

Mr. Deputy-Speaker: It requires that all the rules should be placed on the Table of the House. Now, they want that they should be placed in both the Houses of Parliament.

Shri Karmarkar: That is the effect of the amendment.

4 P.M.

Mr. Deputy-Speaker: This is a very formal one. Both Houses are necessary. The question is:

That the following amendment made by the Council of States in the Bill to provide for the control by the Union of the Coir Industry and for that purpose to establish a Coir Board and levy a customs duty on coir fibre, coir yarn and coir products exported from India, be taken into consideration, namely:

"That in sub-clause (4) of clause 17 of the Bill for the words 'the House of the People' the words 'both Houses of Parliament' shall be substituted."

The motion was adopted.

Shri Karmarkar: I beg to move:

"That the amendment made by the Council of States in the Bill be agreed to."

Mr. Deputy-Speaker: The question is:

"That the amendment made by the Council of States in the Bill be agreed to."

The motion was adopted.

INDIAN TARIFF (SECOND AMENDMENT) BILL

The Minister of Commerce (Shri Karmarkar): I beg to move:

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

Sir, the main objects of the Bill are three fold: first to grant protection to the power and distribution transfor-

mers industry; second, to continue protection to four industries mentioned in the Statement of Objects and Reasons; and third, to discontinue protection to the dry battery industry.

As required under Section 16(2) of the Tariff Commission Act, 1951, copies of the Commission's Reports in these cases and Government's resolutions thereon were laid on the Table of the House during the last session of Parliament. Copies have also been placed in the Parliament Library for purpose of reference by the Members.

I may state at the outset that the power and distribution transformers industry in India is of comparatively recent origin. It has special importance in the economy of the country. Transformers are essential links between generation and distribution of electricity and have a large and expanding market in the country. The principal units are fairly efficient and well managed. The industry has built up a nucleus of specialised technical personnel and it is now established on a sound basis. It has already achieved substantial success in manufacturing products of fairly good quality and has taken steps to utilise indigenous materials to a considerable extent. Its expansion will therefore encourage the development of ancillary industries. The House will recognise that the quantum of protection of 10 per cent. *ad valorem* does not impose any additional burden because it is merely a conversion of the existing revenue rate into a protective one.

I have given this brief resume of the development of this industry in the country not to give any assessment of its achievements but only to emphasise that we have to take into account the contribution which the industry has made towards employment and industrial development. I hope the House will agree that this is an industry which no one would wish to see languish for lack of such assistance as can be given without sacrifice of other equally important interests.

With regard to the other parts of the Bill, the Tariff Commission carried out a review of the manner in which protection to the Glucose, the Hydroquinone, the Plywood and battens for tea-chests, the Wood screws and the Dry battery industries had operated. In the case of the Glucose industry, Government have accepted the Commission's recommendations that protection should be continued for another year up to the 31st December, 1954. At the same time, Government have issued a warning to the effect that unless the industry makes good use of the opportunity for development and expansion since afforded by the imposition of a higher rate of 50 per cent. *ad valorem* and increased its output by the end of 1954, it may not be possible to continue to give any kind of protection beyond that date.

Protection is also continued for two years in the case of the hydroquinone industry and for four years in the case of two industries, *viz.*, plywood and battens for tea chests and the woodscrews. In the opinion of the Commission, these three industries have made satisfactory progress and have justified the protection granted to them. The Commission has also expressed the view that it is in the national interest to encourage their production. The Bill, accordingly, seeks to continue protection up to the periods recommended by the Commission. The quantum of protection recommended by the Commission in the case of the Glucose, the Hydroquinone and the Wood-screws industries has already been brought into force by notifications under Section 4(1) of the Indian Tariff Act, 1934.

As regards the dry battery industry, the Tariff Commission has estimated the fair ex-works price at Rs. 223 (Estrelas) and Rs. 218 (National Carbon) per 1,000 cells, while the ex-duty landed cost of imported product ranges from Rs. 191/4/- to Rs. 327/11/8 per 1,000 cells. The Commission has, therefore, expressed the view that the measure of protection needed by the industry is less

than that afforded by the normal revenue duty of 30 per cent. *ad valorem* and since the domestic industry is not exposed to any threat of foreign competition under the present import policy, the Commission has recommended that the protection granted to the industry need not be continued beyond the 31st December, 1953. Government accepted this recommendation and the Bill seeks to give effect to this decision. It will, however, be open to the industry to apply for protection if the considerations on which the Commission's recommendations are at present made do go wrong.

The Bill also seeks to regularise by law the enhancement of the customs duty on body panels including turret tops and sides for passenger cars as a result of the decision taken by Government on the Tariff Commission's report on the Automobile industry, copies of which are available in the Library of the House. I hope the Members are aware of the decisions reached by Government on the Commission's report on the Automobile industry which have already been given wide publicity. In short, I may mention that the present high prices of cars and trucks have inhibited demands and it is important that the prices should be reduced and demands stimulated. For this purpose, the high rates of duty on different categories of component parts and accessories of motor vehicles have been reduced to 40 per cent. on the average from the 31st May 1953. As a result of the reduction in import duties on components of motor vehicles, retail prices of vehicles have registered reductions. In the case of trucks, such reductions have gone to the extent of Rs. 2,000. I hope further reduction of prices of motor vehicles will gradually stimulate the demand for vehicles in the country.

Sir, I do not propose at this stage to dilate any more on the points raised by this Bill. I shall only be too happy to answer to such points as may be raised in this House in the course of the debate. I move.

Mr. Deputy-Speaker: Motion moved:

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

Shri Natesan (Tiruvallur): I wish to refer to the transformer industry.

Mr. Deputy-Speaker: I am coming to the hon. Member. I have called Mr. Kasliwal.

Shri Kasliwal (Kotah-Jhalawar): I welcome this Bill in so far as it gives an opportunity to this House to review the Tariff policy of the Government from time to time.

Coming to the Bill itself, I would like to refer especially to three industries which have certain common features and to which protection is proposed to be granted by this Bill. I refer to the Glucose industry, the Hydroquinone industry, and the plywood and battens for teacheasts industry. I am glad to say that in the case of all these three industries, the Tariff Commission have reported that the quality of goods has improved considerably, that the quality of goods is such that it can very easily compete with the goods produced in foreign countries. I must, at this stage, like to congratulate the Minister for Commerce and Industry for this.

The second point which I would like to make is this. The Tariff Commission have reported that in almost all these industries, there is no proper system of costing, i.e. to say, there is no proper correlation between the cost of production and the prices prevailing in the market. I must say that this is a very serious matter. Time and again, when the Indian tariff bills have come before this House, this question has been raised, and the Ministry has been urged to take up the matter with the various industries, and find out what is wrong with their management, so far as the question of costing is concerned. I hope that the Ministry will take up the matter with the industries, and

see that their management is improved in this regard.

There is one other matter which is equally serious, and is common to all these industries, and this also has been raised in this House again and again. In all these industries, the rated capacity is such that they can very well meet the entire demands of the country. But the actual production is very low. The Tariff Commission have pointed out that there are various units especially in the hydroquinone and glucose industries, which have never produced anything since 1948, but have continued to get protection: It is not that I have any objection to protection being granted to these industries, I know that hydroquinone and glucose are very important industries, but I cannot understand why the Ministry should not look into the matter and see that these industries produce up to their installed capacity. Why should not the Ministry warn them that if they do not produce up to the rated capacity, protection is likely to be withdrawn?

This matter was raised in this House last time, when the first Tariff Amending Bill came before this House, and I understand that the hon. Minister gave an assurance that he was going to appoint a committee to go into the question of the rated capacity of industries, and to make suggestions to see that these industries produce goods up to their full capacity. I would like to know whether such a committee has been appointed, and if so when they are going to submit their report.

In this connection, I would also like the hon. Minister to give an opportunity some time to this House to discuss the whole question of tariffs in relation to the GATT. The hon. Minister has been to one of the GATT conferences in Geneva, and in answer to a question, it was stated that the whole question of our tariff policy vis-a-vis the GATT was under consideration. I hope the hon. Minister

will give an opportunity to this House to know what exactly is the position.

With regard to the plywood and battens for teacheſts industries, I am very glad to say that these industries have progressed very satisfactorily, and are in a position to export to foreign countries. I hope the hon. Minister will give all facilities to this industry to see that the products of this industry are exported to foreign countries.

That is all I wanted to say.

Shri Natesan: Sir, I should only like to refer to the transformer industry. I am glad that Government are taking a keen interest in arranging to give all the support they possibly can to this industry. But I really cannot understand why a big factory put up by an European firm in Madras has had to close down. The Government of Madras have been buying hundreds of transformers, and in fact, only recently they have placed a big order with continental firms. I understand that the Government of India have got a ban on the import of transformers up to the capacity of 500 kva. because they are manufactured in this country. In spite of this ban on imports, the reason for the Government of Madras placing orders with continental firms is the question of price. If foreign firms can pay the customs duties, and clearing charges, and yet compete with Indian firms, obviously there must be something wrong with the costing of the transformers by the Indian manufacturers. There must be some machinery under the Government of India to check the working costs of the transformers that are manufactured in this country.

Mr. Deputy-Speaker: How many such manufacturing companies are there in India?

Shri Natesan: I think there are about three or four big manufacturers, but the Government of India have got much better information with them, than I have.

As a licensee responsible for big distribution works, I know that I am not in a position to get transformers at reasonable prices. If I ask for an import licence, the licence is refused. But I find that the Government of Madras are able to import transformers from foreign countries. If we are to buy from the Indian firms, we find that they quote a fabulous price. I am not complaining about the manufacturer himself, for I asked the manufacturers as to why their costs are so much, and why they should allow this business to go outside India, and they said that the Government were not coming to their help, in respect of raw materials. Evidently something has to be done to assist the industries in this regard. This is a matter which has to receive the attention of the Commerce Ministry.

My main point is why transformers are not allowed to be imported by private licensees, while the Government of Madras—I do not know about other State Governments—are allowed to import these from outside India, and why when foreign manufacturers can afford to pay the duty and clearing charges, and yet supply them at a cheaper price, the Indian manufacturers are not able to do so. I hope that the matter will be looked into by the Commerce Ministry. While they are welcome to give all the help they can to the industrialists here they must also see that the industrialists do not exploit the consumers by charging a higher price.

Shri M. S. Gurupadaswamy (Mysore): Mr. Deputy-Speaker Sir, the hon. Member who was speaking just now ventilated his own grievance about transformers. He stated that he was experiencing lot of difficulties in getting a licence for import of transformers from abroad. I feel that he should not have referred to his personal difficulties on this occasion. I want now to make one or two observations regarding transformers.

I come from a place where the shortage of transformers is felt acutely. Although very cheap electric power

[*Shri M. S. Gurupadaswamy*]

is produced in the Mysore State, it has become very difficult for Government to supply electricity to the rural areas and for the various industrial units, merely because there is an acute shortage of transformers. Of course, steps have been taken to get them manufactured in this country, but the industry is still in an infant stage, and it is necessary that we should protect it. While advocating protection to this industry, we must bear in mind that the consumers' interests also should not suffer.

The entire industrial programme of the country depends upon an adequate supply of electric power to the various industries. Although we have got an ample production of electric power, we are not able to utilise it fully. That is the very bad situation in which we are finding ourselves today. So it is very necessary that we should take immediate steps to increase the production of transformers in this country. If that is not possible, I would urge upon the Government to permit import of transformers for some time at least from abroad. