

# LOK SABHA DEBATES

## LOK SABHA

Friday, August 13, 1982 | Sravana 22,  
1904 (Saka)

*The Lok Sabha met at Eleven of the  
Clock*

MR. SPEAKER (*in the Chair*)

### Obituary reference

MR. SPEAKER: I have to inform the House of the sad demise of one of our former colleagues, Shri B. L. Sondhi, who was a Member of the Constituent Assembly from East Punjab during 1947—50 and of Provisional Parliament during 1950—52.

A veteran freedom fighter, he actively participated in the freedom struggle and suffered imprisonment.

He passed away at New Delhi on 1 August, 1982 at the age of 82.

We deeply mourn the loss of this friend and I am sure the House will join me in conveying our condolences to the bereaved family.

The House may stand in silence for a short while to express its sorrow.

*The Members then stood in silence  
for a short while.*

### ORAL ANSWERS TO QUESTIONS

#### Liberalised policy for investment of foreign capital

\*470. SHRI CHITTA BASU: Will the Minister of FINANCE be pleased to state:

(a) whether Government have, of late, further liberalised the conditions

for the investment of foreign capital in India;

(b) if so, the reasons therefor; and

(c) the essential features of the liberalised policy?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): (a) to (c). The investment policy of the Government continues to be selective and allows foreign investment in Appendix I industries, high technology areas and export-oriented production. Within the overall frame-work of this policy, several steps have been taken to streamline investment clearance procedure. Areas where foreign investment will be allowed have been clearly spelt out to provide for increase in production, higher export generation and adoption of modern technology. There is also emphasis on energy conservation and need for locating alternative sources of energy. Efforts are being made to improve productivity by allowing automatic growth and re-endorsement of capacity related to past production trends.

SHRI CHITTA BASU: Is the hon. Minister aware or not of the fact that a note has been recently issued by the Ministry of Finance indicating further relaxation of the restrictions on the remittances of profits and dividends by the foreign investors except the higher equity participation viz. more than 40 per cent, which is the normal usual norm, acceptance of the longer duration upto ten years whereas eight years is the usual norm and also extending the scope of foreign collaboration even in non-priority areas? If so, what are the reasons which prompt the Government to make that kind of liberalisation and give new concession? Would the hon. Minister kindly enlighten the House as to whether this

kind of new concessions to the foreign investors will make our national economy more vulnerable to the foreign pressures?

**SHRI PRANAB MUKHERJEE:** Sir, answering the last part of the question first, my answer is 'No'. As I have mentioned in the statement to the main question itself, we allow foreign investment in the areas where we require high technology which has higher export potentialities and by and large they are confined to Appendix I industries. In regard to the liberalisation so-called liberalisation it is not a recent proposal and sometime back, if I understand correctly, in 1975-76, an idea was mooted whether in some sort of industries a resting place at 51 per cent of share—so far as the dilution of foreign equity is concerned—would be worked out. And in certain cases depending upon the merit of the individual case, in one or two limited cases, permission was granted. There is no such proposal of having a further so-called liberalisation.

In certain areas particularly where there is scope of investment and higher production by permitting the automatic growth and automatic endorsement in the licensed capacity we have permitted it. These policies have been clearly spelt out by the Minister of Industries while participating in the debate on the Demands for Grants. As I have mentioned, our objective is to have investment—we are selective—and this is the criticism which we face from many quarters that we are extremely selective in regard to the scope of foreign investments.

As we have mentioned these are the priority areas; no question of liberalising it for the non-priority areas comes.

**SHRI CHITTA BASU:** Any way, the reply has not yet been complete. My second question. May I know whether it is also a fact that the Prime Minister during her recent visit to United

States of America met the American businessmen and sought to convince them about the openness of our economy and the liberalisation of the foreign investments. If so, would the hon. Minister kindly let the House know what has been the reaction and response from the American side?

**SHRI PRANAB MUKHERJEE:** There is no question of meeting because so far as my knowledge goes, the Prime Minister never met any businessman or talked of the openness of our door. And we do not believe in the theory of opening the door.

**SHRI CHITTA BASU:** This is what the Press said.

**SHRI PRANAB MUKHERJEE:** The Press may say so many things. So, let us not be guided by what the Press says. So far as our foreign investment policy is concerned, it is clearly spelt out. It is not that we are having a new policy. The Industrial Policy Resolution of 1956 is the basic cardinal principle. Certain modifications or certain changes, revisions might have taken place keeping in view the need of the economy. Except that, there is no compromise with the basic principles and objectives.

**SHRI NIREN GHOSH:** Sir, in view of the fact that...

**PROF. MADHU DANDAVATE:** He must ask questions standing, Sir.

**MR. SPEAKER:** I can admit a privilege motion!

**SHRI NIREN GHOSH:** Sir, in view of the fact that many foreign companies, not even incorporated in India, have been permitted more than 51 per cent of equity share and in view of the fact that there is being repeatedly a saying "high technology area" though generally the technology they are importing into this country are second-hand and obsolete, as far as we are aware, how many companies coming under F.E.R.A., M.R.T.P. etc. have

been permitted? What are their names, who are having more than 50 per cent of equity participation? Would it not open our economy to more and more dependence on foreign capital and foreign investment so that we may become completely dependent on them as in Latin America?

**SHRI PRANAB MUKHERJEE:** So far as the question of openness is concerned, I made it quite clear that in so far as our policies are concerned, we know which are the areas where we want foreign investment and which are the areas closed to foreign investments. It has been spelt out. I need not repeat it.

In regard to the suggestion of the hon. Member that in certain areas we are permitting second-hand or outdated technology to be imported, we are to be guided by the experts and not by the expertise of the hon. Members. There is a set procedure and we make comparative studies. If certain typical case has come to his notice, I will definitely be prepared to examine it. The normal practice is that we get the clearance from DGTD and we take the clearance from various other experts, whether the indigenous technology available with us is superior and whether the technology which we are importing will be necessary in our economy. All these factors are looked into. Keeping those factors in view, we take a decision. Therefore, there is no question of permitting an out-date technology. As to whether we are much more selective, here not only we want to have the highest type of technology, our emphasis is that the technology is transferred to our national laboratories so that we can absorb it and re-design it to meet our own requirements.

**PROF. MADHU DANDAVATE:** Sir, I would like to know from the hon. Minister whether it is a fact that the Deputy Director General for External Relations and also the leader of the European Economic Community delegation that visited India in February,

1982, pleaded with the Government for a further liberalisation of foreign investment so as to attract more foreign capital in this country and in the light of that, I would like to ask the hon. Minister whether the Government will stick and adhere to its earlier decision and policy of not allowing companies with high economic power to step into the small sector and reserve them only to medium and small-scale industries. I am impelled to ask this question because Chaudhuri Sahib is present in the House.

**MR. SPEAKER:** So, it is Chaudhuri Sahib who made you to put this question!

**SHRI PRANAB MUKHERJEE:** When we have discussions with foreign dignitaries or the representatives of various agencies, naturally they express their views and we express our views. We explain our policies to them. Therefore, merely a suggestion from some quarter does not indicate that we are going to accept it. We consider it; we explain our policies. So far as our policy is concerned, it has been explained in clear terms. One of the cardinal principles of our industrialisation even in the case of automatic growth or to permit increased licence capacities, is that if an item is reserved for the small-scale industry, neither automatic growth nor enforcement of the increased capacity, more than the licensed capacity, will be permitted in the areas which are exclusively earmarked for small-scale industries.

**SHRI K. MAYATHEVAR:** Sir, in 1954, in their All India Congress Committee, Pandit Nehru made an announcement that the Congress Party from 1954 onwards will be marching towards the attainment of a socialistic pattern of society.

They have told the country that they are very much attached and wedded to socialism and they are marching towards socialism.

Now, there is a difference between technological aid to be sought from the foreign countries and the financial

investment to be permitted from the foreign countries for our industrial development and economic growth. So I want to know from the hon. Minister who is, from my point of view and my party point of view, a very able Minister, an able administrator....

AN HON. MEMBER: His party point of view?

SHRI K. MAYATHEVAR: That is my party point of view and my point of view also.

DR. SUBRAMANIAM SWAMY: By mistake he is sitting on this side. He ought to be sitting there;

SHRI K. MAYATHEVAR: I would like to know from the hon. Minister, before inviting foreign investment for our industrial growth, whether our Government has given any opportunity for our own leading industrialists who are financially sound, who are capable of making investment, whether this Government has assessed that position first, whether any priority was given to our native industrially or financially sound people to invest before inviting foreign aid.

Secondly, are we inviting both technological advices from the foreigners and financial investment also or, are we inviting technological advice alone or financial investment alone?

SHRI PRANAB MUKHERJEE: It is our policy to encourage our indigenous industry. Here I would like to make one point quite clear that out of the total investment in the corporate sector in this country which is in the neighbourhood of more than Rs. 60,000 crores, the cumulative foreign investment is around Rs. 2,500 crores and in terms of percentage, it is little over 4.2 per cent. Therefore, the Members need not be unnecessarily worried over it. In many of these areas, as I told you, these are limited to Appendix 1 Industries, core sector, high export potential areas and high technology areas. We are rather a little conservative in regard to this selection and we

are getting complaints from the other side. Therefore, from that point of view, I can say that this is not our policy to keep our doors open and free for all. But at the same time, wherever we find that it is necessary and the policy permits it, we do not hesitate to have investment from abroad.

MR. SPEAKER: Shri K. Mallanna.

SHRI SATYASADHAN CHAKRABORTY: A small question.

It will take half-a-minute. I am putting it to the able Minister.

I request our Finance Minister to let the House know the actual collaboration agreements entered into since 1980 and actual physical investment by the foreign companies since 1980.

SHRI PRANAB MUKHERJEE: I have submitted the figures in the other context. Those figures are not readily available.

But I mention that the total cumulative foreign investment would be in the neighbourhood of Rs. 2,500 crores. Regarding the question as to how many cases of financial investment and technical collaboration we have approved, in 1980, we approved 73 cases of financial investment. In 1981, we approved 57 cases.

Actually, as to how many of these approved cases have been implemented it will take some time to collect those figures. Those figures are not with me.

#### Manufacture of long-range high-altitude rocket by Pak.

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\*471. SHRI K. MALLANNA:

SHRI MOHAMMAD ASRAR AHMAD:

Will the Minister of DEFENCE be pleased to state:

(a) whether Government's attention has been invited to the 'Hindustan Times' dated 20 July, 1982 that Pakis-