

been possible for us altogether to dispense with this system. Anyhow, apart from the feelings expressed here, this question has been under our examination, for the last two or three months. If possible, we shall make certain relaxations in this matter.

I think Pandit Thakur Das Bhargava mentioned something about the rate of interest, and said that the Tatas are being given loans free of interest for five years, or something like that. I think he had made a very bad comparison, and thereby weakened his case. The loan that is given to the Tatas is really their money. A portion of the profit they would have usually earned is taken away by Government and put in a fund, and that money is given back to them as loan, and Government realise that loan again from them. There cannot be any comparison between that loan and the loan that is being given to the refugees through this Administration.

Sardar Hukam Singh mentioned his own personal case, that he applied for a certain loan for a transport business. I think it was right on the part of the Administration,—and it was better for himself also—that the loan was not given. He is now better rehabilitated and in a much better occupation. I do not know where that business would have transported him. At least now, he has been safely transported to this House and to some law courts also. So, on that score, he should thank the Rehabilitation Finance Administration that that loan has not been given to him.

**Acharya Kripalani (Bhagalpur cum Purnea):** What about asking his caste?

**Shri A. C. Guha:** I think I have nothing more to say. Before concluding I again thank the hon. Members who have taken such a keen interest in the working of this Administration. I should also point out, in conclusion, that this Administration has been doing good service, and that

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the dark and gloomy side that has been painted here is not the real picture of this Administration. There may be some dark spots, but it has a shining surface also, to which this House should not be blind.

**Mr. Deputy-Speaker:** The question is:

“That the Bill, as amended, be passed”.

*The motion was adopted.*

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**SEA CUSTOMS (AMENDMENT) BILL**

**Shri H. N. Mukerjee (Calcutta North-East):** Before the hon. Minister moves for the consideration of this measure, may I point out one matter? We are asked to allow drawback on imported materials used in the manufacture of goods which are exported. We do not know those materials on which the drawback is proposed to be permitted. The difficulty is that if we have not got that schedule, we cannot very usefully discuss this measure. And besides, if this is going to be an omnibus authorization to Government to do whatever they like, then that would be a modification of our tariff legislation, which should not be sought to be done by means of an amendment of the Sea Customs Act, as it stands today. That being so, I find very great difficulty in participating in a discussion of this legislation, because we have not got those materials, which to my mind, are absolutely necessary, if we are going to have anything like a fruitful discussion of this measure.

**The Deputy Minister of Finance (Shri A. C. Guha):** I cannot understand what schedule.....

**Mr. Deputy-Speaker:** He may speak and then reply to the point that has been raised.

**Shri A. C. Guha:** I beg to move:

“That the Bill further to amend the Sea Customs Act, 1878, be taken into consideration.”

[Shri A. C. Guha]

This Bill is intended primarily for three purposes: a drawback of duty on materials used in the manufacture of articles which are being exported to other countries may be given allowing manufacture of certain articles in bond, and also some of the articles manufactured in bond but intended for home consumption. These articles also may get the benefit of this drawback. These are the three main purposes for which this Bill is intended.

**Mr. Deputy-Speaker:** What is the the third one?

**Shri A. C. Guha:** The first one is in regard to articles manufactured in some factories and then exported; the import duty on the materials used in the manufactured article may be refunded. The second one is the manufacture of articles in bond or warehouse and intended for export. The third is manufacture of articles in bond but used for home consumption. There also the drawback or refund may be given.

This Bill has become necessary because India is no longer just an exporter of raw materials. During recent years it has become an exporter of finished, manufactured goods also. I think it may be relevant here if I give the figures of the export of our manufactured goods. In 1948-49 it was Rs. 229 crores and in 1952-53 it is Rs. 260 crores, in spite of the fact that there has been a sudden drop this year in the export of manufactured jute goods. So, during these five years, the export of manufactured goods has increased rather considerably. This Bill is in the interest of our export trade, and almost all the industrial countries have got similar provisions. The USA, U.K., Japan and, Canada—all these countries have got similar provision. In the U.K. this provision has been made by Section 9 of their Finance Act of 1932. In the USA, Japan and Canada, they have got separate legislation giving the same benefit to their manufactured articles.

This Bill, I can say, has been welcomed by most of the commercial and business organisations of India, particularly those who are interested in the textile, art silk and plastic industries, because this Bill would enable these industries to get immediate relief.

I should mention here, Sir, that suddenly in recent years our export in textile goods has gone up considerably. This year, the prospect of textile export is not so bright. So it is necessary to give some help to the export trade of textile goods and that is why there was the urgency of having this Bill. The articles which may get this benefit would be plastic manufactures, typewriter ribbons, woollen vest and hosiery, carbon paper, sewing machines, electric fans, aluminium manufactures, the cycle industry, automobile industry, bichromates, enamelware, plastic moulded goods and so on. Of course, textiles will surely be there. Then we have scientific instruments and other things. The import duty on the component parts of these manufactured goods will be refunded to the manufacturer when these goods are being exported or when manufactured in bond even for home consumption. The export may be done by the manufacturer himself or by some commercial firm of exporters. In both the cases this benefit will be given.

One thing we have provided in this Bill is this. This is not an automatic refund of the import duty. The Government will promulgate certain rules and regulations, and according to those rules and regulations, each party will have to apply and then after proper examination, this refund will be given. The rate or the articles manufactured or the materials used also will be decided by these rule-making powers. It has also been decided, Sir, that the rules will be published for eliciting public opinion and then they will be finalised, and I shall move an amendment to that effect in proper time.

Then the question may be asked, how this necessity has suddenly arisen. What is the present provision in the Sea Customs Act? Section 42 of the Indian Sea Customs Act is the relevant section which may come nearest to this arrangement. But it has been found to be not quite enough to give all the facilities that we want to give to our export trade. Under Section 42, one definite condition is that the identity of materials on which duty has been paid at the time of levying import duty must be established when such materials have undergone manufacture and the manufactured goods are exported. This identification of materials with their pre-manufactured state after the new manufacturing process is gone through, is a very difficult thing. It is not always possible to establish this identity, and that is why this Section 42 is not quite enough. This Bill is going to add a new Section, Section 43B, to the Indian Sea Customs Act.

As for manufactures in bond, so long we have been giving certain facilities to this line under Section 100 of the Indian Sea Customs Act. Recently it has been pointed out to us that it may not be quite proper and regular to allow these facilities under Section 100 of the Indian Sea Customs Act. Cigarettes were being manufactured and motor vehicles were assembled in bond and we have been giving these industries certain facilities under Section 100. But now, after examination by the Law Ministry, I think that would not be the proper procedure—to allow these facilities under Section 100. The reason is that the only thing that has been taken care of under Section 100 is sorting, packing, separating and alteration for such purposes. But manufacture is not covered by any of these terms. So a separate Section has to be put in the Indian Sea Customs Act, i.e. 100A, and that is done by clause 3 of this Bill. In clause 3(4), it is provided that articles manufactured in bond, if used even for home consumption, would also get this benefit. In some

cases we find that the material may be charged a higher duty, while the finished goods are charged a lower duty. Steel is, I think, charged at the rate of 20 per cent. or even higher while machinery is charged at the rate of 5 per cent. So Indian manufacturers of machinery will find it very difficult to compete with foreign manufacturers if they are not allowed these facilities. Even though the machinery is intended for home consumption they should be allowed to compete with foreign imported machinery and that cannot be done unless this facility is allowed to them. So, this is also necessary for our industrial development, not only for our export trade but also for the development of industry for home consumption.

Clause 4 is only a penal clause for those who would try to make false declarations or who would try to take undue advantage of the provisions of this Bill. Sir, in view of the emergency, particularly for the textile industry, an Ordinance had to be promulgated and I shall move an amendment for the repeal of the Ordinance.

I have nothing further to add. I may only say that this Bill may not be taken as intended to perpetuate our industrial dependence on certain parts to be imported from outside. That is not our idea. We are trying to be as self-sufficient as any other industrial country. Unless we give this protection to our industry, it will not be possible for our industry to be developed in the manner in which and with the speed with which, we want our industry to be developed.

I hope the House will pass it.

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill further to amend the Sea Customs Act, 1878, be taken into consideration."

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** Sir, a point was made by my hon. friend. The point may be answered. I am not going to make a speech. It is rather difficult to envisage the number of articles which come under the

[Shri T. T. Krishnamachari]

scope of clause 43B. All that one can say at this stage is that whatever is done, the House will know about it. The House will be free to criticise Governmental action and enforce the withdrawal of facilities given. We are more or less finding our feet in the matter of our industry and also the building up of our exports. We find that there is a material handicap in regard to our industries so far as export trade is concerned. This is an enabling provision. The utilisation of these provisions must arise as and when cases come up before Government. I can only give the assurance that the cases will be strictly examined. At the moment, we have only the textile industry in view, where we have to import cotton which had cost in the past about Rs. 2400 a bale as against Rs. 600, 700 or 800 a bale of Indian cotton. That goes into fine and superfine goods which we export. Naturally the duty has to be given to them. It is only a component of the textile article that is exported. May be some portion of it is Indian cotton; there may be other materials also. We have got to assess the value of the cotton that is used and, in this particular instance, we had an urgency because of our export trade in fine and superfine goods. As other things grow from time to time a schedule will be evolved. All that Government can now say is that we shall place all such relaxations before the House. At the moment, it is rather difficult to envisage the number of goods or the categories of goods which may come under the scope of this particular clause.

**Shri A. C. Guha:** Sir, I have given something like a sample list. It is not possible to give an exhaustive list.

**Mr. Deputy-Speaker:** The hon. Minister has read out some of those industries. Only the hon. Members on this side want to see that if some similar articles or materials are produced here, they can go in for foreign articles and then claim drawback.

Therefore they wanted to make sure about the articles.

**Shri T. T. Krishnamachari:** The reputation of the Customs Department in India is, I think, far too much on the side of safety.

**Shri Nanadas (Ongole—Reserved—Sch. Castes):** According to the Statement of Objects and Reasons, this Bill is intended for the development of India's export trade, and also for facilitating our industrial enterprise. To achieve these two objectives, the Government wants to give rebates on import duty paid on the raw materials contained in the manufactured goods exported abroad and also for allowing manufacture of goods in bond. Well, the objects are very high-sounding. But it is not known how this Bill is going to help our export trade and whether by giving this concession to the industry we are going to help the common man in this country. These are the two things which we have to examine.

Sir, this giving of drawbacks of import duty will also touch the Exchequer to some extent. The nation has to lose some money on account of this. But the Government was not good enough to tell us to what extent this will involve expenditure, what would be the possible loss to the Exchequer. In the Financial Memorandum attached to this Bill they say,

"Clause 2 of the Bill seeks to empower the Central Government to grant a drawback of duty on materials on export of goods manufactured therefrom. It is not possible at this stage to indicate what expenditure will be incurred as a result of the Bill passing into law."

