that it would not be possible for them to manage. I agree with Mr. Asoka Mehta that a certain amount of decentralisation with recognition of the responsibility in a State is very necessary. That is how we have been going all along even in a matter where I think there has been a lot of agitation, namely, the construction of the powers of the various States in respect of article 286. We are not really challenging the possibility of extra-territorial jurisdiction for States in respect of taxation, an anomaly which no Constitution permits. But we are waiting for the Taxation Inquiry Commission to guide us in this particular matter. Government does not decide these matters *ad hoc*. Government recognizes its own fallibility.

Finally, I would only say one word. I am very sorry that Mr. T. K. Chaudhuri in the very short time at his disposal thought of fulminating against the unfortunate members of this Commodity Control Committee. They are good people. Just because of the fact that they were civil servants there is nothing against them. I think their objectivity is completely unimpaired, and they were quite prepared to tell the Central Government what they considered was wrong. If you want to condemn the action of Government, take my devoted head, pour all your scorn and invective. Why scorn somebody who does something and does it in the best interests of the country?

I think there is no need for me to take the time of the House any more. I have attempted to the best of my ability to answer those points which were not dealt with by my hon. friends on this side and by Mr. Trivedi on the other side.

Mr. Deputy-Speaker: Voting on this consideration motion will take place at 2-30 P.M. The House will now take up the next motion standing in the name of Shri T. T. Krishnamachari.

INDIAN TARIFF (SECOND AMENDMENT) BILL

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1934, be taken into consideration."

I do not propose to say, in the usual manner in which government spokesmen often preface their remarks, that his Bill is an innocuous one. It is not. It seeks to amend the Tariff Act of 1934 by making certain changes in the First Schedule of that Act. The reasons for making these changes are many. In some cases protective while in other cases revenue considerations have been predominant.

I shall begin by referring to the items in which the import duty is a protective one. As the House is aware, the protection which we grant to industries is limited to a specific period of time. The intention is that before the expiry of that period, the Tariff Commission should hold another enquiry and examine how the industry has been faring and behaving and utilising the protection that it has been enjoying. In the last few months Government have received reports from the Tariff Commission on the question of continuing protection to nine industries, and the Bill seeks to give effect to the decisions taken by Government on these reports from time to time. Hon. Members will recognize that in every case where Government have taken action, as they had to take action one way or the other, the Government resolution has been placed on the Table of the House.

[SHRI BARMAN *in the Chair*]

It is a matter of some satisfaction that the Commission has found it possible to recommend that the hurricane lantern industry needs no longer tariff protection. It might be that the industry is not a very important one

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but it is indicative of the fact that while at one time this industry could not sell its products even in India in competition with the imported product, today it is in a position to compete with imported products and also compete with products made outside India in the export markets where it enjoys no protection. So far as I am concerned, nothing would please me more than to see similar progress made by the other industries so that after an initial period of protection they become fully economic and competitive not only within the frontiers of our own country but also abroad. Protection for this industry is recommended by the Tariff Commission to be withdrawn from the beginning of next year and hurricane lanterns will be subject only to revenue duties in future.

For preserved fruits, cocoa powder and chocolate, bichromates, cotton and hair belting, sheet glass, antimony, electric brass lamp holders and bicycles including parts and accessories, the Commission has recommended that protection should be continued, and the Bill seeks to extend the period of protection in accordance with the recommendations of the Commission. The Reports of the Commission as well as Government resolutions on them have already been placed on the Table of the House. Government have, as a rule, accepted the recommendation of the Tariff Commission in regard to the rate of protective duty in each case. To this general principle there are three exceptions to which I should like to refer very briefly.

In regard to electric brass lamp holders the Commission came to the conclusion that a level of duty lower than the present one would provide adequate protection. Now, brass lamp holders are made mostly by small-scale producers who unfortunately are not well organised. Even though their costs are low, they are not well equipped to push the sales of their products in competition with imported ones. In fact I understand that when the Director-General of Supply and Disposals invited tenders for lamp holders, all the quotations were from middlemen who wanted prices far in excess of what the Tariff Commission considers to be a fair price for the Indian producer. It is the intention of the Government that special steps should be taken by the small-scale Industries Wing of the Commerce and Industry Ministry to help these producers to market their products more efficiently in the future. In the meantime Government have decided not to lower the existing rates of protective duty on brass lamp holders.

In the case of bicycle and bicycle parts too, Government have made some changes in respect of the recommendations made by the Tariff Commission. While accepting the lower rate of *ad valorem* duty on bicycles which the Commission has recommended, Government have felt it necessary to ensure that the domestic industry is not threatened by the import of very cheap cycles. We have, therefore, fixed a specific duty as an alternative to the *ad valorem* duty, so that the incidence on cheaper cycles is heavier. For cycle parts Government have not made any reduction in the duty as recommended by the Commission, because here again much of the production is in the hands of small-scale producers who face peculiar difficulties of their own. I am sure the House will agree with me that the small-scale producer as a class needs some additional protection and we have therefore to be very liberal in giving protection for this category.

I would like to make an important amplification in regard to the import of bicycles. Even with the specific duty of Rs. 60 it would mean that if bicycles are more freely imported than they are, the imported bicycle will cost less than what it does today. In fact the landed cost should not be more than Rs. 155 or Rs. 154, whereas most of them now sell at Rs. 180.

And it is the intention of Government to see that there is a reduction in price from Rs. 180 and Rs. 190 by means of allowing a little more imports, consistent with the protection that is necessary for our own industry. In fact it has been expressed by more than one producer of bicycles that the coverage that he now gets will enable him to compete with imports, and it might be that in due course of time we do not need any quota restrictions at all in respect of bicycles.

Lastly, Government have not reduced the import duty on certain varities of preserved fruits as recommended by the Commission, because they felt that the consumer in this case could well afford to contribute to the exchequer on the present scale, even though the rate of duty may be higher than what the Commission considers necessary to protect the home industry.

Before the year is over some more reports from the Tariff Commission will be received, and action to continue or discontinue protection, as the case may be, will be taken on them. The Commission has, however, informed Government that in regard to six industries it will not be able to submit its reports sufficiently early for Government to take decisions on them before the end of the year. These are photographic chemicals, non-ferrous metals, aluminium, electric motors, ball bearings and plastics. As the present protection in respect of these six industries is expiring at the end of this year, the Commission has recommended that the protection should be continued for one more year, so that the Commission may in the interval submit its reports on these industries. The Bill therefore seeks to extend the period of protection for these industries till the end of 1955 while leaving the existing import duties on these articles unchanged.

I now turn to the items the duties of which have been determined not in consultation with the Tariff Commission, but by the Government itself, for revenue considerations which certainly were important. As the House is aware, we have for many years now been controlling the import of practically everything under the system of import licensing. Our foreign exchange position has been such that after meeting our requirements of essentials like foodgrains, raw cotton, raw jute and plant and machinery, we have had to ration the balance among a large number of commodities.

There used to be a good deal of criticism on the floor of the House about import control. I am happy that during the last two years the criticism of the administration has been progressively less and less. There are now few complaints regarding delays in dealing with applications. But, the criticism against the system itself that it perpetuates certain established channels without giving any opportunity to new-comers to enter the import trade, still remains. Unfortunately, even now it is not possible for us to say that our foreign exchange difficulties have been permanently solved and that we can afford to allow unrestricted and unlimited imports of all commodities from all directions. Indeed, there will be heavy demands on our foreign exchange resources to meet our requirements of plant and machinery and raw materials for certain industries that we propose to plan during the Second Five Year Plan. Therefore, the availability of foreign exchange will have to be on a restricted basis. What we can afford to do in the light of the improved position is to curtail domestic consumption of imported goods not through a scheme of quotas, but through higher tariffs. In other words, we are now in a position to give a little more elbow-room to the newcomers and to provide for greater flexibility in the administration of this control. A start in this direction was made in the last Budget when we raised certain import duties and liberalised somewhat the import licensing on a number of commodities. We now propose to go one step

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further in the same direction. Import duties are being raised on a large number of items and simultaneously, the import control policy towards them would be eased.

This change in the technique of reducing the volume of imports, has many advantages. I have already pointed out that with higher duties, it will no longer be necessary for us to shut out new entrants on the ground that the quota is very small. More important is the financial consideration. With a very tight import quota, the price of the finished product to the domestic consumer was far above the landed cost. In conditions of scarcity, the importer would make extraordinarily high profits. With an increase in import duty, this extra money is expected to accrue to the Central revenues. My colleague, the Finance Minister, in his statement when the Bill was introduced, pointed out that our customs duty has fallen far below our original estimates. Greater competition between importers will however ensure that the price to the consumer is not unjustifiably higher than what would be fair having regard to the landed cost of the article. Our experience in the past has more or less proved that our estimates in this connection are reasonably sound.

The House will expect me to give some indication of the effects of this policy on domestic industry. With the very high rates of import duties which are now being fixed, I have little doubt that our indigenous producers will not find greater competition from imports on account of a more liberal import policy working against their long-term interests. I emphasise the phrase 'long-term' in this context. A short-sighted producer wants to have no competition at all so that he can make the maximum amount of money in the minimum amount of time. He pays no heed to the needs of the consumer. He does not worry about efficiency of the product. He ignores the importance of maintaining the quality of his production. He forgets the art of salesmanship. In other words, he is inclined to exploit his somewhat monopolistic position created by adventitious circumstances. With some imports coming in even at a high price, the public will have before it goods with which it can compare the indigenous product both in regard to price and in regard to quality.

I would humbly remind the House that all our great industries of which we are justly proud, the cotton textile industry, the jute industry, and the steel industry, were built up without any quantitative restrictions on import and with only such tariffs as were considered to be essential. I am quite satisfied that the new policy is in the best interests of our industrial development. The House will observe that in some instances we have introduced specific rates of duty as an alternative to the *ad valorem* rates. The reason for this is that over the past twelve months, there has re-emerged in international trade the practice of what is called usually "dumping". There are countries, who are in the export trade, who not merely operate on the basis of marginal cost, but on no cost at all, equating their losses by means of higher prices on goods supplied to the home market. We cannot base the *ad valorem* duty on the invoice price of one particular source of supply. To do so would be to shut out the goods of other countries altogether for no fault of theirs. The effect of a specific rate of duty would be to ensure that a certain minimum amount of import duty per unit is levied even though the price of imports from any particular country may be artificially low. I would like to point out to hon. Members two commodities which, though they may not be very important, have still a bearing on indigenous industry. First, the question of a specific rate of duty on playing cards; particularly when playing cards were coming in partly by a small quota and partly by means of smuggling, the consumer was paying a very high price for it, sometimes Rs. 2-8-0 per pack. What we now seek to do is to mop up that high price that the consumer is paying by a specific duty of one rupee, which perhaps is the cost of the best Indian-made playing cards. In the same way in regard to old newspapers. Really this specific rate of duty will lead to greater production of craft paper in this country. We have 17 units producing craft paper. Our idea is that they may be strengthened and they may be able to supply craft paper at a lower rate than five annas a pound. Hon. Members will recognise that it is more hygienic to use craft paper than old newspapers. I am merely mentioning this as illustrative of the policy that Government has been pursuing in the Bill before the House.

Last but not the least, there is the consumer to consider. The items which we have chosen for an increase in duty to produce higher revenues are not in the nature of basic essentials. Spices, tinned and bottled provisions, toilet requisites, furniture, toys, completely assembled motor cars, are all items on which a higher level of indirect taxation, in the present conditions of our economy, would appear to be justified. On the other hand, to the extent that these duties affect essential consumer goods such as pencils, woollen fabrics, blankets and rugs, etc., I would advise anyone who wants to get his requirements at economic prices to go in for the Indian product.

Our industry has made great strides in the past few years. Before the war, we were importing even cotton cloth in considerable quantities. Today, we are exporting them in hundreds of millions of yards all over the world, even to countries from where we used to import cloth in the past. The consumer can, therefore, meet his needs without using imported articles. At the same time, it will be open to him, if the Indian producer does not play fair, to switch over his patronage to an alternative product which will be available provided he has the purse to pay.

This, in short, is the basis behind this Bill. It looks in all conscience complicated enough. I have no doubt that hon. Members in the course of the fairly long period that has been fixed for a debate on this Bill would raise queries and make criticisms. I shall then endeavour to answer them to the best of my ability.

Mr. Chairman: Motion moved:

"That the Bill further to amend the Indian Tariff Act, 1934, be taken into consideration."

Shri V. P. Nayar (Chirayinkil): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 1st November, 1954."

I was listening to the latter half of the speech of the Minister of Commerce and Industry. He concluded by saying that although this Bill pretends to be or appears to be very complicated it is simple. I beg to differ. I take a different view of the matter. If we are to appreciate this Bill or if we are to properly understand this Bill, it has to be read with the supplementary issue of the *Import Trade Control* published by the Government. It is a very important document which all of us should peruse, and also we have to understand the implications of the recent statement circulated by the Finance Minister at the time this Bill was made available to us.

In this Bill, Sir, provisions have been made for the continuation of protection in some other way for certain industries, the protection of which had been recommended by the Tariff Commission on several occasions. We are not certainly against the principle of the State coming in to help the indigenous industries by affording protection. On the other hand, we stand for protection, and

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we are also certain that some industries have necessarily to be protected, and Government should do. in affording protection, all that is possible. But the way in which this protection has been given to some industries is, to my mind, very undesirable—to say the least of it.

The Government of India, I am sorry, Sir, has not issued any directive to the Tariff Commission that in recommending industries for protection, the interests of foreign *entirepreneurs* in India should not be given any consideration and that Indian industries should be protected only when it is confined to Indian interests. That is, even if the Tariff Commission has not recommended that British interests or foreign interests in India should be protected, that those industries should be afforded protection, Government should have taken the opportunity to confine protection only to those industries in which the foreign capital has no participation. That has not been done. And how this protection and tariff wall will operate against certain industries I shall refer to later on, and in doing so, shall also give some facts and figures.

This Bill, in the guise of affording protection, seeks to set up some stiffer revenue duties on specified items. I agree, possibly they are items all of which have been released from the obligations of the G.A.T.T. I am not very certain about it, but I presume....

Shri Bansal (Jhajjar-Rewari): No, no.

Shri V. P. Nayar: But most of them are.

Shri Bansal: No, not most of them. Only a few.

Shri V. P. Nayar: These enhanced duties have come after Government's announcement regarding the liberalisation of import quotas in the Red Book. That is a very important fact which we have to go into. Government apparently assumes that the increase to be now effected will protect the industries and also the tariff walls proposed will prevent any sort of undesirable or unhealthy competition from foreign manufacturers. This possibility is certainly not ruled out, although Government thinks that hereafter if you have a very steep tariff wall, if you make it more and more steep, there will be in future no danger of competition from foreign manufacturers. This at best, I think, is only an assumption and will not be justified by facts and circumstances.

In this context, I would put to the hon. Minister two questions. Is it correct to afford protection only through raising the tariff wall and not by imposing, alongside of it, restrictions on import quotas? And the second question is: will such steep increase in revenue or protective duties neutralise the effects of liberalisation? To my mind, the answers to both these questions appear to be in the negative.

Those to whom talking without sense has become a habit, can certainly proclaim that liberalisation of imports in the present context of planning will not prejudice the national interest. I take a different view. Government have conveniently, or should I say, studiedly forgotten that planning demands a purposive and positive canalisation of the foreign exchange resources of the country with a view to the country's development, for the import of necessities of capital goods and also essential raw materials. For, on them, as we know, depend the future economic progress of the country.

Government cannot, in the context of planning, afford to fritter away any of the foreign exchange that they may earn. Permitting of imports of all kinds under a policy of liberalisation will necessarily throw to the winds the country's paramount demand for capital goods as also vital essential raw materials, and I am afraid if the policy as such is continued it will be pushing down the economy of this country from the edge of a precipitous crisis.

One possible argument the hon. the Commerce Minister or the anxious Mr. Bansal might advance is that as a consequence of deficit financing....

Shri Bansal: I have not advanced any argument.

Shri V. P. Nayar: I anticipate.

Sardar A. S. Saigal (Bilaspur): You anticipate?

Shri V. P. Nayar: "Possibly" I said.

Sardar A. S. Saigal: You anticipate so many things.

An Hon. Member: An intelligent man always anticipates.

Shri V. P. Nayar: I said it may be argued either by the Commerce Minister or by the over-anxious Mr. Bansal that this sort of liberalisation is a necessary counter-check on inflationary trends consequent on deficit financing.

Shri Bansal: I am not going to argue that.

Sardar A. S. Saigal: Your impressions are wrong.

Shri V. P. Nayar: Any deficit financing, according to us, without recourse first to tapping the limitless resources of imperialists' capital which is here or before freeing the rural forces from the octopus grip of the feudalists, will amount to nothing. I do not propose to go into details of this now. But I want to refer to this aspect, *i.e.*, when the question is posed this way that it is a counter-check to inflationary trends consequent on deficit financing. I do not propose to refer to the views expressed by Communists, but I may be permitted to say that such economists, as for example Dr. V. K. R. V. Rao, say—that have demanded that deficit financing must be necessarily accompanied by a positive and planned policy of imports which strictly conform to requirements of development—imports to set in motion the forces of production lying idle; imports to enable also the vast and ruinous idle capacity being utilised to full.

Shri L. N. Mishra (Darbhanga *cum* Bhagalpur): Don't you agree?

Shri V. P. Nayar: I certainly agree, to some extent. I am coming to that. But my point is that the policy of liberalisation that is now contemplated and which is to be implemented will not at all help the utilisation of the idle capacity in certain industries—a case which I will prove with facts, and also with details and figures.

Now, let us examine whether the policy of Government in liberalising imports and then steepening the tariff walls would amount to anything like utilising our idle capacity.

The Commerce and Industry Ministry in a supplement to the *Journal of Trade and Commerce* last year listed certain vital essential industrial raw materials in which India was having a shortage. I want to know what the Government has done to make the position better for Indian industries, because we have necessarily to import some raw materials. They are not within our reach, nor is the Indian industry so very much developed as supply these raw materials themselves. In the absence of any possibility of the adequate requirement being met from indigenous sources, what is the plan which they have? It is common knowledge that unless you have the basic raw materials, industries which already have created unemployment, which already have a large percentage of installed capacity lying idle, cannot function, and so far as I can see, although the policy of imports is liberalised, no preference has been given or no plan has been evolved for the import of capital goods or for the import of essential industrial raw materials. I will be able to establish this by reference to certain articles which are mentioned in the present Bill.

I could have appreciated liberalisation had it been after the intro-

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duction of a plan to make India self-sufficient in essential goods and raw materials in a short given period, which unfortunately has not been in the mind of the Government. Without the foundation being laid or attempted or even thought of or ways and means tried and suggested to see that there is no idle capacity in any industry, Government now come out and say that they propose to liberalise all imports. To me it appears that it is just like varnishing the roof of a house before the foundation has been built. Priorities in imports....

The Minister of Commerce (Shri Karmarkar): We have always allowed, if my friend will permit me,—I thought he knew—that in respect of capital goods as also raw materials we have been absolutely liberal. There has been no complaint.

Shri V. P. Nayar: I have not said that, but you have no policy so far by which India will be self-sufficient in the requirement of capital goods and essential industrial raw materials within a short given period. If you have a plan for that, I may not have anything more to say about it.

Shri Karmarkar: I have nothing more to say.

Shri V. P. Nayar: The inevitable result of this policy of liberalisation—which is called a policy by the Government but which actually is nonsense—is that it will completely cripple our economic progress. Priorities in imports of basic and essential raw materials having been left out of any plan whatsoever, the import liberalisation can, if at all, mean only an invitation for foreigners to exploit our country by robbing us more and more of the money which we have got in circulation by deficit financing. That is the point which I wanted to make. Such a policy should not be characterised merely as a bankrupt policy, because bankruptcy may imply a certain amount of innocence. I do not say that this is merely a bankrupt policy because Government, I am sure, knows all the implications of this Bill.

2 P.M.

I shall endeavour to try and show that it is absolutely essential that we take a different view about the policy of liberalisation except if it be that the policy is intended to promote the interests of certain persons in whom the Commerce Ministry is particularly interested and whose cases I will give later on. There cannot be any meaning to the policy of liberalisation as it is propounded now.

It is admitted and I don't think anybody will contradict that dumping in more money by deficit financing into the economy of our country will make more funds available at the disposal of importers with the other side of it that foreign manufacturers will have chances to take more and more money from India. It is in that context that we have to see what the implications of the Import Control will be. There is one obvious danger and I think it is known to the Commerce Minister himself—Shri Karmarkar. Some countries, for example, Japan, subsidise their exports in so many articles. I know at least that for soda ash, Japan has quoted rates which are comparably very very low to other countries. The rates are like these. If you order for hundred tons, they give a particular rate but if you order for one thousand tons, the rates are 25 per cent. less. If you order for five thousand tons, the rates are 30 per cent. less. It is like that and I believe that the Commerce Ministry knows that when the import licences for soda ash had to be given and their quotations were invited I think the Japanese quotations were the lowest. We do not have any control over the falling prices of commodities in other countries and some countries, who have lost the market, make an all-out effort to re-capture it. The State Governments have undertaken to subsidise the imports in case of certain commodities. What does the protective duty or the revenue duty, which is stiffened under the present Act, mean to them if you have 50 per cent. or 40 per cent. *ad valorem* to be paid on import of soda ash.

I do not refer particularly to soda ash because soda ash is neither liberalised nor is the duty enhanced, but I refer to other commodities for which there is this danger that when Governments subsidise the export, when the private trade gets financial help from the Government in the matter of export in order that markets may be re-captured and that they may be in the world market, the enhancement in this duty cannot be of any use unless it be that we have assigned definite quotas.

Liberalisation, as I understand, does involve and does mean that quotas are not fixed in so many articles. It may be that for soda ash or some other chemicals, they may be fixed, but in so many other articles there is no restriction on the quantity to be imported. Perhaps there is a maximum which is far above the demand of this country.

Then there is this aspect of it that if you take into account the possibility of falling prices in other countries for certain commodities for which we have liberalised our imports, there is also the possibility that there will be new inroads into our economy by foreign enterprise and this will certainly be a visible danger to our economy in general. Sir, the danger of price-fall in another country is not a matter in which the Government of India can do anything and that is not a matter which could be covered by the duties as they are now imposed.

We have also to see when we declare for ourselves a policy of liberalisation that monoply suppliers have the best developed technique in the sale organisation. You will understand that firms like Volkarts and Lever Brothers can certainly reduce their rates for the time in order to ensure that their products are bought to the maximum and not ousted in India. Price manipulations, as far as some of the monopalist suppliers are concerned, have been developed as a technique and however much we may raise the tariff wall, we cannot escape the fact that our country is tied to certain sections of the world and the bulk of our imports have to come from the United Kingdom and the United States of America and when there are, in this country, firms with immense and colossal capital, operating through a network of Indian and foreign-controlled organisations, it is impossible to raise the tariff wall by 10 per cent. and then say there will not be competitors here. As a matter of fact the technique is one which has to be studied and I am sure that they are far more clever than this Government. If they have 10 per cent. more they will have some other ways. So long as they control the entire distribution in this country it will be very easy for them to avoid the incidence of this.

Not only that, if you enhance the duty there are some commodities in the list which are necessary for the common man. Take, for example, the razor blades. If you enhance the duty on razor blades—I do not for a moment say that razor blades have to be allowed freely to come to India, that is certainly not my position—but in such cases there is this danger. I find somewhere in the report of imports and industrial development of the Federation of Indian Chambers of Commerce and Industry—I found somewhere in this book that the capacity of the razor blade industry in India is about two hundred millions blades per year while, as a matter of fact, Indian blade manufacturing industry produces hardly thirteen or fifteen million blades. Now take this case. We all know what is the result of using an Indian blade and if we have a morning shave with an Indian blade part of the skin of the chin may also be removed. Already the traders here know that there is going to be an enhanced duty. All the blades in the important cities have been cornered and the blades are selling very dear there. What is the purpose of levying an additional duty on this?

Mr. Chairman: There is time allotted for the whole Bill.

Shri V. P. Nayar: Kindly allow me to take some ten minutes more because I find that nobody else has taken the pains even to suggest an amendment and all the amendments that have come so far happen to be in my name.

Sardar A. S. Saigal: Sir, there are other Members also to speak and the time is limited. At 2-30 we have to close.

Shri V. P. Nayar: I do not want to take more time of the House than is absolutely necessary. I was referring to razor blades. The industry is suffering. The industrialists say that they do not have their requirements of the high quality steel which is absolutely essential for the production of razor blades—a matter in which the industry says that Government has not given any help so far. My point, therefore, is that if you impose a duty of 50 per cent. or 60 per cent. or 80 per cent. on safety razor blades, I am certain that ninety per cent. of the people would still go in for imported blades, so long as the Indian blade does not remove merely the hair, but even the skin.

Shri Karmarkar: That depends on how you shave yourself.

Shri V. P. Nayar: May be, the hon. Commerce Minister is a good expert on that.

Shri Karmarkar: I am quite an expert. I have tried Indian razor blades, and I would advise my hon. friend to use them without any risk whatever. Only he has to soften the skin.

Shri V. P. Nayar: But I would require some demonstration. The razor blades industry, as Government themselves will admit, is really in throes, and my contention is....

Kumari Annie Mascarene (Trivandrum): I rise to a point of order. The answer and the question between the hon. Speaker and the hon. Minister sounds to me, a lady, that it is extremely insulting and mean. I do not say who is who, but the hon. Member asking the hon. Minister for a demonstration is not fit or worthy of this House. I ask you, I appeal to you, to say whether it is parliamentary discipline or demeanour or respect for women.

Shri V. P. Nayar: May I resume? I am sorry that the hon. lady Member's apprehension is unfounded, and in her usual way, she has misplaced her criticism. I never wanted the hon. Minister to demonstrate. I only said that I shall be satisfied of it only by a demonstration, and I hope the hon. lady Member understands sufficient English to find out what I meant.

Kumari Annie Mascarene: I think I understand better English than you, and better behaviour too.

