherwise, the country will lose all chances of getting any benefit that could possibly come out of devaluation. Unless we increase our exports, the devaluation will be not only absolutely meaningless but it will also be very injurious to this country.

As regards rising prices also, Government should give due consideration. We have been speaking of

holding the price-line, but one State after another is increasing the sales-tax. Some States have increased the sales-tax from 5 to 6 per cent. The Central sales-tax has also been raised from 2 to 3 per cent and excise duty on a number of common items of daily use is very high. As a result of these, the prices are not coming down and they cannot come down, specially when the production is not increasing. Therefore, steps have got to be taken to increase the production of the items of consumer goods which are required in the country.

A large amount of money has been pumped into the economy on account of non-developmental, non-productive items and, therefore, there has not been sufficient production of goods to meet the demands that have been arising on account of the excess money that has been pumped in. Therefore, steps have also got to be taken to see that production increases in the country.

In this connection I would like to invite the attention of the hon. Commerce Minister to the fact that there is a talk in the country that certain items which are being produced in the country in excess of the requirements of the country, are also intended to be imported and one such item that has been mentioned is carbide. I do not know whether it is a fact, but there is some rumour that carbide is going to be imported. There is excess production of that in the country; one company has come up in the South also. If the production of carbide is in excess of the requirements of the country, I feel that import of that should not be permitted. After all, devaluation can be of any benefit only if we can cut our imports and increase our exports. Therefore, all possible steps should be taken in order to help these two things, namely, cutting out imports and encouraging import substitution in our country, and increasing exports.

Shri Joachim Alva (Kanara): I am not concerned with duties here and there, but I am concerned with our entire international trade. We have reached a stage wherein we can be strangled.

Our foreign debts on June 5, 1966, were Rs. 2,733.86 crores and as a result of devaluation, they have jumped up to Rs. 4,102.57 crores. How are we going to pay off these debts? Then, at the end of the First Five-Year Plan, we had a debt of only Rs. 114 crores and at the end of the Third Five-Year Plan, it jumped up to Rs. 2,629 crores. We can pay off all these foreign debts, this mass of foreign debts, only by earning valuable foreign exchange. No doubt, we have a very dynamic Minister for International Trade, but the results are very undynamic!

Our exports in 1964-65 were to the tune of Rs. 816 crores and they declined in 1965-66 to Rs. 810 crores. How did this happen? What were the measures that were adopted by the Ministry of International Trade? What did we do? Did we bolt the stable after the horse had jumped out or did we devise some measures at least?

Shri Manubhai Shah: The agricultural production went down by 30 per cent.

Shri Joachim Alva: Australia was in difficulties in the Thirties, but lately they have increased their foreign trade and they earned Rs. 1,600 crores during the recent years with fewer national resources than ours. What are we doing here to increase our trade?

I want to know in what way did the Ministry of International Trade prod the Ministry of Agriculture in regard to cashew nut production, in regard to cotton production, and in regard to coconut production. It is true that the Minister of Foreign Trade has given us a valuable data about cotton production. The cotton

production has not at all been upto the target every year. That is the service he has done. I wish it had been done earlier to wake up the alert MPs to ask why our cotton production has not been upto the target every year. We are paying off valuable foreign exchange for importing foreign cotton and our own cotton production has been lagging behind. We are just incurring lot of expenditure here and there and are doing nothing in the sense of pushing up our exports and foreign trade. I also want to know why cashewnuts are still being imported from Africa in order that we may tin them up and send them abroad. We have got vast tracts of our land where if you just throw one cashewnut on the soil a tree will grow in three to five years, and we can earn thereby chunks of foreign exchange. I want to know in what way this Ministry has gone about prodding the Ministry of Agriculture to see that our production of cashewnuts increase not hundredfold but thousandfold so that we can stop the imports of cashewnuts from Africa.

Regarding coconut also, the story is the same. It is the same pitiable distressing story. Coconut production has not increased at all. The price of coconut oil has increased tenfold and we are importing coconuts from Ceylon or from some other countries, and we are not increasing coconut production at all.

Then, I would submit that the most important thing that we have to do is that we should nationalise our export trade. At present, the substantial part of export trade is in the hands of a few parties; it is in the hands of about a dozen or 25 or 100 parties only who have been keeping valuable foreign exchange in a secret way in foreign banks. We have seen that the STC has increased its activities, and the STC has secured a lot of benefit for the national exchequer, because it has plugged many loopholes and earned a good amount of valuable foreign exchange. In the

same way, the STC can serve to nationalise our foreign trade also. Foreign trade should not be in the hands of the sharks in Calcutta or in Bombay or in Delhi. At present, however, it is in the hands of quite a number of sharks whom we have not been able to prosecute at all even if we have been able to find them. The story of Chamanlal Brothers of Delhi is there for anyone to see. The Finance Minister or the Minister of Commerce has to tell us why the foreign exchange was misappropriated and how it came here and there and so on. No doubt, the Finance Minister has given some explanation, but somebody has to explain how the foreign exchange could go there and then partly accounted here again. We would like that these notorious violators of the foreign exchange regulations should be prosecuted and punished, however big they may be, and however big their names may be.

During the debate on the no-confidence-motion, I had brought to the notice of the House how at Budapest we had to bow down our heads in shame. Five Members of Parliament headed by Shri K. D. Malaviya had been sent there by Shastriji. When we were there, they told us that about 500,000 metres of cloth just stuck like gum, and yet the Hungarians had not complained in the manner that they should have done. We have got the Bombay Dyeing cloth which has earned a good name for us abroad, and the people in the East European countries want our cloth. But are we going to sell them cloth which will stick like gum and are we going to sell such cloth and lose our foreign exchange earning? If certain companies in the private sector could earn a good name, why should the other textile concerns also not do likewise? The hon. Minister must see that those particular textile concerns, the shady ones, the black-marketing ones—and we have the spokesmen of Big Business in this House too—the ones which have violated the spirit and brought a bad name to our country are not given

export licences any more. That is the least that we can do by our country. If the hon. Minister wants he can get the names from any one of the five Members who had gone to Budapest on that delegation.

Shri Manubhai Shah: I did not want to interrupt the hon. Member. But I must tell the hon. Member as I had told him before also that this is completely false; the Hungarian Government have made no complaint to us, and not a single yard of bad cloth has gone.

Shri Joachim Alva: Whatever, it is, I am amazed at this explanation.

Shri Manubhai Shah: I am surprised that the hon. Member should have cast aspersion on our country and also the other country whose name he has mentioned, though they have made no complaint to us. I had been to Budapest only recently.

Shri Joachim Alva: I want the hon. Minister to take the explanation from the five Members of Parliament or the others who had heard about this. Then he will hear another story.

Shri Manubhai Shah: I am telling the House the real position.

Shri Joachim Alva: Then, what happens to the story told to us—the five Members?

Mr. Deputy-Speaker: That is only a story.

Shri Joachim Alva: Perhaps, they are stories which can be white-washed and washed away.

Then, I am also concerned about jute which is going via Nepal into China. These are certain items where we can plug the loopholes and do something on behalf of our country. But we find that whenever the real stories are brought to notice, they are just white-washed and washed away.

Shri Manubhai Shah: I am amazed at the remarks which my hon. friend Shri N. Dandekar had made that instead of passing the benefit of devaluation to the exporters or the exporting units and the exporting industries, Government, through this statutory resolution relating to several notifications levying export duties on commodities, had frustrated or taken away the benefits of devaluation. If he examines the scheme of export duties, and if he had looked into the percentages of the export duty, he will find that the maximum duty that we have levied on any commodity is on jute, where it comes to about 30 to 40 per cent, about 40 per cent on sackings and about 32 per cent on hessian and carpet-backing cloth. As hon. Members are aware, the devaluation percentage is 57.5. Therefore, clearly we have left 17.5 per cent as a certain amount of benefit to the exporters.

The scheme of export duty was not so much to devise a means of profit for Government as to see that the country did not lose foreign exchange. If the prices are expressed in Indian rupees and if devaluation brings about a reduction in the foreign exchange earnings, then the House will hold the Government responsible for such a mishap. If hon. Members would read the Finance Minister's speech at the time of devaluation they will find that it is estimated that the total duty that we have levied through the notifications of our Ministry would come to about Rs. 160 crores, or in terms of sterling, to about £125 million. If these things had been left untapped, then since there are not a few exporters, as my hon. friend Shri Joachim Alva has said, but more than half a million or a million exporters, and they form a vast crowd going round the whole world, what would have happened is that they would have under-sold and under-cut, because naturally the commodity prices everywhere would not be pushed up by 57.5 per cent; and it would have been disastrous for the country if the

prices had been allowed to rise by 57.5 per cent.

Therefore, the scheme of things was this. Firstly, it was intended to protect the foreign exchange earnings of the country from those commodities which in the past had not very much been assisted otherwise. Those commodities which were moving without incentives range from coir to jute goods; they form a vast gamut consisting of coir, iron ore, bauxite, silmenite, tapioca, tobacco, leather, hides, cashewnut, different grades of tea, numerous grades of mica, jute and jute goods. I would not go into the names of these commodities. There are about 85 main commodities which constituted 80 per cent of the exports of India before devaluation, and which went without any major assistance. The minor assistance of 1 to 2 per cent or 5 per cent referred to by Shri Vasudevan Nair was not part of an incentive scheme but it was part of a service scheme only and it did not really help the exporters of those commodities to get any compensation out of it so as to effect a reduction in price. Therefore, nearly 80 per cent of the commodities was such that devaluation was not going to add to the unit value of the product; therefore, they had to be protected, as far as the nation is concerned, from the run-down of prices or a several cut in prices, which would have been disastrous for the country. Therefore, the proportion of the duties which we have put are also *pro rata* or are equated to the unit cost of production and unit value of realisation.

My hon. friend Shri P. C. Boroah had mentioned about tea. Different grades of tea are there. It is difficult in a commodity like tea to have *ad valorem* duties. For instance, there is common tea, the Lopchu tea, Orange Pekoe tea, Cachar tea, Darjeeling tea and so on; there are about 10,000 to 20,000 varieties of tea which are sold according to the blends in packings at the London auction, the Calcutta auction, and the

Cochin auction. There are different types of auction taking place practically twice or thrice a week. Is it possible for us to devise an export duty to protect the unit value of the tea? May I, therefore, remind the House of the fact that the real problem before any government whenever devaluation is effected either here or elsewhere, is to see that the unit value of the earning of foreign exchange does not go down even if it cannot go up, and at the same time, a certain amount of profitability is retained, as Shri Dandekar has pointed out, for the exporting industries and units so that they can make a little more profit for investment and for development and production.

Shri Joachim Alva: But Ceylon had pushed us out of our first position before devaluation.

Shri Manubhai Shah: I shall come to the hon. Member's point. I was just explaining the scheme of things in regard to export duties. The House should appreciate that without the scheme of export duties, it would not have been possible to protect the country's interests in the vital sector of the earning of foreign exchange which under all circumstances should be protected. And yet the minimum slab we left was 17½ per cent. That is in jute goods where the maximum export duty on any product is 40 per cent; that also we divide into two parts; sackings and carpet backings and hessian cloth. In regard to hessian cloth and carpet backings where with devaluation the unit value was higher, we purposely kept Rs. 600 ton which comes to about 30 or 32 per cent. In the sackings, where we have Rs. 900 a ton, as the House will see, it comes to 40 per cent.

So that to the primary producer, wage-earner, broker, manufacturer and exporter, we left a chunk of 17½ per cent. As a matter of fact, in some of the commodities where we overlooked this feature, we had to take immediate measures within 15

days of the devaluation announcement. I will give the example of mica. Hundreds of mine-owners came to me; as soon as we made a slight error and placed the mica floor price at a certain lower level, immediately the pressure from the foreign buyers mounted on them and the floor price was raised by 20 per cent. We had to revalue in the sense of the floor price which we had announced before 15 days. We had on the 21st June to renotify it and bring it up to 44 per cent on the previous price so that only 3 per cent was left for negotiability.

It is this particular sensitive section, which, I hope the hon. House will appreciate, that we had to protect by way of export duty. Of course, incidentally the advantage was that the exchequer earns revenue, the exporter and manufacturer are left with a sizeable profit and the country does not lose foreign exchange. So in the overall picture, about Rs. 160—180 crores are expected to come to the central exchequer as a result of the export duty on these products.

Shri Vasudevan Nair: What about the workers?

Shri Manubhai Shah: Automatically when the price goes up, everywhere the wages are going up. I am surprised that Shri Vasudevan Nair should have made the remarks he did about the coir industry. It is as a result of the Coir Board's establishment in 1954 and thenceforth for the last ten years that from a position of terrific unemployment in Kerala—if you see the old reports concerning coir, you will know about it—the industry has reached the present position by means of the assistance given by the Board. Coir is not an elastic item of export. You cannot sell more coir even if you sell at half the price. As a matter of fact, the coir workers and the coir manufacturers came to us only three weeks ago and we had to raise the duty of 10 per cent to 25 per cent on yarn. A

[Shri Manubhai Sha]h]

supplementary notification had to be issued. When the duty was only at 10 per cent., we thought it would give the maximum amount of margin to the coir workers and coir producers. Therefore, instead of 57.5, we levied the duty at only 10 per cent which left a chunk of 47.5 to the coir industry. We found it was disastrous. The yarn prices sagged and we lost much of foreign exchange because the price the foreign buyer was paying went down. We brought it from 10 per cent to 25 per cent. Now it has stabilised to some extent. I am not satisfied with this; perhaps a little more could have been done.

The latest notification is about some mineral ores, where we had kept a bigger margin, Talcum, silminite and various other types of minerals, where we had not levied duty in order to see, as Shri Dandekar mentioned, if the industry would export and get the benefit. But the price was knocked down. From Rs. 1 crore it came down to almost Rs. 62 lakhs. Rs. 38 lakhs worth of foreign exchange was gone. I do hope the House will appreciate that the purpose of devaluation was not that. Where legitimately an industry is making a loss and the exporters require certain benefit or incentive or assistance or some profit, we have in this scheme of things left enough cushion or margin to those industries to take that benefit. But for the rest, we had to protect not only the rupee but also the sterling and dollar earnings. That is why this scheme of things is there.

Then the question comes in regard to other items where we were giving assistance of 18-20 per cent. There also we have taken certain steps. In respect of jute goods not an assisted item—as Shri Himatsingka rightly pointed out, we have announced an import relief of about Rs. 250 per ton for Thai Mesta and Rs. 500 per ton Pakistani long jute and long jute from other countries. That is in order to assist the import of raw

jute, where world prices had gone up since devaluation, to bring the raw jute and produce jute goods here to export the same. By that method, we hope to earn a sizeable amount of foreign exchange.

Even in the past we used to import raw jute. It is not being imported, as Shri Alva was saying, because we were just fond of importing raw jute or cotton. In the context of the overall production, the raw material requirement of the two industries is so large that we are still deficient in this respect and we have to import. Therefore, we have taken this step.

Other items are also being carefully studied. The scheme regarding diamonds and jewellery was immediately approved and an announcement made. We have announced a scheme concerning raw film. As I said, other items are being closely studied. I can assure hon. Members that wherever we find that the 57.5 per cent devaluation has not adequately helped exports to move, we will take action because the basic purpose of devaluation is to promote larger exports. We will calculate the disabilities and take appropriate action. It cannot be done in a rush because the whole scheme of things is based on a different orientation now from what it was in the past. It is not just a question of 57.5 per cent across the board benefit in all cases in view of the world prices. Therefore, we have to be careful in our study of these things.

Therefore, I can ask for the co-operation of the House. If any hon. Member or if any friend concerned with a particular gamut of industry can put us wise and say that these are the products which still suffer disparity in world prices and to that extent it has to be corrected, we will have to devise some measures of export pro-

motion and give due assistance to such products, provided they are in bulk provided the potential export is large and provided that they have the capacity in the long run to dynamise and activate the export. It is not just a question of looking into a few stray items here and there. We had the previous scheme. We had the import entitlement scheme. It was not to cover paltry products; it covered schematically 16 groups of products to which we had given assistance. Maybe out of that some of them can move without any assistance because of devaluation assistance.

But there will be still a large amount of manufactured goods for which studies are going on and as we get proper data, I do hope the exporters will co-operate with us in working out the data more scientifically before we can make a firm announcement.

But there are many things where we can clarify the position. As regards what Shri Borooah said, take the question of tea, for instance. If the tea industry can tell us that they want to change over from specific to *ad valorem* or that they can deal with the slab on a specific basis instead of the flat slab of Rs. 2 per kg that we have to have, we are prepared to consider the matter. We are not dogmatic in this respect. I can assure him in regard to the lowest priced tea, the common tea, which is Rs. 4.8 a kg, at Rs. 2 it leaves 7 or 8 per cent after the 57.5 per cent devaluation. Even to the poorest tea, except dust perhaps, we have not much margin. If you take the case of Lopchu or Darjeeling tea, you will find that the margin is much larger.

श्री हुकन चन्द कड़वाय : इतना अच्छा भाषण हो रहा है लेकिन सदन में गणपूर्ति नहीं है। सदन में गणपूर्ति होनी चाहिये।

Mr. Deputy-Speaker: The bell is being rung—Now there is quorum. He may continue.

15 hrs.

Shri Manubhai Shah: As I was saying, if only hon. Members interested

in the tea industry can give us some scheme by which the specific duty of Rs. 2 per kg. could be converted into an *ad valorem* duty in certain slabs. Or even the specific duties could be so identified clearly that there should be three or four slabs for different qualities of tea, Government would be very happy to consider that matter, because our basic approach to export promotion has been that the duty should be only that much which will leave enough margin for the industry to refinance their development and export promotion with greater vigour since devaluation.

Shri Narendra Singh Mahida (Anand): People in foreign countries prefer more of Ceylon tea than Indian. Is it as a result of propaganda? What is the reason?

Shri Manubhai Shah: I think this is a misnomer. Ceylon is a country with 8 million people with a production which is two-third that of Indian tea. Their consumption is round about 13 million kg. and their surplus is about 247 million kg. They consume only 3 per cent of the tea that they produce. India consumes practically 45 per cent of the tea we produce, and then the population goes up. In one of the notes circulated to Members of Parliament, it will be recalled it has been shown that 54 million kg. was the consumption in India in 1956, while today the consumption is 191 million kg. or even more. Ceylon in the same period has remained at 13 million kg. of consumption. If all the people of India or most of them are going to increase consumption of tea by one cup more, you require 20 million kg. As Mr. Borooah said we should economise and export more. When the going is good, when the country's problems are mounting, when the resources are scarce and development needs require more foreign resources, it is incumbent on us to export more of such products as tea and consume them a little less. It is not a great amount of sacrifice that we are asking if we

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ask the people to reduce their consumption of tea from three to two cups a day for instance. Therefore, it is necessary to produce more and consume a little less and have larger surplus for exports. That is the only way in which exports could be built up. If anybody thinks that surplus will come only out of production minus consumption, then I can assure you that no exports are possible. Exports cannot be made just from Heaven, they do not grow on trees, they come out of production out of Mother Earth.

Shri Rajaram (Krishnagiri): You inform the Finance Minister too, because on the day of devaluation he said that he could increase exports immediately.

Shri Raghunath Singh (Varanasi): Internal propaganda of the Tea Board should be stopped.

Shri Manubhai Shah: For the last ten years there has been no internal propaganda. All the Tea Board offices and bureaus have been stopped. A psychological atmosphere has to be created by the hon. House as the leader of public opinion, that consumption of goods should be reduced. I am not talking of the goods consumed by the masses. Their belt is already tightened, and I am not advocating tightening it too severely beyond endurance. What is wanted is a selective basis of reducing consumption of items which the world market requires and where the masses of this country are not hurt basically in their nutrition standard. We have to wait to become completely saturated with all consumer goods, maybe for another five or ten years. We should have less consumption and intensified production. Production is the key. I have been all the time saying that no amount of any money currency valuation or incentives or assistance or propaganda can do the job which production alone can do. Therefore, all the time the slogan which I have been placing before the

country all these years is: produce and produce more of all the goods that you can, because there is a world market for all goods.

India is fortunate today in having diversified its exports during the last four years particularly, where more than 10 to 11 thousand products of Indian origin are entering the world market. As a matter of fact, this morning a gentleman was telling me that he was surprised when he went to Algeria to see some of the Indian products exhibited there. He said: "Is India an exporter of all these things? We thought you are still beginning industrialisation, you must be importing all these things." That is the type of image that the exporters of this country have created in the world.

Therefore, I would join issue with Mr. Alva when he blames all the importers or exporters. We tend sometimes to overgeneralise. If we say every producer is not honest, all merchants are not honest, all labour people are not honest, all industrialists are not honest, then who remains in this country? Therefore, we have to be careful. There may be a small section, a few black sheep, for which the whole nation cannot and should not be tarred. I am proud of our exporters. They have done a marvellous job. They have exported Rs. 820 crores worth of goods in the face of keen and fierce world competition; in the face of problems of international trade, the terms of trade going in favour of industrialised countries. Our exporters go to the wide world and sell goods. We can also sell more if the production apparatus, backed by the masses of the people of this country, can give them more agricultural products, more tobacco, more jute, more cotton, more sugar, more oil, more cake, more coffee, tea and engineering goods and pig iron.

Really I thought the subject was more to explain the export duty, but because it has arisen, I say it will not be correct to generalise from a few

causes. The case of Hungary was quoted. The other day the Hungarian Minister was here. She was greatly pleased and she purchased for the first time more than Rs. 25 million worth of cotton textiles, and when I went to Hungary they again expressed great satisfaction. Yet, there can be some defects. We are very happy to know they are having less and less complaints because of the Export Inspection Council, compulsory quality control and pre-shipment inspection. Even so, complaints can be there. Even in the case of United States and Germany there are complaints sometimes. We had got some machinery for a cement factory in U.P. from the industrialised country of Germany which has been making them for 150 years, but the plant did not come up to expectations. Once in a while that do happen in the best of industrialised countries.

I am not saying that everything is good in the Garden of Allah, but by and large the Indian exporter stood the test of time and delivered goods in right time and of the right quality everywhere.

Nationalisation of foreign trade has been talked about. I do not mean to take up the cudgels here. We have expanded the public sector in foreign trade from practically Rs. 10 crores before a decade to Rs. 200 crores. All the public sector corporations of India, the STC, the Minerals and Metals Trading Corporation, the Metals Scrap Trading Corporation, the Indian Motion Pictures Export Corporation, the Handloom and Handicraft Export Corporation, between themselves today command practically 10 per cent of this Rs. 200 crores worth of foreign trade. In terms of the new rupee, it will be nearly Rs. 320 crores per annum. Selectively wherever we have felt that a commodity can be oriented to give a better return to the community by taking over by the State, we have never hesitated to do so. I have been telling my friends in the trade that we might make over and canalise cotton imports from the various East African countries, U.A.R. and