Sir, this Sea Customs Act has been in force for such a long time since 1878 and under the old Act a similar provision is there. Under section 42 of the old Act rebates are allowed on re-exports. By this time they ought to have come to know what would be

the possible expenditure if this Bill is passed into law, and to which of the industries we have to allow rebates of import duty. I really do not know how the Government came to the conclusion that a Bill of this sort is necessary. I do not know whether Government have received any representations from the industry. If so, they would have come to know the estimate of the possible expenditure that we have to meet by this measure. It appears to me that in their anxiety to help increase the profits of textile magnates, Government have introduced this amending Bill. Not only that: they also promulgated an Ordinance for carrying out the provisions of this Bill. From the papers also, the intention of the Government seems to be quite clear. I may read from *Hindustan Times* (Weekly Edition) dated Sunday, October 25, 1953:—

“The second measure to help the industry is the amendment of the Sea Customs Act so as to provide for the grant of rebate of import duty on imported cotton used in the manufacture of cloth which is exported. Imported cotton is largely used in the manufacture of fine and superfine varieties of cloth.”

If the Government wants to help these textile magnates who have already amassed crores of rupees as profits, it can boldly say so. I do not understand why Government in an indirect way says that it wants to help, encourage the development of the export trade of this country and for this purpose it is introducing this Bill. We are not against the development of our export trade. It should be developed very rapidly: there are no two opinions about that. But this is not the suitable method for it. If we want to improve our export trade, we have first to develop the industry internally, that is to say, we must satisfy the needs of the people in this country. After that, whatever surplus is left, that alone should be exported for the purpose of improving

our export trade. We do want to sacrifice something for getting essential raw materials from other countries by encouraging our export trade, but we cannot do so at the cost of the consumer in this country. After all, it is not mentioned in this Bill whether only the surplus textiles will be exported. It is not known on what materials the rebates will be given. The Bill says:—

“Where it appears to the Central Government that, in the case of goods of any class or description manufactured in, and exported from, India or shipped as provisions or stores for use on board a ship proceeding to a foreign port a drawback should be allowed of duties of customs chargeable under this Act in respect of any material of a class or description used in the manufacture of such goods.....”

That is the wording of the Bill. From this it is not clear whether the Government wants to give rebates only on such of the raw materials for industry in respect of which the manufactured goods will be re-exported. In these circumstances, I do not know how Government is going to help the export trade and thereby the common people in this country through this Bill.

Also the Bill contains many lacunae. As the Deputy Leader of my party pointed out, the schedule is not given, showing the articles on which rebates will be allowed. Also the rates at which rebates will be given are not given. It is only stated that this Bill is intended to help our export trade and supply goods to the foreign consumer at a lesser price. What should be our aim in developing our economy? Is it just to give some concession to the industry and also some concession to the foreign consumer at the cost of the consumer in this country? On the other hand, our aim should be to help industrial development and produce more goods in this country first for the needs of our own people. We

[Shri Nanadas]

must see that goods are supplied to the consumer in this country at a reasonable price which is within his purchasing power. If the goods produced in this country are not within the purchasing power of the common man here, the prices must be lowered. Only by that means can we develop our industry and also our export trade. If we ignore home consumption and neglect the common consumer in this country, I doubt very much whether we will achieve the object in view. For how long are we going to depend upon the foreign consumer? For how many goods are we going to depend upon the foreign consumer? What for are we producing these goods: is it to help the foreign consumer and a few industrialists or is it to help the people in general in this country? If the Government is anxious to tide over the crisis in the textile industry and allow some concessions to the textile magnates, then the Government is not discharging its duty in the interests of this country, and if the Government asks us to support this Bill, then it is asking us to deceive ourselves. We do not object totally to the development of the export trade of this country, but it should not be at the cost of the consumer in this country. That is my first objection.

After all, what are the raw materials that we generally import? From the *Foreign Sea and Air-borne Trade and Navigation of India* for March 1952, it is clear that we are importing raw cotton and waste. That is the largest import of raw material. In the year 1951-52, we imported raw cotton and waste worth nearly Rs. 126½ crores and this is all finer variety of cotton. Another raw material we are importing is raw silk and cocoons and in the same year we imported nearly Rs. 1½ crores worth of them. Also, under "other textile materials", we imported about Rs. 10½ crores worth of goods. And the other largest raw material we are importing is mineral oil. In the year 1951-52, we imported nearly Rs. 79

crores worth of oil and besides this we are importing food, drinks and tobacco, under which grains, pulse and flour are the largest items. Under 'food, drinks and tobacco' we imported during 1951-52 nearly Rs. 262 crores worth of articles, and under other manufactured and semi-manufactured articles the amount is much bigger. My point is this. After all the Government intends to give rebates on raw material which enters into manufactured goods which are re-exported. From these figures it is quite clear that we import the largest quantities of raw cotton and waste. Which are the industrialists that are importing the largest quantities of raw cotton and waste? Are they the middle class industrialists or are they the millionaire textile magnates? If you want to help these people, all right you come out and say boldly that you want to help these millionaires. Again, Sir, at whose cost we are helping these textile magnates? According to the Report of the Working Party for the Cotton Textile Industry, we are helping these textile magnates at the cost of the cotton producer in this country. May I read the relevant passage from this Report—paragraph 34, page 14.

"The progress of the industry in this direction is reflected in the quantities of imported cotton from year to year, notably Egyptian, East African and American. This process, it will be seen later, has been intensified during the years following the last war partly on account of new machinery being installed but even more on account of the unavailability to an adequate extent of local cotton. When the fact is further borne in mind that much of the long staple variety was produced in Pakistan and is no longer available at least in sufficient quantities to the Indian Mills, the necessity for importing large quantities of superior cotton from abroad is clearly demons-

trated. The fact nevertheless has to be emphasized that while protection to the Indian Textile Industry was largely based on the ground that raw material was available in abundance within the country and that the Industry was helping the agriculturists to find a market for such raw material, the situation is tending to take a reverse turn and requires careful watching."

From this it is quite clear that by encouraging the import of foreign cotton in large quantities, we are harming our own cotton producers in this country. Government may say that we are importing only finer varieties of cotton, but my objection is—what steps have the Government taken to improve our cotton production in this country? I was told that near about Coimbatore in South India we can produce very good quality of cotton. Why can't we improve cotton production of that quality in our country? Can we help, by resorting to this method, the improvement of our cotton? Certainly we cannot help. The producers, as they get less money for their cotton, will have no incentive to produce better varieties of cotton and also invest more money and bring more land under cotton cultivation, and thereby you are systematically and consciously destroying cotton production in this country. In the same connection, Sir, the Report says—I am reading from page 21, paragraph 47.

"Regulation of exports of Short Staple Cotton.

It has been urged on the Committee that at a time of serious shortage of cotton, export of Bengals is not justified. If the mills were to make a serious attempt to use such cotton, they could undoubtedly do so; in fact, certain mills have used such cotton in their production of the lowest counts, but even these mills are handicapped if export is allowed, as thereby the price of such cotton is enhanced even-

locally and utilisation of this cotton at such enhanced price proves unprofitable."

Sir, on the one hand, you are allowing export of cotton from this country at a very low price, and on the other hand, you want to import foreign cotton, and for encouraging the import of foreign cotton, the Government wants to give some concession to the textile magnates. I really wonder how a Government, which boasts itself to be a Welfare State and also stands for the welfare of the producers, the hard labourers, in this country, is going to help these people by this method.

Sir, the Minister said that by this Bill the aluminium industry is going to be benefited. The other day I also asked a question of the Commerce and Industry Minister and he replied that there is a lot of surplus of aluminium in this country, and according to the Planning Commission's Report, we want to produce in this country nearly 20 lakhs tons of aluminium by the end of the plan period. How are you going to utilise it? Are you going to export it as raw material or semi-manufactured material and that too at the cost of the local cottage industry? Aluminium is used in cottage industry for manufacturing cooking utensils in large quantities, but what is happening today. The Government, without even knowing, are allowing large quantities of stainless steel to be imported into this country, and now the stainless steel is taking the place of aluminium in the cooking utensils cottage industry.

**Mr. Deputy-Speaker:** How does that arise on this Bill? So far as the subject matter of the Bill is concerned, it relates to the drawback on imported materials used in the manufacture of goods which are exported—the export of the article is the main point—and also to the manufacture of goods in bonded warehouses.

**Shri Nanadas:** I am quoting an instance.

**Mr. Deputy-Speaker:** The instance is not relevant. This is not a general debate on the Finance Bill where you can talk about administration and other matters. We must confine ourselves to the three points that have been raised here. The hon. Member has said enough and has also repeated once or twice to emphasize his point. If he has got any fresh point, let him go on.

**Shri Nanadas:** The other material that we import is mineral oil. This Government entered into agreement with foreign companies for starting free oil refinery in this country.

**Shri A. C. Guha:** I wonder how 'mineral oil' imported by the oil refineries will come under this.

**Mr. Deputy-Speaker:** Is any mineral oil brought here, refined and exported?

**Shri A. C. Guha:** No.

**Mr. Deputy-Speaker:** Then it does not enter into the picture.

**Shri Nanadas:** Since the schedule is not given we do not know on what material they are going to give rebates.

**Mr. Deputy-Speaker:** The hon. Member may move an amendment. He has tabled some amendments, but I do not find any which insists upon Government placing the items for which drawbacks are allowed, so that discussion may take place on those items when they are included in a particular Bill. The hon. Minister has said he will publish all that and invite objections. If the House should have an opportunity, some such provision may be made here.

**Shri Nanadas:** In the absence of the schedule of the items on which Government intends to give rebate this is one of the major materials that is going to affect the economy of the country in future. After all we have given permission to foreign companies to start oil refineries here.

**Mr. Deputy-Speaker:** The hon. Minister has given some instances

where this provision is likely to be used.

**Shri Nanadas:** What I fear is that this Bill will be taken advantage of by these oil monopolists in this country in future. They may ask for rebates because they will have to import crude oil from monopoly sellers in the international market. When the oil is refined here and the home market is not in a position to consume the whole oil, a major portion of the oil will have to be exported. When such an occasion arises, the oil refiners may take advantage of this Bill and I do not know what guarantee Government is going to give to this House that this concession will not be allowed to foreign oil refineries.

Here we have got foreign combines like Sen-Raleigh, T.I. Cycles and the automobile combines. In the Bill it has not been defined what is meant by "raw material" or for what kind of material they are going to give rebates. These companies may import semi-manufactured articles, assemble them here, export them abroad and claim rebates on the materials imported. Such contingencies are there.

The other material is raw jute. We have now to import jute from a foreign country like Pakistan. This raw jute is manufactured in this country and exported abroad. Does it mean that we are going to give rebates on the jute we import by sea from East Pakistan?

**Shri T. T. Krishnamachari:** Yes, if we levy a duty; but we do not levy any duty now.

**Shri Nanadas:** If there is no duty well and good. But if we are going to levy a duty in future, then the jute industry also will claim rebates.

**Mr. Deputy-Speaker:** At that rate the hon. member may take all the five hundred items and say that if an import duty is levied a drawback will have to be allowed. After all any legislation is based on existing considerations. When other factors come into play the question will have to be reviewed.



**Sri Nanadas:** I am only referring to major items of raw materials we import. I am not referring to all the raw materials that we require for manufacture in our industries.