Shri V. P. Nayar: With willingness, I give her the monopoly of wisdom.

Mr. Chairman: Do not waste your time like this.

Shri V. P. Nayar: I am not wasting my time. I would refer to another point....

Pandit K. C. Sharma (Meerut Distt.—South): Why do you not yield to the hon. lady Member?

Shri V. P. Nayar: There is another matter....

Kumari Annie Mascarene: Yielding to me? It is insulting.

Mr. Chairman: I shall not allow the hon. Member to go beyond 2-15 p.m. You have wasted practically five minutes of your time on this.

Shri V. P. Nayar: I shall finish in six or seven minutes.

Shrimati Tarkeshwari Sinha (Patna East): No, this cannot be done.

Mr. Chairman: I shall give two minutes more.

Shri V. P. Nayar: Please give me five minues more.

There is another article, and that is woollen textiles. I understand that recently some licences on woollen textiles were being sold to ten and fifteen per cent. of the value. Here is an article, from which I would like to quote, in respect of woollen textiles. This is from the *Eastern Economist* of the 17th September, which says on page 482—I shall not have time to read all of it, but I shall read only an extract—

> "The explanation for this anomaly is to be found in the fact that under the prevalent quota system, licence-holders get a premium, it is alleged, of anything between forty and fifty per cent. on the landed cost of imported woollen manufactures. The large increase in quota will now naturally lead to the disappearance of the premium, and because of this, the importers can take the impact of even a sharp rise of over 28 per cent. in the import duty on woollen goods."

My point is that woollen goods have been yielding a very huge profit, and a very little rise in this duty will not mean anything substantial, nor will it be of any help to the Indian industry in woollen manufacture.

Then, there is another article that is not found in the Bill, but which finds a place in the supplement to the import trade control policy. I refer to item 188, *i.e.* cotton fabrics not otherwise specified, containing more than ninety per cent. of cotton. About this also, there is a very interesting article in the *Economic Weekly* of 11th September. This is what it says:

> "Following an agitation by Lancashire interests, the British Government has made strong recommendations to India on tariff and quota restrictions imposed on British textiles. Mr. Peter Thorneycroft, President of the British Board of Trade, speaking at Manchester the other day, said, we regard the restrictions as unfair in relation to our treatment of Indian cloth imports. The British Press has gone to the extent of complaining that competition from India is greater to the Lancashires than Japanese competition."

Why I say this is because under the pressure of the British Board of Trade, we have had all this; although as the hon. Commerce Minister was just now telling us, we were importing millions and millions of yards, we have had to allow British textiles to be imported into India.

Then, there is a question which I would like the hon. Minister to answer, and that is about the duty which is fixed on automobiles, which are imported for personal use. As we know, in the automobile industry in India, there is the participation of American and British capital; and with their participation and technical aid, you find in the Birlas the Morris group, you find in the Premier Automobiles the Chrysler Corporation group, in Mahindra & Mahindra the Willis group; and in all Indian automobiles manufacturing units, there is both foreign participation in capital and foreign aid. With all this, what is the advantage? We are now getting a 10 H.P. car made in India—or 'so-called' made in India, for I do not for a moment think that it is completely made in India—for nothing less than Rs. 9,000, and Government say that they have afforded protection.

I do not say that the automobile industry does not have claims to protection, but all the protection which is given to the automobile industry is merely to enable the various units functioning in India to have as much profit as possible. There is no reason why an Indian-made automobile should cost Rs. 9,000 or Rs. 10,000. I have here an offer made by a firm in Amsterdam about a certain car. I have also a photograph of that. It is a 10 H.P. car that has been offered. There are technical details also, which will show that these cars could

[Shri V. P. Nayar.]

not have been made out of hay or straw. This car has been offered to an Indian businessman—I refuse to divulge the name of the businessman, because he has some connection with the Import Department. Auto and Motor Tool and Import is the firm which has offered thtis. The price is very low, and amounts to 700 U.S. dollars, including seaworthy packing cases.

Shri Karmarkar: Second-hand car?

Shri V. P. Nayar: Brand new. It is stated in the offer—please hear.

> "We are starting our export programme with the distribution of a small four-door passenger car equipped with chain speed lever under the steering wheel, four hydraulic brakes, four-cylinder, four-stroke gasolene engine...."

Here is a photograph of that car, and it is offered for $700, not by the country where it is manufactured, but by another country where the manufactures are sent. The car is made in the Soviet Union, and the price is only 700 U.S. dollars, and that also includes seaworthy packing.

In India, we have a trade agreement with the Soviet Union. Why should cars cost Rs. 10,000 and more, for 10 H.P.? If the hon. Minister knows anything about cars, I will pass this on to him.

Shri Karmarkar: Even otherwise, I should like to have them.

Shri V. P. Nayar: With what little I understand about technical details, it has as much, and perhaps better arrangements; especially in the shift gers, front suspensions and back suspensions etc. it has made much better progress.

Mr. Chairman: The hon. Member's time is up.

Shri V. P. Nayar: Let me finish this point. India has a trade agreement with the Soviet Union, which allows and provides for the installation of a machine-manufacturing industry here. Why does not this Government take advantage of that? When another country can offer us for $700, do you really think that it will be difficult for an Indian automobile unit guided by the Soviet technicians....

Kindly allow me to finish this point.

Mr. Chairman: The hon. Member is repeating the arguments.

Shri V. P. Nayar: I am not repeating any argument. But let me finish this point.

Mr. Chairman: I am sorry I cannot allow the hon. Member to continue. I shall now call upon Shrimati Tarkeshwari Sinha.

Shrimati Tarkeshwari Sinha: I have been listening to the speech of Shri V. P Nayar: I find that every time he speaks. he speaks with a bad odour in his mouth about foreign money, foreign aid and foreign concerns and foreign exchange. Only after he came to the trade relations between India and the Soviet Union, he had some good words to say about our relationship, and he said that we should come forward and buy much more than we are buying or are supposed to buy from the Soviet Union. I would not start giving replies to him, because the House knows the nature and the spirit in which he always talks, and this time also he has spoken in the same manner.

I shall, therefore, come straight to the main point. It is a very happy news that Government have taken on hand the liberalisation of import policy. It is much more happy, because it was not immediately expected. We know that since long, pressure has been built up by the manufacturing concerns in the country itself to dissuade Government from relaxing this rigid control on imports. The Federation of Indian Chambers of Commerce and Industry in its brochure, *'Imports and Industrial Development'* has asked for further control and restrictions on imports.

But the Government of India have been wise to reject this view and to take a more realistic and practical view of the need of fostering Indian trade and Indian imports on a flexible system of control. The case for controls has been very convincingly put now and then. Constantly, it has been advocated due to the reason that we need foreign exchange and foreign exchange should not be wasted by relaxing import controls. But, now, with the accumulation of foreign exchange, we find that we are in a much better position to have our imports on a much more relaxed basis in future. Broadly speaking, the modifications that are provided in our policy are as follows. First, increased facilities for imports from the hard currency areas, *i.e.* increased facilities for imports from the dollar areas. The second modification is, increase in import quotas of certain items. The third modification is the removal of restrictions and implementation of a liberal system of import licensing. The fourth is the expansion of the list in which the basic period has been extended to 1952-53.

These modifications may not be revolutionary, but they are likely to provide facilities specifically with regard to imports from hard currency areas. It is a well known fact that we need certain goods, certain things from the hard currency areas themselves because they are not available in countries which belong to the other currency areas. Therefore, it is no good saying that we are wasting our foreign exchange or we are going to waste our foreign exchange by taking advantage of our improved accumulation of foreign exchange.

Hitherto, in order to make India run an overall dollar balance as well as an overall balance of trade, the Government have been rather severe in licensing imports from the dollar countries or the hard currency areas. But now as the sterling areas' gold and dollar pool has steadily risen, and there are talks going on to remove this control completely so that the sterling area should be made a free area, I do not think there is any undue fear of our importing goods from the dollar or hard currency areas. We are hoping that in future also, liberalisation of imports from dollar countries will continue and it will make for a more favourable and relaxed policy in the matter of imports from the hard currency areas. At present, the list is obviously small,—because we cannot take the risk of importing many things from the dollar areas—in that it includes a few items like precision and measuring tools. I want Mr. Nayar to hear that not a single piece of luxury goods is being imported from dollar areas. They are only precision and measuring tools, leather belting, generating sets, fluorescent tubes, power driven duplicators, manual or animal driven agricultural machinery, industrial sewing machines and water metres. These are all the things, more or less, that we are going to import from the hard currency areas.

Here, I would like to submit humbly that one thing should always be kept in view and that is, that modifications, if made, should be stable, more or less, for a long time, because everyday changes in the trade and import policy creats a feeling of shakiness and nervousness in business circles, and we do not want under the First Five Year Plan or the Second Five Year Plan that our business people should be shaky and private enterprise should be nervous. For this, there should be stability in the trade and import policy as well as in the general industrial policy.

Now, coming to the articles from the soft currency areas, many things have been provided and they can be counted more or less as 'comfortable' commodities or commodities which provide luxury. These things are woollen fabrics, blankets and rugs, sanitary ware, vacuum flasks, glass bangles, safety razor blades, bicycles and breakfast food. There has also

[Shrimati Tarkeshwari Sinha]

been partial acceptance of the British protest, on behalf of the Lancashire textile goods. But I think it is not on the question of importance of our industries being developed; but it is a question of creating goodwill among the Commonwealth countries themselves. Indian goods that go to U.K. do not have to face tariff and other restrictions, because we have got certain benefits, certain facilities, being a Commonwealth country. The British industry have their grievances because they are also suffering. We think it was quite reasonable for them to approach the Government of India, and it was good gesture on the part of the Government of India to accept their view and allow for a more liberal policy in regard to the cloth that we import from Britain.

Indian fabrics containing more than 90 per cent. of cotton sateens and velvets are to be virtually removed from quantitative control and amongst many items which are to be licensed more liberally are fish, unmanufactured ivory, boots and shoes, watches, cigarette paper in booklet form, synthetic stores and educational toys.

But before we pass off the principle of import control, we should make a careful examination of the extent to which industries in India have developed due to this import control. I do not agree with the belief that industries in India have developed only due to these import controls, because in the case of important industries like steel, textile, cement and sugar our prices compared to prices in other parts of the world were comparatively lower for a long time. That was not due to the protection that we granted to our industries, but our industries had the capacity to compete with other industries and maintain their own markets. Some minor industries, I agree, have been helped by this import control policy, *e.g.* bicycle, motor-car and small electrical goods. But my one request to the Government is that now, at a time when we are not able to spend industrial resources put apart under the Five Year Plan, they should be distributed as subsidies to those particular industries which, the Tariff Commission says, should be given protection in the national interest. Government are not able to spend some of these money resources, and so this is a suggestion that Government can follow and distribute the subsidies to these industries without reverting to a rigid system of exchange control or a rigid import policy.

Now, as regards revenue duties, the entire question stands on a different footing, because the main purpose of revenue duties is the collection of additional revenue. So here the problem that needs to be analysed is a matching of price against the revenue which has to be obtained. There is an urgent need for studies being made on the elasticity of revenue duties on an extensive scale in this country. I think so far we have not enough knowledge or statistics about the elasticity of revenue duty and how far it affects trade conditions. So a more thorough study should be made in regard to the elasticity of revenue duties in relation to our country's needs. Therefore, in my opinion, consumer research studies should be made for determining the volume of revenue duty which a particular commodity can bear. I want to repeat this sentence again because I want to impress on the hon. Minister that there is a vital need of the consumers' aspect—which has always been neglected—being taken into account. So there is a vital need of consumer research studies for determining the volume of revenue duty which a particular commodity can bear. That is to say, a more scientific approach should be made to this problem and, for this purpose, a permanent machinery should be created to advise the Government on the structure of duties themselves in relation to revenue needs.

Then also, protection to Indian industries should now be framed more and more on tariff inquiries rather than on the dubious and improper method of haphazard import control.

With these few words, I hope that we shall have a more stable and more progressive import policy. From the changes that have already been made by the Government of India, it appears—we are under the impression—that Government are now realising that industrial inefficiency hinders the progress of our plan. Now, at the cost of inefficiency, Government do not want to give protection to those industries, and that is a good check that the Government are imposing on those industries which are producing all along on inefficient lines.

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

We have every faith in the approach of our hon. Minister who has been the architect of this liberalised import policy, and I think the hon. Minister will take the country in two Five Year Plans to a more prosperous goal. With these words, Sir, as I have no time because voting is going to take place, I beg your leave to conclude.

CONSTITUTION (THIRD AMENDMENT) BILL—*concld.*

Mr. Deputy-Speaker: I shall now place the motion for consideration of the Constitution (Third Amendment) Bill, 1954 to the vote of the House.

The question is:

"That the Bill further to amend the Constitution of India, as reported by the Joint Committee, be taken into consideration."

The Lok Sabha divided: Ayes 283; *Noes* 33.

Division No. 4] **AYES** **[2-30 P.M.**

Abdullabhai, Mulla
Achal Singh, Seth
Achint Ram, Lala
Achuthan, Shri
Agarawal, Shri H. L.
Agarwal, Shri S. N.
Agarwal, Shri M. L.
Alagesan, Shri
Altekar, Shri
Amrit Kaur, Rajkumari
Ansari, Dr.
Asthana, Shri
Azad, Maulana
Azad, Shri Bhagwat Jha
Balasubramaniam, Shri
Balmiki, Shri
Bansal, Shri
Barman, Shri
Barupal, Shri P. L.
Basappa, Shri
Bhakt Darshan, Shri
Bhandari, Shri
Bharati, Shri G. S.
Bhargava, Pandit M. B.
Bhargava, Pandit Thakur Dass
Bhartiya, Shri S. R.
Bhatkar, Shri
Bhatt, Shri C.
Bhawanji, Shri
Bheekha Bhai, Shri
Bhonsle, Shri J. K.
Bidari, Shri
Birbal Singh, Shri
Borkar, Shri
Bose, Shri P. C.
Brajeshwar Prasad, Shri
Chaliha, Shri
Chanda, Shri Anil K.
Chandak, Shri
Charak, Th. Lakshman Singh
Chaturvedi, Shri
Chaudhary, Shri G. L.
Chavda, Shri
Chettiar, Shri Nagappa.
Chettiar, Shri T. S. A.
Chinaria, Shri
Choudhuri, Shri M. Shaffee
Dabhi, Shri
Das, Dr. M. M.
Das, Shri B.
Das, Shri B. K.
Das, Shri K. K.
Das, Shri N. T.
Das, Shri Ram Dhani
Das, Shri S. N.
Datar, Shri
Deb, Shri S. C.
Desai, Shri K. K.
Desai, Shri K. N.
Deshmukh, Dr. P. S.
Deshpande, Shri G. H.
Dholakia, Shri
Dhulekar, Shri
Dhusiya, Shri
Digambar Singh, Shri
Dube, Shri Mulchand
Dubey, Shri R. G.
Dwivedi, Shri D. P.
Dwivedi, Shri M. L.
Eacharan, Shri I.
Ebenezer, Dr.
Fotedar, Pandit.
Gadgil, Shri
Gandhi, Shri Feroze
Gandhi, Shri M. M.
Gandhi, Shri V. B.
Ganga Devi, Shrimati
Ganpati Ram, Shri
Garg, Shri R. P.
Gautam, Shri C. D.
Ghose, Shri S. M.
Ghulam Qader, Shri
Gopi Ram, Shri
Gounder, Shri K. P.
Gounder, Shri K. S.
Govind Das, Seth
Guha, Shri A. C.
Gupta, Shri Badshah
Hari Mohan, Dr.
Hem Raj, Shri
Hembrom, Shri
Ibrahim, Shri