from the U.S. under PL 480 we have tried to canalise non-ferrous Metals; we are canalising asbestos, rock phosphate and mercury; we have from time to time taken decisions in the last few years on mineral ores, manganese and iron ore. I must also assure private trade in this country that as long as they act as well as they are doing, as long as they promote exports, and diversify exports, it is no good for the State to interfere with no benefit to the community. Therefore, nationalisation of foreign trade as a credo has never been acceptable to this Government. I have said so repeatedly. We are for canalising through the State trading sector those items which give in bulk the contractual benefit of negotiation with the foreign partners. Such products we have never hesitated to take over in the State sector, in spite of the clamour raised by private trade from time to time. As the House knows, we have fought almost argumentative battles over months and months with the mineral ore trade. Even today a controversy is waging between the cotton importers and the Central Government on this issue whether imports of cotton should be taken over. Therefore, we are carefully looking into each commodity. If in the totality, if the House is convinced that this particular commodity is more likely to serve national interests if taken over by the state trading in any particular sector of the corporation, we have never hesitated to do so. At the same time, to keep the democle's sword hanging, to keep the air of uncertainty is bad. I find every time they say: take over and a nationalise the foreign trade. If that can increase export and reduce import, we can certainly go in for it, but worldwide experience has not been like that. We have a mixed economy. The bulk of the production in this country, in the consumer products, various products is in private hands. It will be difficult, almost impossible and impractical and harmful to the country's interests to talk of taking over all the types of trade which we in the public sector would not find any way profitable or easier

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to handle nor worthwhile for the country to go in for. From time to time friends from the Communist Party of India had been advocating it. . . (*Interruptions.*)

Shri Umanath (Pudukkottai): The present affairs confirm what we say.

Shri Manubhai Shah: The state of affairs is not at all bad. Do not confuse monetary reform with the state of affairs in the country and completely tar black the whole of India. Indian people do not deserve it. The Indian people have done well in the last 18 years and they are going to do well and in fact better in the next 10-15 years under the guidance of the ruling party and the great political movement which had won freedom for India. I want to caution against this. I have been listening to debates in the last few days with a little sense of disappointment and the monetary reform is being projected as if some earthquake has taken place. It is not like that. It is like the mountain climbing; you go on a long pilgrimage, a long march towards economic emancipation. You walk on and the mountain comes to be climbed; with courage, steadfastness and skill you can climb the mountain and come to have better health. That is what the process of devaluation means. Devaluation is not the result of despair. We have had remarkable achievements in the past and will continue to do so in future. (*An Hon. Member:* All speeches but no production). Speeches being made here make planning the economic growth of this country possible: the stimuli given to the society and the community had come from all the speeches of the hon. Members opposite as well as hon. Members on this side of the House. I would only beseech them for a little consideration of proportion and apportionment of blame only by identified methods rather than in a generalised way. I have nothing more to comment on this subject except to say that this resolution may be adopted.

Mr. Deputy-Speaker: The question is:

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (32 of 1934), this House approves of the Notification of the Government of India in the Ministry of Commerce No. S.O. 1696 dated the 6th June, 1966, as amended *vide* Notification Nos. 43(3)-Tar/66 dated the 6th June, 1966, S.O. 1841 dated the 15th June 1966, S.O. 1940 dated the 27th June, 1966 and S.O. 2133 dated the 15th July, 1966, levying export duty on sacking (cloth, bags, twist, yarn, rope and twine) jute manufactures of certain description, cotton waste (all sorts), tea, all oil cakes other than copra and groundnut oil cakes, tobacco, unmanufactured mica, all sorts, hides, skins and leather, tanned and untanned, all sorts, but not including manufactures of leather, and coir and coir manufactures from the date of such Notifications."

The motion was adopted.

15.14 hrs.

MOTION RE: ECONOMIC SITUATION IN THE COUNTRY--*contd.*

Mr. Deputy-Speaker: The House will now take up further consideration of the following motion moved by Shri Sachindra Chaudhuri on the 26th July, 1966, namely:—

"That the present economic situation in the country be taken into consideration."

The time taken is 3 hours 55 minutes; we have 11 hours and 5 minutes left. Shri C. K. Bhattacharyya may continue his speech.

Shri C. K. Bhattacharyya (Raiganj): Sir, when I had to break my speech in the midst of an unfinished sentence that day, the Chair was pleased to remark that I may resume tomorrow. Since that day I have remained a dupe of 'tomorrow' because of the no-confidence motion. . . (*Interruptions.*) I wonder today whether there was at all a necessity of bringing in a motion of no-confidence before the Finance Minister's motion. You must have noticed, Sir, that the debate on the