**Mr. Deputy-Speaker:** But the illustration should be with reference to items on which an import duty is levied. Is any import duty levied on jute?

**Shri Nanadas:** Again, Sir, the term "manufacture" is a very comprehensive term.

(MR. SPEAKER in the Chair.)

The word "manufacture" is defined in the Factories Act of 1948 in Section 2, sub-section (k):

"(k) 'manufacturing process' means any process for—

- (i) making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adopting any article or substance with a view to its use, transport, delivery or disposal, or
- (ii) pumping oil, water or sewage, or
- (iii) generating, transforming or transmitting power; or
- (iv) printing by letterpress, lithography, photogravure or other similar work of book-binding, which is carried on by way of trade or for purposes of gain, or incidentally to another business so carried on; or
- (v) constructing, reconstructing, repairing, refitting, fitting or breaking up ships or vessels;"

Here in this Bill this term has not been defined clearly. Suppose a businessman imports raw materials into this country, stocks it for some time, waits until the prices go up in other countries, then repacks the same material and exports it, will he be entitled to rebates? So the terms

should be defined very clearly at the stage of framing rules; the words "raw materials" must also be defined. If this Bill is going to help increase the profits of foreign businessmen employing our cheap labour and also going to increase the profits of people like Tatas, Birlas and Dalmias, surely I cannot support it. If, however, Government is prepared to give us an assurance that this measure will be utilised in the interests of the common people and in the interests of export trade in general—that is surplus trade after satisfying the requirements of consumers in this country—then I support this. We want that the export trade of this country should be developed and that too very rapidly.

**Shri M. S. Gurupadaswamy (Mysore):** I find myself in a very embarrassing position after hearing the first speaker, whether to support the Bill or to oppose it. Sir, as a matter of fact, I wanted to support the Bill; even now I would like to support it in my own way. The previous speaker pointed out that by giving drawbacks on certain imported articles we will be helping the big industrialists. It may be true to a certain extent—I do not deny. But we have to take into consideration the present context of things, what our economy is and how our goods are faring in the international market. Today you are well aware, Sir, that in the external markets the prices of goods are fluctuating, they are falling, and it is very difficult for the goods of any country which have higher prices to compete well with the goods of other countries. So if you want to make our goods more competitive, if you want to develop our external market, then it is very necessary that you should find ways and means of facilitating our exports. Our party, the Praja Socialist Party, does not agree with mixed economy. But unfortunately the Government of the day is committed to this mixed economy principle. So long as the Government follows a policy of mixed economy, in that particular context of things they

[Shri M. S. Gurupadaswamy]

have to think of ways and means of developing our trade and solving our economic problems. Now I am not going into the question of mixed economy or into the question whether there should be state trading or not. Of course we believe in state trading and we say that if state trading is adopted and if the Government comes into the picture of foreign trade many troubles can be solved and our export trade can be increased remarkably. But unfortunately the Government is not thinking on those lines. They are lukewarm about it, they seem to be nervous.

So in the present context when we have private enterprise and private business people trading inside and outside the country we have to think of certain measures which would help our country to prosper in the existing circumstances.

I find that so many factories are suffering from surplus production--textiles, lamps and so on. But the purchasing capacity of the common man is not sufficient to clear the stock produced in the factories. Unless these stocks are cleared immediately there is no scope for factories working to full capacity. We have to know that the present unemployment in the country is due to the very large accumulation of stocks in factories. If we want to create more opportunities for employment, if industries should function to their full capacity, if they should not close down, then it is necessary that we must find some stop-gap method of clearing these surplus stocks.

As I said, on account of the fact that the purchasing capacity of the people is very poor it is very difficult to clear the stocks inside the country now. There is lack of internal demand. The lack of demand is because there is not enough money in the pockets of the common man. In such circumstances the only way to clear the surplus stocks is to promote exports. The question is how to pro-

mote exports. If you want to promote exports you must remove the bottlenecks which are in the way of export trade. What are the bottlenecks in the way?

The main bottleneck is the export duties levied on certain goods which are regressive in their effect and which do not allow our goods to compete favourably in the outside market. So it is necessary to resort to the method of allowing drawback on certain articles. Of course the schedule of articles has not been given in the Bill. It would have been better if it had been given as it would have given us a better picture of the whole thing. But we all know on what articles drawback will be allowed, and we also know how far it is necessary at the present juncture to clear the surplus stocks.

In this connection I also want to make one or two points. Apart from removing this bottleneck by way of allowing drawback, I wish to say that it is necessary to take certain other measures also. One of them is that on articles which are intended for export there should not be any sales tax at all. Almost all the State Governments have resorted to sales tax. They tax every kind of goods processed or manufactured or traded within the boundary of the State. If we want to promote exports and if we want to develop our foreign exchange resources it is necessary that we should advise the State Governments not to levy sales tax on exportable goods for some time to come. Of course it may involve some loss of revenue, but it is necessary if we want to develop our external trade.

Another point is there is a transport bottleneck. It has been there since very many years but no serious attempt has been made so far by the Government to remove this bottleneck. The goods are not easily transported to ports, and for booking wagons and for transporting goods from one part of the country to an-

other people have to face innumerable difficulties. It is very necessary therefore that the Government should provide more transport facilities for goods which are intended for export. By taking these measures they would be greatly facilitating international trade. And, all of us should appreciate that international trade is very important and vital to our economy. Our friend just now said that we should develop our own home market, that we should not import any other things from outside, that we should develop our own cotton and so on. It is necessary, we should keep these things in view but at the present juncture when the Government is committed to a policy of mixed economy it is necessary to resort to these steps. I do not mean that I am endorsing these things unconditionally. I am making qualifications to my observations. When the Government is following a mixed economy, when large sectors of our economy are left in the hands of private people, we have to take certain steps which are necessary in those circumstances. So, from this point, I support the idea that it is necessary that drawback should be allowed on certain articles.

In this connection I may point out one more thing. Suppose there is an item of finished goods and in that item there is utilisation of an imported raw material on which import duty has been paid. If that item of finished goods is to be exported to some foreign country, the import duty already paid on the raw material should be refunded. That is very necessary. I do not know whether the Bill makes provision for this. I feel that in respect of all the articles which enter into the manufacture of exportable goods the import duties levied should be refunded.

**Mr. Speaker:** That is what clause 2 really means, as I read it.

**Shri M. S. Gurupadaswamy:** If it applies I have nothing more to say on that point.

Lastly, Sir, I want to say that the export policy should be conducted in a very systematic and organised way.

It is a very difficult sector and therefore, it is necessary to have an export research organisation. I think the Committee that went into this question in 1949 has also recommended the starting of such an organisation. If we set up an Export research organisation, that would facilitate in the matter of developing a coordinated and enlightened export policy. Our export policy is left mostly in the hands of private people. There is very little guidance from the Centre, and very little control from the Government. In a way, it is chaotic. If you want our export policy to be well organised, well coordinated and well integrated, it is necessary that there should be a Research Committee on the one hand and another Committee to supervise the whole thing and advise the Government on matters of export. I say that this Bill may be passed. In the existing circumstances, it is necessary to allow a draw-back on certain articles with a view to clear the surplus stocks. It will also facilitate the business people, traders and factory owners to provide more employment opportunities for our people.

**Shri Kasliwal (Kotah-Jhalawar):** Before I speak on this Bill, I would like to answer one or two points which have been raised by the speakers from that side. The hon. Member who spoke last said something to the effect that our export policy was in the hands of a few individuals. I very much dispute that point, and maintain that our export policy is directly and actively in the hands of the Government. I do not at all think for a moment that in any country, a few individuals can direct the export policy of that country.

The second point to which I would like to answer is about section 42 of the Sea Customs Act which was referred to by the first speaker. I believe he has confused between section 42 of the Sea Customs Act and the new section 43B which is sought to be inserted in this Bill. Section 42 relates absolutely to rebates on re-exports. This Bill has nothing to do with re-exports. This Bill only maintains that

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drawback will be allowed on those manufactured goods which are sought to be exported. There is no question of re-export so far as this Bill is concerned.

Coming to the Bill itself, I think I must congratulate the Minister for being very realistic. I believe this is a handsome tribute that he has paid to the prevailing conditions in the country, to the falling off of new industrial enterprises in the private sector and to the growing unemployment. I must say that this concession which he has granted to the industry in the private sector has been very timely. While congratulating the hon. Minister, on this subject, I would like to draw his attention to one or two features: features in the sense that this House has not been well informed on certain items. I am not suggesting for a moment anything about the point which has been raised on the other side that a schedule should have been annexed. It is really difficult to maintain and put up a schedule at this stage because there are articles which are manufactured, but which are not protected; there are also certain protected industries in respect of which we can definitely say that the Government may have certain data. Those data should have been supplied to the House. The Tariff Commission has, I must say, in all cases in which an industry has come up before them either for protection or for the continuation of protection, invariably said that in respect of those raw materials which are being imported from abroad, there should be a kind of enquiry as to how far these particular industries are importing these raw materials, whether there is any decrease or increase in the import of these raw materials and so on. I tried to find out from the publications of the Ministry of Industry and Commerce whether they could supply any information in this respect. I could lay my hands on certain information which has appeared in the Journal of Industry and Trade which relates to the head-

ing, Protected Industries dependent on imported raw materials. Although this relates to 21 items which are protected, and which are importing raw materials, information on several heads is missing. Take the case of percentage of imports of raw materials. The information invariably is, it is not available. Except in the case of two items, they say the information is not available. Again, take the case, whether the imports are increasing or decreasing, no information is available. I submit the hon. Minister should have certainly given this information also although in the case of certain other items, he has given this information: countries from which imports are made, the name of the raw materials which are being imported and so on. I hope the hon. Minister will kindly do a favour to this House by publishing all this the next time this journal is issued so that it may be in a position to get all this information also.

**Shri V. B. Gandhi** (Bombay City-North): Shri H. N. Mukerjee, who spoke first on this Bill, just expressed his inability to understand how a Bill of this kind could be placed before this House for consideration. His principal objection was that this House was being asked to consider a Bill which was vague and which did not contain a schedule of the goods on which a drawback of customs duties was to be allowed. Here, I would only point out and draw the attention of Shri H. N. Mukerjee to section 42 of the principal Act. Section 42 does precisely what this Amending Bill seeks to do. A part of section 42 reads like this:

"When any goods, capable of being easily identified, which have been imported by sea into any customs port from any foreign port, and upon which duties of customs have been paid on importation, are re-exported,.....seven eighths of such duties shall .....be repaid as drawback:

and the only condition for the repayment of drawback is:

"that in every such case, the goods be identified to the satisfaction of the Customs Collector at such customs port.."

This is what the principal Act provides. In the present Bill, things are not as vague as that. They are much better. For, under Clause 2, the Government is going to publish a Notification in the official Gazette from time to time giving the list of the goods in respect of which drawback will be allowed.

Then, Sir, about another friend from the other side of the House—the hon. Mr. Nanadas. He seems almost to oppose the idea of this Bill. That is a little surprising, because expansion of export trade should be dear to all sides of this House and particularly to the Opposition. In our experience friends of industrial workers in every country of the world have always done their utmost to help the expansion of export trade in their respective countries. They have all raised the slogan "Export or perish" for their countries. When these friends realise how vital the maintenance of the level of our export trade is to our present economy, when they realise what actually is happening to our export trade and what is likely to happen in the near future if we do not do every thing in our power to help that export trade, I am sure they will look at this Bill with a little more kindly eye.

We shall not be wise if we continue to be complacent any longer in the matter of our export trade. In the past few years, say from about 1949 up to the present, there have been certain circumstances—adventitious circumstances—which have helped us to maintain the level of our export trade. It has been more of a series of luck for us rather than what we have ourselves done to help our export trade. Take for instance the help or the great stimulus that we received in expanding our export trade as a result of devaluation. Take for instance the outbreak of the Korean War. It gave us a tremendous advantage in our export trade. Then followed the stock-piling by the great Powers. Then

again came their re-armament programmes. All these things, one after another have helped our export trade. But, how much longer can we rely on these adventitious circumstances? In fact, as we know, the Korean War is over. As we know, stock-piling is being given up one after the other by the great Powers. As we know, the re-armament programme has been seriously modified with a view to reduce the burden on their tax-payers. And so far as devaluation is concerned, it is quite well known that devaluation does give a certain advantage to the country's export trade to begin with, but it also, at the same time, sets in a process of inflation which by degrees raises the price level in that country and in time wipes out any advantage that devaluation in the beginning might have given.

So, that is the story of our present state in respect of our export trade, and, therefore, we ought to welcome any measure that can possibly in any way help the maintenance of the level of our export. From that point of view, we welcome this measure as a measure designed to help the development of our export trade. But we cannot say the same thing about some of the provisions of this Bill, particularly provisions which seek to take rather large powers for Government—powers of inspection of documents, powers requiring access to manufacturing plant. However, this is a point about which I would have to say something more in detail when we come to consider this Bill Clause by Clause.

Now, Sir, we must realise that our export trade is on the brink of a crisis. Competition the world over for a number of the major items of our export trade is increasing. The re-entry of Japan into the world's export markets is an event of which we must take serious notice. And, therefore, this measure has not come any too soon. A measure of this kind was not only necessary, but also urgent.

In my experience of over thirty years of customs duties I have found

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that customs duties have been continuously creeping up bit by bit. I know of certain instances where from 20 per cent the customs duties today are at 50 per cent. With duties at such high rates it is a great problem for industry to finance their imports of raw materials, and therefore, facilities such as this measure seeks to give, such as drawback on materials imported and incorporated into the manufactured product to be exported as well as the facility for allowing manufacturers to operate on their imported raw materials in bond, should be welcome. In some of the larger industries these imported raw materials which go into the manufacture amount to lakhs and lakhs of rupees, and with the duty at 20, 30 and 40 per cent, the investment required also goes up to very large amounts. Therefore, this Bill is not only necessary but very urgent.

And let us not, at the same time, think that we are doing anything very extraordinary, an extraordinarily good turn to our export trade. This is a very ordinary facility which has been provided in almost all the advanced countries. The hon. Deputy Finance Minister who moved the Bill has already mentioned the instances of the U.S.A., the United Kingdom, Canada and Japan, and there are several other countries. So, we are only doing what was due to our manufacturers, what has long been due to our export trade. We are only filling that need.

5 P. M.

Coming to some of the provisions of this Bill, some of us really have a feeling that the powers that Government is seeking to take under this Bill are not really necessary, and some of them seem to be in excess of the requirement of the object in view. After all, these powers are sought to be taken in order to enable the Customs officials to investigate into the details of a particular claim, to ascertain and verify some of the evidence that the manufacturer may produce. But from the way the provi-

sions are worded, it looks as if it is assumed that the manufacturer is going to be rather unwilling to give all the evidence, and to produce all the materials and information required to satisfy the Customs Collector. Why should it be so? There are two parties to this business, there is the Government and there is the manufacturer claiming a drawback of customs duty. Now, who should be the more eager between the two, the Government to give or the manufacturer to receive drawback? Obviously, it is the manufacturer who should be more eager to receive the drawback, and therefore should be in a frame of mind to co-operate in every way and to place before the Customs Collector, all the material, and all the evidence that will entitle him to claim his drawback. In the light of this, some of these provisions will have to be considered, when we come to consider the Bill clause by clause.

I will only make a passing reference here that some of these provisions as they are, hold the door open for possible vexation and harassment to the manufacturers. A thing like this in a Bill of this nature should be avoided by all means.

Now we all wish success to this Bill. But the success of this Bill will depend principally upon how the Central Government acts under clause 2, sub-clause 3 (a), i.e., in the matter of specifying "the class or description of manufactured goods in the case of which, and the class or description of material in respect of which, drawback is to be paid"; in other words, it will depend on how wide a range the Government are prepared to accept for the goods in respect of which drawback will be permitted. There is another very important clause, which has much to do with the success of this measure, and that is the proposed sub-clause 3(c) under clause 2 of this Bill, under which the Central Government has to specify the rate of drawback to be payable with reference to the weight, quantity or any

other basis as the Central Government may deem fit'. As we know, in the principal Act, the rate has been already stated. The rate of drawback is seven-eighths. I do not certainly, for a moment, suggest that such a thing should be done in the present measure also. The circumstances and the considerations are totally different between the two. But as a suggestion, it would certainly do to say that in this case the Government must not have a stingy attitude, in respect of the rate of drawback. It should not, according to some of us at least, be anything less than what it is in the principal Act, namely seven-eighths. The whole success of this effort will depend upon the right approach to this measure. This measure is going to be worked chiefly by customs officials. And their attitude in this matter, and their approach to these provisions is therefore very important. It should be made clear to them that in deciding cases for which drawback has to be allowed, they should not have a kind of a feeling that they are giving away something. They are not giving away something which belonged to them. What they are called upon in fact to do is to return to those from whom something was taken, and which now is not due to Government. That is the position which should be properly explained, because as I said earlier—I repeat it now—the attitude and approach of the officials who are to work this measure is going to determine how far we shall succeed in the objects we have in view.

The administration should also understand that there is going to be ultimately no loss of revenue involved in this whole business. Even if the drawbacks amount to lakhs and crores, let them understand that these lakhs and crores paid by way of drawbacks are not a loss of revenue. Temporarily they may appear to be so, but we must realise that exports are a form of transaction by which we buy our imports. What do we do with our exports? Why do we export at all? We export in order that we should have something with which

to buy our imports, and there can never be a state of affairs, at least in the case of this country, where there are going to be very large exports, and not enough imports to utilise the value available to us. So, these exports are going to gain to this country, imports, if not immediately, at least a little later on. Imports are the principal source of the customs revenue, and therefore let us understand that these drawbacks or any amount spent by way of drawbacks are not a real loss of revenue. On the contrary, the drawbacks that will be allowed will be in respect of a fraction of the articles exported, because drawbacks will apply only to that portion of the materials which were imported, and on which import duty was paid. That can always be only a portion or fraction of the total material or articles exported. And the export value of the total articles exported is bound to be much larger than any duty returned. Therefore that larger value of the total articles exported will give us a larger amount of purchasing power with which to buy our imports. Therefore, in every possible way, it should be explained to the administration that what is proposed to be done in this new way to help export trade with drawback, is ultimately to increase their revenues. Therefore, I would only make one appeal that this measure should be worked not grudgingly, but with a proper understanding of the vital significance of the measure that we have before us.

Finally, there is just one thing, Sir, I would say and I say it with a certain amount of timidity. I would personally have preferred if the working of this measure could be entrusted to other hands than our present Customs officials. I know the thing is not practicable and, therefore, I am prepared to be reconciled to it. Yet I feel I ought to give expression to some of the feelings or some of the fears I have in mind. In my experience I have not seen at least in this country a group of officials so thoroughly indoctrinated as our Customs

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officials. I don't know if the income-tax collectors probably make an exception, but here they are, these Customs officials, a fine body of men but very successfully indoctrinated. Their whole idea is to get revenue...

**Shri A. C. Guha:** That is what they are paid for.

**Shri V. B. Gandhi:** ... and the pity of it is that their whole effort of getting revenue is made not always with an excessive regard for justice.

**Shri Bansal (Jhajjar-Rewari):** Before I adduce some more arguments in favour of this beneficial measure, I beg permission to reply to the point raised by the hon. Member, Prof. Mukerjee. He questioned the validity of this being brought before the House on the ground that it seeks to give to Government undefined powers.

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

To that point, Sir, my answer is that section 42 of the present Act already gives Government that power. That power is much more wide than this Bill seeks to confer now. The speaker who spoke before me read out that section, but I am afraid he did not quite bring out the aspect of the provision which I beg Prof. Mukerjee to note. Under that section, Government are authorised to give rebate on the whole of the imported article provided it is exported. Under the present Bill what is sought to be done is to give rebate only to that portion of the raw material which enters in the finished product and not on the whole. And therefore what Government can do in respect of the whole, they can certainly do with respect to the part. I would have agreed with Mr. Mukerjee if he had brought out the point that the provisions of this Bill were enacted in the form of an Ordinance about a month back and what had happened to that Ordinance. I have not yet seen any rules framed under it, with the result that that Ordinance remains almost a bye-letter. And this is

the difficulty not only of trade and industry but also of all of us. This morning we heard at the time of the Question Hour that there were two Committees appointed and there was delay in submitting their reports. There are many other Committees which are asking for more time to submit their reports. Once these Committees submit their reports after long delays, Government take an indefinite time to give effect to the recommendations of those reports, if at all they give effect to those recommendations. And if at all they give effect to the recommendations, the Acts remain mere by-words. I would suggest, Sir, very humbly that whatever legislation is put through this House, is actually given effect to. And if that had been done in the case of this Ordinance, the point made by Prof. Mukerjee would have been amply answered.

Sir, this power which is being given to Government under the Bill is not a new power. As I have said, section 42 of the Sea Customs Act already provides it. Section 100 and section 101 also provide those very powers. Therefore, I do not want to go into the details of the constitutional aspect, but what I do want the Opposition to appreciate is that in our country a silent revolution is taking place. A revolution, about which we hear so much from the Opposition is actually taking place in our country in the industrial field. Our industrial production is going up. What is particularly impressive and heartening is that the composition of our import and export trade is improving if we compare the figures of percentages of our exports, we find that as against roughly 26 per cent of the exports of manufactured articles from the country between the years 1935 and 1940, the percentage has gone to 47 in 1952-53. It means that the complexion of our export trade is changing fast. Another aspect is that the export of raw materials is decreasing. It has decreased from 46.7 per cent to 26.3 per cent.



Again, if we come to our import figures, we find another tendency. Formerly, India was an importer mainly of manufactured articles. Now, it is importing raw materials increasing. If I quote the figures, in 1938-39 the import of raw materials was 21.7 per cent. It has gone on increasing to 23.5 in 1948-49 and 28.3 in 1952-53. Sir, about this figure I want to draw the attention of the House to the fact that it does not include our trade from the overseas routes in which will figure huge imports of raw jute from Pakistan, and if that was included this percentage would be much higher. Therefore, keeping in line with this revolution that is taking place in our industrial structure and in our structure of export and import trade, whatever succour that Government can give to our industry will be welcome. It will not only be welcome, Sir, it is high time that it was made available to industry.

As is well known, a lot of capacity is lying idle in our country in various sectors of our industry. The hon. the Commerce and Industry Minister knows very well the plight of our engineering industry which developed during wartime. He has already appointed a Committee which is going into the idle capacity of that industry. If my information is correct, about 50 per cent. of the capacity of that industry is lying idle and one of the causes of that capacity lying idle is that that industry particularly has to use raw materials for which we have to pay a very high price in the international market. Particularly certain varieties of steel and certain varieties of metals which are used in the manufacturing of those engineering articles and, what this Bill seeks to do is to allow the manufacturers of those items rebate on the duty which is imposed on these imported commodities to the extent they enter in the articles that are exported.

Now, Sir, a question may be asked whether the small rebate that will be given or that small drawback that the industry will get will be enough

to put these industries on their feet. I have my doubts about it but whatever steps are taken, whatever small mercies are shown will be helpful. And whom will it help ultimately? The industry may perhaps begin to work, if not cent per cent. of its capacity but to 10 per cent. or 15 per cent. more. What will be the result? The result will be that labour will be employed and we will have more employment in this country.

The other day the Leader of the Opposition, Shri Gopalan raised a debate on the floor of this House and the remedies he suggested were omnibus remedies. And, I am sure, if he had considered the high import duties on some of the raw materials which go to constitute our manufactured articles as one of the drawbacks, he would be very glad that this Bill has come after all.

Sir, my difficulty is that the Bill has not come a day too soon. In fact, the Export Promotion Committee which went into the plight of our exports which were at a low level at that time reported on this particular question. I will not quote from the report *in extenso* but I will read out just one small paragraph for the benefit of Mr. Nanadas who asked the House if there was any case for these drawbacks being allowed. That report in para 5 said:

"Again when goods imported into the country are processed before export, a similar drawback is allowed on export. Such assistance would be of considerable value in this country."

It was referring to U. K. practice.

"Thus the art-silk processor who pays 65 per cent. import duty on his raw materials is unable to compete in any foreign market. The soap manufacturer, the pharmaceutical chemist and piece-goods manufacturer using foreign cotton, the fishing pole manufacturer using Burmese bamboo and others using imported raw materials, all these would be greatly improved by suitable provisions of

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this nature. It is sometimes urged that imports of particular goods are allowed into the country for the internal needs of the country only and therefore no question of export ought to arise and, consequently, no need for giving any drawback. It must be remembered that processing within the country increases the value of the commodity by the value of the labour,"

I would request Mr. Nanadas to please note this.

"... and when that finished, processed commodity is exported, it brings in foreign exchange equivalent to the original cost plus the expenditure within this country plus a profit. In the circumstances, it is almost in all cases advantageous to the country to have processed goods imported."

Another fear, Sir, which seems to linger in the minds of some of my friends on the other side and which was rather timidly given expression to by Mr. Nanadas is that this will be used by foreign monopolists, by foreign cartels to import raw materials, process them in this country and export them outside, thus exploiting Indian labour. I am surprised at the logic of this argument, Sir, because what is the *modus operandi*. The *modus operandi* is that raw materials are imported into this country. Even now, under section 42, as I said earlier, if the importer wants to export those raw materials, he is entitled to the entire rebate. Now, what is supposed to happen is that those raw materials are processed here and are manufactured here into some other articles. Take the case even of the refineries. Supposing, we have an import duty on crude oil. It will come here. Supposing that crude oil is processed here and we allow that product to be exported. What is the harm if a rebate is given? After all, our labour will get employment. There will be incidental expenditure incurred in this

country which will benefit us. This ghost of foreign companies and foreign cartels coming and taking advantage of the situation or of the legislation which is passed for the benefit of this country must be rooted out once for all and I will suggest very humbly to the members of the other House.....

**Mr. Deputy-Speaker:** It is better to say members on the other side of the House; otherwise it is likely to be misunderstood that he refers to members of the other House.

**Shri Bansal:** I will suggest to the members on the other side of the House that when it is brought again and again before this House as King Charles' head, they must weigh what they are saying and what are its implications.

A case in point was suggested to me in my private talks with some members from the other side that some American concerns who have long-term agreements with automobile manufacturers of this country will dump automobile parts here, get them assembled and export cars assembled in this country to the Far Eastern or Middle Eastern countries. As I have said, even if that was done, there was no harm to my country. In fact, my country will benefit. But, can this be done in any significant degree? Is any country going to be foolish enough to reduce employment opportunities in that country and increase them in our country? I cannot imagine any such thing happening. Can any one imagine that the Studebaker Corporation will not like to export manufactured cars from America directly to other countries and get them assembled here and export from here, giving all the incidental advantages to this country and also allowing an opportunity to India to stand on its own feet as regards the automobile industry? Sir, let us not be haunted by these imaginary fears when we are dealing with such an innocuous, and, in my humble opinion, beneficial measure as the present one.

I would also like to bring to the notice of this House, Sir, that in various countries there are what are called 'free trade zones'. In America, which country I had the opportunity of visiting some 3 or 4 months back, there are 6 free trade zones. In those free trade zones, facilities are allowed to importers to process and manufacture imported goods, even make slight changes in those imported goods, so that those goods are exported from those free trade zones without the payment of any duty, the advantage being that the importers and exporters of that country get the benefit of export and import trade. Therefore, where a Bill of this nature, which only provides for the import of certain raw materials to be processed and manufactured in the country, is being brought about, it should not be suspect. This practice is not new. Even in such highly industrialised countries as U.K. there is this provision of drawbacks in their Finance Act. Under that Act, they immediately laid down a schedule of the articles on which rebate was to be granted. I would have therefore very much liked that a schedule was appended to this Bill even at this stage, particularly when it had been promulgated in the form of an Ordinance.

I must thank my hon. friend Mr. Gandhi who spoke before me for bringing to the notice of the House the difficulties that the trade is likely to experience if this whole thing is left in the hands of customs people. He has a very wide experience of dealing with customs officials. I do not have that experience, but from whatever I know, a lot of difficulty is being experienced by the trade. The Commerce and Industry Minister knows very well that one of the reasons of the tea crisis which we faced sometime ago was that the officials took a long time in granting rebate of excise duty on tea, and one of the steps that had to be taken to tide over the crisis was to see that the rebate was granted expeditiously.

I do not know, Sir, whether it is permissible in the House to refer to a personal anecdote. If I have your

permission, I will relate it. I myself have been a victim of the customs officials recently. I had the honour of representing the Government of India at a conference on GATT and without knowing, I brought with me certain articles for which an import permit was required. Those articles were duly declared, and after declaring those articles, I wrote to the Import Controller saying, "I have brought these articles. Please release as many of them as you are capable of under your powers and dispose of the remaining according to the rules prescribed by law". He was good enough, after consulting higher authorities, to give me the import licence for the entire quantity of goods. They were worth only Rs. 200, but the customs officials took three weeks and one of my friends at Bombay had to dance attendance on them every day. Ultimately, he wrote a pathetic letter to me saying, "It seems to me that the labour of love is going to be wasted. I have been going there and standing in a queue for hours on end and I have not been able to get the permit from the customs people". (*An Hon. Member*: What happened finally?) After three weeks, I got it—after dancing attendance everyday on the customs officials. If this can happen to a government delegate, if this can happen to a Member of Parliament, I can well imagine what will be the fate of ordinary people. (*Shri S. N. Das*: Equality before law!) I do not grudge it at all, but I am just bringing it to the notice of this supreme Parliament, so that it may see that whatever legislation is passed is implemented in the right spirit. If the purpose of this law is to make businessmen dance attendance on customs officials for weeks and months, then it is better that you do not have this Bill. That is what I would say. If this Bill is going to be implemented in the right spirit, in order to improve things and in order to give our industries a fighting chance in the international market, then my suggestion would be that we should leave as little power to the customs officials as possible, and lay down the details in the Bill itself, just as we have done in the

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case of the rebate on superfine cotton used in superfine piecegoods. We have laid down that so much will be given as rebate or drawback on the quantity of superfine cloth that is exported, thereby leaving a very limited discretion in the hands of the customs officials. Similarly, under this Bill, we should lay down clearly, specifying the articles on which drawback will be given, specifying that if such and such article is exported, so much will be deemed to be the cost of imported raw materials, and once it is certified by a registered chamber of commerce that this article contains imported raw material up to this percentage, the customs officials should allow that article to be exported and the rebate should be given without any other formality being gone through. Only if that is done, the purpose of this Bill will be served.

I want to say that this Bill which seeks to give drawback on raw materials is just one small step in the direction of increasing our export trade and increasing our competitive capacity. In my opinion, it is high time that we reviewed our import schedule in order to find out what duties are being paid on imported raw materials; what is the incidence of those on the manufactured goods, particularly those goods which are exported and which are subject to competition even in the internal market. As I said in the very beginning, our economy is undergoing a vast change. We are no longer producers and exporters of raw materials. We are producers of manufactured articles and therefore the entire conception of our import duties and the import schedule has to be changed. I am not making a very revolutionary recommendation. This question was gone into by the Tariff Commission in great detail and to my chagrin I find that the recommendations of bodies like the Tariff Commission go unattended to by Government. I had an opportunity of bringing this matter to the notice of the House some time back, but nothing seems to have happened. One of

the pertinent recommendations made by the Fiscal Commission was to consider this question of import duties on raw materials. In the Fiscal Commission's Report, quite a number of paragraphs have been devoted to the discussion of this question. They deal with the question of allowing import of raw materials duty-free and also with the difficulties that such a proposal may involve because it may be that a number of raw materials are currently being manufactured in the country itself. But even then, they suggest a number of alternatives and coming to compensatory action in regard to those items which are being manufactured in the country, they mention:

"the nature of the raw materials or stores produced;

the nature of additional burden likely to be imposed on the industries using the raw materials;

the proportion that the cost of raw materials or stores bears to the total cost of manufacture of the finished products;

the nature of the demand for the finished products; and

other connected considerations."

They were dealing here with subsidy to certain items of raw materials which are being produced in the country. But they also made a very strong plea for revising the tariff schedule as regards import duty on raw materials. I would humbly suggest to the Commerce and Industry Minister and also to the Finance Minister that this question must be gone into without any further delay, so that the competitive capacity of our industries in the home market as also in the export market is fully safeguarded. I had gone to attend the recent conference on GATT with my hon. friend Shri Karmarkar; both of us have come impressed with one idea, viz. that competition in the international market is going to increase. The emergence of Japan is a factor

which none of us can ignore. The emergence of Germany and the attempts that are being made even by countries like the U.S.A. and the U.K. to expand their exports deserve our serious attention. Therefore, it behoves our Government to take cognizance of these things and take necessary steps to see that the cost structure of our industry is not unnecessarily burdened particularly by the imposition of import duties on articles which go into the manufacture of things which are being consumed by the common people here, which are subject to competition from abroad and which we should export in a big way for the external market. Having said this, I once again say that this measure has not come a day too soon, and I congratulate the Finance Minister for bringing this measure before the House. I will end by making one final appeal, namely, that we must see to it that the provisions of this Bill are acted upon in a manner that will really be helpful to the industry and trade and not add one more headache to their various head-aches in the name of giving help to their export trade.

**Mr. Deputy-Speaker:** There has been sufficient discussion on this matter.

**Dr. Krishnaswami (Kancheepuram)**  
rose—

**Mr. Deputy-Speaker:** The hon. Member wants to intervene at this stage, but let him please be brief.

**Dr. Krishnaswami:** I am not haunted by fears, either imaginary or real, like my friend who preceded me. I should like to speak on one or two important features of this Bill which have apparently escaped the attention even of the hon. Minister for Revenue and Expenditure. This amending Bill which has been introduced, marks a new stage in the economic evolution of our country. Why has it been necessary to introduce a new provision 43-B relating to drawback on imported materials used in the manufacture of goods which are exported? In 1878 when the Sea Customs Act

was passed, evidently we did not have any idea that we are going to export goods which are manufactured in our country, but today a new evolution has been reached in the economic progress of our country, and I am glad to find that we have introduced this Bill with a view to giving rebates on certain imported articles which go towards the making of the final manufactured commodities intended for export. Obviously in a measure of this sort, it is not possible, Mr. Deputy-Speaker, to specify the various items for which we are going to give rebates, but there is some substance in the contention that has been put forward by some of my colleagues on this side of the House that we ought to have from the Government a reasoned statement of the various grounds for the grant of rebates on certain commodities, which they think should be granted. I feel that if only we had a reasoned statement such as that which had been supplied in various other countries, it would help us considerably in supporting the Government whenever they grant such rebates. I think one of the important considerations which ought to be taken into account by Government in granting rebates on such manufactured commodities intended for export is the effect on the unemployment situation in the country. Speaking of unemployment, the main urge that has led to this new Bill being introduced is the anxiety of the Minister of Commerce and Industry to promote the export trade of our textile industry. I think it was about three weeks ago or thereabouts that the Minister of Commerce and Industry pointed out that we had reached practically the maximum stage in the production of our textile commodities and that unless and until we export both to internal and external markets, it would not be possible for us to have anything like progress in the textile industry. In fact, the recent ordinances that were issued by the Ministry of Commerce and Industry were all done with a view to preventing any degree of unemployment in the textile industry. I think it was made clear in

[Dr. Krishnaswami]

the second ordinance that was issued by the Ministry of Commerce and Industry that it would be made more costly for the textile mills to retrench labour. Unless our export markets pick up and unless we have an internal market also developed, it would be next to impossible to keep the same number of people employed in our textile mills as we have been keeping until now.

Having said this, I should like to point out that export promotion is more difficult than export restriction. Government can easily restrict exports, but to promote exports requires a considerable degree of forethought and a considerable degree of enterprise. These drawbacks that are granted may not be quite sufficient to promote exports to any tangible extent, but undoubtedly if there are steps which do tend to promote textile exports, they ought to be welcomed. I feel, therefore, from that point of view and not from any other that we ought to welcome this measure. There are, of course, other commodities which can certainly be included, I believe, in the list of articles which are granted drawbacks, but the main consideration which ought to be borne in mind by the Government is—I think it is an important consideration—the amount of employment that we are going to have in this country and the increase in employment that we would have by granting such exemptions. After all, when we grant drawbacks, the Central exchequer will lose a certain amount of revenue. Any authority which grants drawbacks will, of course, have to take into account two considerations. Is the loss to the exchequer counterbalanced by an increase in the employment or by maintaining the employment in many of our industries? If that criterion is borne in mind and if drawbacks are granted on that criterion,—I do not say that that is the only criterion; there might be other criteria as well, but this is the main criterion—I think many of us would welcome such measures.

I have a bone to pick with the Government of India. When many of these measures are introduced and when some of these exemptions are granted, it is rarely that we obtain any information as to the grounds on which such exemptions are granted. Many of the rules that are formulated require a very trained mind to understand the purpose and the reasons for their having been implemented at a particular stage. I should wish the Government of India to go into this matter very carefully and formulate the reasons for any particular industry for which they are granting a drawback and make them clear to us so that we might be in a position to judge whether that particular industry deserves the drawback or not. My friend who preceded me referred to the need for having many imported articles liberalised and for having a definite set of rules evolved. There is going to be a meeting of the Import Advisory Committee some time next week and I hope that as soon as that meeting is over, the Minister of Commerce and Industry will come over to this House and give us not only a resume of what has taken place there—that we would also get from the papers—but also what exactly he feels about the suggestions that they have made and the policy that the Government intends implementing. I think that all these matters, particularly on matters pertaining to commerce and industry, we have to take a more detailed interest, especially as it affects the employment situation in our country. My friend, Shri Bansal, pointed out that there was a certain amount of increase in the manufactured goods for the purpose of export. I am not willing to take such a rosy view of the situation as he has depicted. I personally feel that we are in a very difficult position. In spite of the terms of trade having moved against us, we are not in the happy position in which we should have been, particularly as our imports have not increased tangibly and as there are other

difficulties which we have to take into account, so that from the points of view of increasing exports and also liberalising imports, we have to re-define our import and export policy anew. That would be straying into an entirely new field, which falls totally outside the purport of this Bill. As it is, Sir, I hope and trust that this Government, whenever it grants drawbacks to articles intended for export, will take us into its confidence and give us a detailed account of the reasons which have led them to grant such drawbacks. That, apart from obviating a great deal of misunderstanding in the public mind, would also be a clear indication to the customs officials who have come in for severe criticism at the hands of some of my friends, as to the policy that is being followed by the Government. I know that customs officials have necessarily to concentrate on a finding as much revenue as possible, but if it is placed before them that it is the Government's policy to surrender a portion of the revenue for the purpose of benefiting the economy of the country, I venture to think they would be more than willing to co-operate in making the Government's policy an absolute success.

**Shri A. C. Guha:** I feel this Bill has got rather a good reception in this House. The only dissentient was Shri Nanadas. He raised some points. I shall try to meet his objections, as far as possible.

The first point he tried to make was as to how this Bill would help the common man. We expect that by passing this Bill we shall be helping our industry, particularly our export trade. That will add to the national wealth and also open new opportunities for further employment and I hope the benefit will go to the common man to that extent. I cannot say that the common man will get any other benefit except through more employment and except through the general improvement in the national economic conditions.

Mr. Nanadas then referred to the existence of section 42, and wanted to

know why in spite of it we should have come forward with this amending Bill. Sir, in my preliminary speech I referred to the inadequacy of Section 42. Several other members also, particularly, Shri Gandhi and Shri Bansal referred to section 42 and pointed out how that section could not cover the necessity which this Bill sought to cover. Section 42 is for drawback for re-export, not for manufacturing, not for giving any benefit to manufactured articles on account of imported material used in the manufacture of that article. Particularly, the condition of identification is a very difficult one. A particular raw material may be processed in the course of manufacturing an article. It is very difficult to identify that that particular raw material, which has paid the import duty, has been used in the manufacture of that article. So, section 42 is not adequate to give the relief which this Bill seeks to give.

Then Shri Nanadas also cast some doubts about the *bona fides* of the Government, as to their motives in passing this Bill. He feels that Government are anxious to help the textile magnates—he used a phrase, monopoly textile magnates. I do not know what he means by monopoly textile magnates. Surely, this Bill will help the textile industry and by helping the industry the labour as well as the industrialist will get some relief. There is no doubt that the industrialists will also get some relief. I think we can now claim that we have almost reached the target of our Five Year Plan as regards production of textile goods. Now the necessity is to have new markets for the textile goods. Textile goods are piling up in store houses; and unless we can find an export market, the industry will come to a standstill and naturally labour also will suffer.

Shri Nanadas also mentioned the case of the growers of cotton. He feels that Government has not been doing anything to grow more cotton in the country, or to become self-sufficient in cotton and that, by passing this Bill we shall encourage more import

[Shri A. C. Guha]

of foreign cotton and we shall ruin the cotton cultivator altogether. Perhaps, he is not aware that during the past four or five years the cotton production of this country has gone up by over one hundred per cent. I also feel that he is not aware of the definite programme that Government has for being self-sufficient in cotton, jute and also in foodgrains. This is what is known as the "Integrated Plan" for being self-sufficient in agricultural products. It has always been the anxiety of Government to be self-sufficient in cotton, not only in short staple cotton, but also in long staple cotton, so that we may not have the necessity of depending so much on imported cotton.

Then he said something about aluminium and in that connection said that stainless steel utensils are coming into competition with aluminium. Sir, aluminium sheets we import; so also stainless steel sheets. It is only from imported sheets that these utensils are manufactured. So we practically stand on the same footing, as regards both these industries. Recently we have been manufacturing some aluminium sheets, but not to a very considerable quantity.

Then he asked for a definition of the term "manufacture". That will be done in the rules. If he had taken care to read the Bill carefully he would have found that it is provided that all these things, the rate, the specification of the article, class and description of the article, everything is to be done through rules. Anything regulating the customs is done through rules. That is the procedure followed everywhere. In England the Board of Trade or the Treasury formulate certain rules and they classify certain articles and according to those rules the Act is implemented. Here also we shall frame rules and the rules will be pre-published and after getting public reactions, the rules will be finalised.

Most other members have welcomed this Bill. I should in this connection

refer to one or two remarks made by my hon. friend Mr. Gurupadaswamy. He mentioned something about our purchasing capacity,—that our purchasing capacity has gone down and has not kept pace with our production. I think this Bill may help to increase the purchasing capacity of the people. Then he said that the export policy of this country is in the hands of a few individuals. I think it is not quite correct. I may say that he is entirely wrong to have such a misapprehension about the export and import policy of this country. Government have got export and import advisory committees with which some Members of Parliament and some public men are associated and Government are always watching the export and import of the country. So it is not at all true to say that the export policy is in the hands of a few individuals. Whenever Mr. Gurupadaswamy feels that the export policy has not been properly worked, he may bring such cases to the notice of the Minister in Charge and I am sure the Minister of Commerce and Industry will surely look into those things.

Shri Gandhi has mentioned that through this Bill the Government are trying to take more powers than is really necessary. I think the Government is not actually taking any power at all. The power with which this Bill is to be worked will be according to some rules to be framed. And while framing the rules the commercial bodies will be consulted. That is why we are providing that they will first be published, the public reactions will be considered and then the rules will be finalised. I think the business community will get enough opportunity to influence the Government when these rules are finalised, and so it is not quite correct to say that the Government are taking more power than is actually necessary.

Shri Nanadas and Shri Gandhi also mentioned about the loss of revenue. It is very difficult to give any definite amount. I think it may be near about Rs. 3 crores, or something like that annually. But I may agree with



Shri Gandhi that ultimately it may not be a real loss. For what we may be giving in one hand, I think, we may be able to take by another hand. If we lose something by way of drawbacks we may gain something on some other items. At least we expect that we shall get almost the same amount of revenue in some other item, say, income-tax or export duty or import duty or through other channels. Anyhow, on this particular head the loss of revenue may be near about Rs. 3 crores, or a little more or a little less, and the House may have to pass this session a small supplementary demand to cover the expenses that will be entailed on account of this Bill.

Dr. Krishnaswami has referred to the employment situation. I think I have already mentioned that this Bill is likely to improve the employment situation and is likely to give wider scope for employment. As we all know, unemployment is a serious problem now and we may hope that this Bill will lend some help to the solution of that problem.

Some Members have mentioned something about Customs Officials. I think the Central Board of Revenue and the Customs Department must have taken note of the compliments which the two Members have given to them and I think they will take every step to remove all misapprehension from the mind of the public that the Customs Department is a source of trouble to the public. I wish to assure the House that we shall take every step, whenever any case is brought to our notice, of any unnecessary harassment to any individual or to the business community, we shall do everything that is possible to relieve the public inconvenience. But at the same time, Sir, I would like to say that the Customs Department being a revenue-collecting department must appear to the public to be irksome and harassing. I think it is inevitable for them to appear in that role. Provided that is borne in mind, we shall see that any unnecessary harassment is not caused to the public or to the business community.

I can assure the House that the Department will surely try to work this Bill in the right spirit for which it is intended and we expect that this will give great relief to our industry and will foster the export trade of the country and will add to the general prosperity of the nation and, as Mr. Nanadas has asked for, will give relief to the common man.

**Mr. Deputy-Speaker:** The question is:

"That the Bill further to amend the Sea Customs Act, 1878, be taken into consideration."

*The motion was adopted.*

**Clause 2.—** (Insertion of new section 43B etc.)

**Mr. Deputy-Speaker:** Shri Nanadas. Is he moving any amendment?

**Shri Nanadas:** Yes, Sir.

**Shri A. C. Guha:** I have an amendment to move in clause 2.

**Mr. Deputy-Speaker:** Has notice been given?

**Shri A. C. Guha:** Yes, Sir. Notice was given in the name of Shri M. C. Shah. Today, I have sent notice in my name.

**Mr. Deputy-Speaker:** First of all, I shall call the Government amendment and then, I will come to the other amendments.

**Shri A. C. Guha:** I beg to move:

In page 1, line 21, after "may" insert:

"subject to the condition of previous publication".

I have already stated that these rules should be finalised after consulting the business community and the general public. So, these rules will be published first, then the public reactions will be considered and then the rules will be finalised.

**Mr. Deputy-Speaker:** The question is:

In page 1, line 21, after "may"

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insert:

"subject to the condition of previous publication."

The motion was adopted.

**Shri Nanadas:** I beg to move:

In page 1, line 9, after "description" insert:

"which are surplus to the needs of the people in India and which are".

**Mr. Deputy-Speaker:** Why not take up all the amendments together?

**Shri Nanadas:** I beg to move:

In page 1, line 13, after "any" insert "raw".

**Mr. Deputy-Speaker:** And No. 6 also?

**Shri Nanadas:** Yes, Sir. I beg to move:

In page 2, after line 35, insert:

"(4) All notifications issued and the rules framed under this Act shall be placed on the Table of the House of the People."

**Mr. Deputy-Speaker:** He has already spoken at length on the first two amendments. The only other thing is in respect of notifications. Let him say something regarding that.

**Shri Nanadas:** In this Bill, the Government have not given the schedule of the raw materials and also the rates at which rebates will be allowed. The Government want us to sign a blank cheque and hand it over to them to use as they wish. Therefore, I say that all the notifications giving rebates on any particular raw material and the rules framed under this Act fixing the rates of rebates should be placed on the Table of the House so that this House may have an opportunity to discuss them whenever necessary. Therefore, I have moved my third amendment and I ask the House to adopt it.

**Mr. Deputy-Speaker:** Amendments moved:

(1) In page 1, line 9, after "description" insert:

"which are surplus to the needs of the people in India and which are".

(2) In page 1, line 13, after "any" insert "raw".

(3) In page 2, after line 35, insert:

"(4) All notifications issued and the rules framed under this Act shall be placed on the Table of the House of the People."

The hon. Minister may have no objection to this.

**Shri A. C. Guha:** On principle we have no objection, but there is some difficulty. Under the Sea Customs Act, the Central Board of Revenue have to publish so many rules and regulations. The other rules and regulations will not be placed on the Table of the House. Why single out only this thing?

**Mr. Deputy-Speaker:** These are of some importance. Each item will have to be discussed at length, whether that particular item deserves rebate and the quantum of rebate and so on.

**Shri T. T. Krishnamachari:** The amendment seeks to say ".....under this Act". That means that it is an amendment to the Act to say that all rules under the Sea Customs Act will have to be placed on the Table of the House.

**Mr. Deputy-Speaker:** It may be said, "under this clause".

**Shri T. T. Krishnamachari:** It says, all notifications under this Act.

**Mr. Deputy-Speaker:** I think it is inadvertance. To read this amendment as implying all notifications under the Sea Customs Act is not within the scope of this Bill. Therefore, he means only that it must apply to section 43B.

**Shri Nanadas:** I meant only section 43B.

**Mr. Deputy-Speaker:** I do not think he has any objection to amend it in this way.

**Shri Nanadas:** No.

**Mr. Deputy-Speaker:** It is only for information. What is the objection?

**Shri A. C. Guha:** There should be a slight modification before we can accept it. The amendment says that the rules have to be placed only on the Table of the House of the People, but I think they should be placed before both the Houses. With this modification we can accept it.

**Mr. Deputy-Speaker:** The hon. Member has not even said within what time, and has given absolute latitude to the Government.

**Shri A. C. Guha:** We may also add "as soon as may be". So, the amendment will now read:

"All notifications issued and rules made under this section shall be laid, as soon as may be, on the Table of both the Houses of Parliament".

**Mr. Deputy-Speaker:** The question is:

In page 2, after line 35, insert:

"(4) All notifications issued and rules made under this section shall be laid, as soon as may be, on the Table of both the Houses of Parliament".

*The motion was adopted.*

**Mr. Deputy-Speaker:** Is Mr. Nanadas pressing his other amendments? Need I put them to the vote?

**Shri Nanadas:** Yes. I am pressing.

**Mr. Deputy-Speaker:** The question is:

In page 1, line 9, after "description" insert:

"which are surplus to the needs of the people in India and which are".

*The motion was negatived.*

**Mr. Deputy-Speaker:** The question is:

In page 1, line 13, after "any" insert "raw".

*The motion was negatived.*

**Mr. Deputy-Speaker:** The question is:

"That clause 2, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 2, as amended, was added to the Bill.*

**Clause 3.—(Insertion of new section—100A etc.)**

**Shri Nanadas:** If the goods in bonded warehouses are allowed in the manufacturing process, then many people will have to work in the bonded warehouses which will not fulfil the conditions of the Factories Act. It will not have sufficient ventilation and other facilities. So I want that where the manufacturing process is allowed in the warehouses they should fulfil the conditions laid down in the Factories Act of 1948.

I beg to move:

In page 2, after line 44, insert:

"Provided that the warehouse fulfils the conditions laid down in the Factories Act, 1948 (No. LXIII of 1948)."

**Mr. Deputy-Speaker:** Would it not automatically apply?

**Shri A. C. Guha:** For some industries it may automatically apply, but some industries may not come under the Factories Act rules. These things will be controlled by the Customs authorities, and they will frame the rules. While framing the rules they will certainly take notice of this and will take sufficient precaution so that the interests of the labourers may be safeguarded.

**Mr. Deputy-Speaker:** I only wanted information on this matter for the

[Mr. Deputy-Speaker]

benefit of the House. The Factories Act is independent of this. The Factories Act applies where 20 persons are engaged or even ten persons, where power is used and so on.

**Shri A. C. Guha:** But, under the Factories Act, certain installations are excluded. Such things cannot be included by a Clause in the Sea Customs Act.

**Mr. Deputy-Speaker:** I do not think that is the intention of his amendment. He only wants that by merely being called a warehouse under this particular law, the Sea Customs Act, they ought not to escape the provisions in cases where the Factories Act would otherwise apply. I do not think this amendment is necessary at all.

**Shri A. C. Guha:** Not at all.

**Mr. Deputy-Speaker:** Government also feel that it is not necessary?

**Shri A. C. Guha:** This amendment is not necessary.

**Mr. Deputy-Speaker:** Is the hon. Member pressing it?

**Shri Nanadas:** In view of the assurances given by the hon. Minister that the Customs Officials will look into the welfare of the labour engaged in warehouses, I am not pressing it.

**Shri H. N. Mukerjee:** May I seek one small clarification, Sir? Do Government envisage the likelihood of less than 20 people being employed in these warehouses for purposes of manufacture?

**Shri A. C. Guha:** May be, it is very difficult to say. I know of one instance where some chemicals have been brought and kept in a warehouse, and they are being taken from there; I do not think for that particular purpose, more than 20 people are working there.

**Shri N. Sreekantan Nair** (Quilon *cum* Mavelikkara): May I put one question, Sir? Are Government aware that because there is a dispute between the sea customs authorities, and the labour authorities, many of the issues which

are pending before these two authorities are still lying without any solution at all?

**Mr. Deputy-Speaker:** Where? In the whole of India generally, or in the whole world?

**Shri N. Sreekantan Nair:** In Bombay for instance, many of the issues are in dispute between the Sea Customs Department and the Labour Department, so much so, the issues are never settled; there are no proper rules as yet made, and the sea customs authorities are not allowed to frame rules for the normal working.

**Shri A. C. Guha:** If the hon. Member brings these things to our notice, surely we shall look into them, and take proper action.

**Pandit Thakur Das Bhargava** (Gurgaon): May I know whether the Factories Act would not apply?

**Mr. Deputy-Speaker:** It will apply.

**Pandit Thakur Das Bhargava:** If it applies, then the amendment is not necessary.

**Shri T. T. Krishnamachari:** The position is this. Under section 100A of the Sea Customs Act, the Customs Authority is supreme to the extent that any provision of the Factories Act derogates from their authority. That is the provision in Section 100A of the Sea Customs Act, which relates to bonded warehouses. Because certain additional precautions are necessary in their case, the Factories Act will normally not apply where it is in conflict with the provisions of Section 100A. But it stands to reason that all the reasonable provisions of the Factories Act, in so far as it relates to the welfare of labour, must apply.

**Mr. Deputy-Speaker:** That means it will be an additional safeguard, and not be derogatory to the wholesome provisions. The human material is more important any day than any manufactured article.

**Shri T. T. Krishnamachari:** It does not concern that aspect of it at all.

**Mr. Deputy-Speaker:** I do not think there will be any cause for any such complaint, but all care will be taken. That is the assurance given by Government.

As there are no amendments to clauses 3 and 4, I shall put them together to the vote of the House.

The question is:

"Clauses 3 and 4 stand part of the Bill."

*The motion was adopted.*

*Clauses 3 and 4 were added to the Bill.*

#### **New Clause 5**

*Amendment made:*

In page 3, after line 44, add:

"5. *Repeal of Ordinance 3 of 1953.*—(1) The Sea Customs (Amendment) Ordinance, 1953 (3 of 1953) is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken in the exercise of any power conferred by or, under the said Ordinance shall be deemed to have been done or taken in the exercise of the power conferred by or under this Act, as if this Act were in force on the day on which such things were done or action was taken."

—[*Shri A. C. Guha.*]

*New Clause 5 was added to the Bill.*

*Clause 1 was added to the Bill.*

*The Title and the Enacting Formula were added to the Bill.*

**Shri A. C. Guha:** I beg to move:

"That the Bill, as amended, be passed."

I think I should clear up one thing which has been mentioned by Mr. Bansal, about the rules not yet being framed under the Ordinance. In any case Sir, if this Bill is passed today, it would take about three weeks' time to finalise the rules. The latest position is that the rules have just

been finalised and I expect they will be issued tomorrow.

**Shri Syamnandan Sahaya** (Muzaffarpur Central): Very good.

**Shri A. C. Guha:** When this Bill is passed, it will go to the Upper House and then to the President for assent. So it will take some time more. But I think tomorrow the rules may be issued. We expected that the rules might have been issued earlier, but there was some inter-departmental correspondence. Anyhow, it has been delayed only 18 or 20 days. I hope this small delay will not be taken objection to. I commend this Bill now before the House for acceptance.

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill, as amended, be passed."

**Shri H. N. Mukerjee:** I do not wish to tire the House at this stage and I propose to be very brief. But I intervene in this discussion because I feel I am not happy with the measure as it is formulated and as it is, I am sure, going to be passed in a very few minutes.

I have listened with as much attention as I could muster to the arguments made on the other side, but some of the misgivings with which I had started my approach to this Bill still remain, and that is why, Sir, I wish to make a few observations. I want to make it very clear that as far as the objective of this Bill is concerned, the stepping of our export trade, we are at one with the Government, but we feel at the same time that the over-all interests of the country should be the primary consideration, and we have our suspicion that in regard to certain matters which have arisen out of this legislation, the over-all interests of the people of this country have not been given that amount of consideration which they should have got.

Now, Sir, we want, first of all, improvement in our production and in our internal consumption. And from abroad, of course, we need, most of all, capital goods and only the most

[Shri H. N. Mukerjee]

essential raw materials, and not necessarily for purposes of export. That is why I wanted a very much more careful scrutiny of the proposals made in this legislation. I am not very sure that we are going to have only the minimum amount of the most essential raw materials which we have got to bring to this country in order that our over-all economic life might be improved, and that is why, Sir, I do have my misgivings. Let us step up our exports by all means, but let us not forget the interests and the economy of our country—the interests of the consumer, the interests of industrial development of our country. Now, Sir, we have no basic industries. If we need anything from abroad more than anything else, it is capital goods. As far as this Bill is concerned, it does not touch that aspect of the matter. This Bill, I fear, even militates against the growth of a really independent Indian industry. I am really sorry to have to say it, because I wish I could say that the Government is trying to see that our industry is put on its feet. Take the textile industry, for example, Sir, I have got the report of the Working Party for the cotton textile industry which was headed by Shri A. Ramaswami Mudaliar, and in this report there are very definite indications—I think that some extracts were read out in this House—which show how the production of cotton, in spite of what Mr. Guha has said, has not been encouraged to the extent it might have been. Now, Sir, this sort of thing is going on, and if we have an opportunity, if we have a licence under the law to bring from abroad raw materials for fashioning them into some kind of finished products and sending abroad, then in regard to certain industries which ought to be self-sufficient and completely independent from A to Z, there might be the temptation—there will be the temptation—for our having to depend upon these imports. Besides reference has also been made to certain foreign interests, Sir, and I do not think the answer which was sought to be given by my friend, Mr. Bansal was at all satis-

factory. I do not understand, Sir, how our industrialists can feel very happy about the infiltration—perhaps a stronger word ought to be used—of these foreign interests in our country. There are these oil refineries; crude oil is coming in and after refining, the oil is going to be sent out. All that is going to fatten the already fat pockets of foreign capitalists. I do not understand why we should go on helping them. I tried to note down certain of the items mentioned by Mr. Guha. He referred to cycles, typewriters, automobiles, calculators and so on and so forth. As far as typewriters are concerned, I saw in the papers the other day that the Remington Typewriter Company has got a new licence. This Remington Co., people are going to get an advantage out of this. The answer to that from the other side is that there would be employment, more labour would be occupied; incidental activities would mean employment of a few professional people and so on and so forth. But is that the perspective in which for this period of the Plan we are thinking of our industrial development? Are we going to allow especially these foreign interests to take advantage of this kind of legislation and to fatten themselves? They are already fat enough. That being so, extra profits are being permitted to be made by these interests. I do not see how we could be very happy about it. I want to make it clear once again that as far as genuine encouragement of our export trade is concerned, that should be by methods which are completely *bona fide* and which redound to the economy of our country and the consumption needs of the people of our country. We are certainly prepared to assist Government, but, as far as this particular Bill is concerned, in spite of the arguments advanced from the other side, I feel I am not very happy at the way in which the Government has proceeded with this legislation. I tried to indicate my misgivings at the beginning of this discussion. I am afraid, Sir, my misgivings have not been entirely eliminated which is why I cannot welcome this measure

in the form in which, I am afraid, it is going to be passed in a very few minutes.

**Fandit Thakur Das Bhargava:** May I submit a word, Sir. I have heard the speech of Shri H. N. Mukerjee. I am very sorry that he has made certain statements about the lessening of the cultivation of cotton etc., or that the growing of cotton will to an extent be minimised. That was the remark made by Mr. Nanadas also. I am a member of the Central Cotton Committee and I can submit for the consideration of the House that so far as cultivation of cotton is concerned, we have made very good strides. In the Punjab we have passed an Act whereby only long-staple cotton can be grown in the Punjab. At the same time, in the whole country, so far as the growing of cotton is concerned, we have reached the mark which the Five Year Plan just indicated for us. Though last year the progress was not very great, still we are progressing very rapidly. This apprehension that this Bill will tend towards the minimising of the cotton cultivation etc. is certainly unfounded.

I think, so far as this Bill is concerned, it is going to step up our export trade. About the other fear that has been expressed, I cannot say anything. At the same time, Mr. Guha made out a case while he was speaking on the first motion. He made it clear that so far as these industries are concerned, the Government will take care to see that the trade of foreigners is not increased and we are not handicapped. I should think, Sir, that with the proper exercise of discretion, it will only lead to the prosperity of the people and better employment of our labour. I am sorry that Mr. Mukerjee's doubts have not been dispelled. I do not see any apprehension of that sort. He is over suspicious in this matter and I think many people on this side of the House have got no suspicions and we whole-heartedly support this measure.

**Shri Syamnandan Sahaya:** I must congratulate Mr. Guha and the industrialists of this country—if for nothing else—for the imagination displayed in

bringing forward this measure. That we have been thinking on the lines of exporting goods from this country is indeed a clear indication of the fact that the progress of industrialisation occupies a prominent place in the mind of the authorities of the Government. Let me, however, point out to this House and to you, Sir, and also to the hon. Minister that export is not a very easy thing and it does not happen by a magic wand either. I have no doubt that friends on the Government benches are aware of what it has meant, what time it has taken, what subsidy has been given by Governments in order that their country's goods may be sold in foreign markets. When I heard the debate on the Bill—and also read some portions of it—I was reminded of a story which I will share with you, Sir.

**Mr. Deputy-Speaker:** At 6-30?

**Shri Syamnandan Sahaya:** It will not take more than five seconds. It is short and interesting. There was a person taking a pot of curd to the market to sell it. He thought, "What shall I do with the money when I sell the curd"? He said to himself, "I will buy a goat". Then he thought, "What shall I do when the goat breeds"? He said to himself again, "I will sell the goat and its kids and buy a horse". Then he thought, "What shall I do with the horse"? He said to himself, "I shall ride the horse like this", and in displaying his intention to ride the horse the pot of curd was thrown on the street and the curd was spilt on the road. (*An Hon. Member:* Whose pot?) That will have to be decided by a tribunal. I am afraid that if this question of importing goods for the purposes of export is not very carefully and very tactfully handled, the result might be that we may have more imports—of that, we may be certain—but we may have no exports because we have not cultivated foreign markets. Government will therefore be well advised first of all to ascertain the trend of the markets. We have our trade agents in most countries. Let us ascertain what is the position of the market in those countries. After all, let us not forget that we shall have to

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face very severe competition with industrialists who have been in this trade in those countries for a very long time. In saying what I have done, I have no desire to minimise the importance of the Bill that has been brought before the House, and as I said, I appreciate the imagination of the Government and the desire for increasing the industrial output of this country. But I do submit that before launching on this scheme, we must give very careful thought to the aspect which I have pointed out.

**Shri T. T. Krishnamachari:** There is only one matter that I would like to mention in reply to the hon. Deputy Leader of the Communist Party. He has referred to the report of the Textile Working Party. I do not know which portion of it he has taken: probably, it suited him to quote from that portion. The real fact happens to be that our production of textiles is much in excess of our cotton production; so we have to import some cotton. We are undoubtedly trying to expand our cotton production. In fact, we are expanding it and barring accidents which develop because of seasons, this year I expect that our cotton production will be a record production. It is unofficially estimated to be 42 lakhs of bales. It may be that, or it may be 40 lakh bales, even in which case it will be 6 lakh bales more than what it was last year. We are trying within the conditions permissible to grow long staple cotton also, and as my hon. friend Pandit Thakur Das Bhargava mentioned, Punjab is doing it and some parts of South India are doing it. Maybe, if we have the Sabarmati Scheme, more long staple cotton will be grown round about the Ahmedabad area. Nevertheless, we shall have to depend upon import of long staple cotton for a long time to come so long as we manufacture about 5,000 million yards of cloth. But I can see no harm in our importing cotton and exporting it later, giving a rebate to the textile mills and employing more labour. So far as other things are concerned, they

are comparatively small. We are not envisaging any very big debates to be given in respect of other commodities. Then this question of foreign interests bringing in crude oil, refining it and exporting it—maybe that they might accept it for local consumption. Suppose they accept, what is wrong? Whose money goes? This kind of twisting of economics round and round somebody's neck in order to prove a political slogan does not carry conviction. If one is not convinced today and will not be convinced tomorrow or the day after or for many years to come, it means that he is determined not to be convinced. I am afraid we could not carry conviction to those people who will never be convinced.

**Shri A. C. Guha:** I shall only take two minutes, not more than that. Shri Mukerjee may have made a mistake in understanding what I said. I did not mention 'typewriter', but I mentioned 'typewriter ribbon'.

**Shri V. P. Nayar (Chirayinkil):** There is not much difference.

**Shri A. C. Guha:** Any firm, I mean foreign firm, working in this country will have to work under this general policy and no particular apprehension need be felt about the foreign firms. Two Members mentioned that this may lead to more import of foreign articles. They should remember that under the Import Control Regulations, every article is controlled and a permit is required before an article can be imported. There need not be any apprehension on that score also.

I thank the Members and hope that the Bill will be passed.

**Mr. Deputy-Speaker:** The question is:

"That the Bill, as amended, be passed."

*The motion was adopted.*

*The House then adjourned till Half Past One of the Clock on Wednesday, the 18th November, 1953.*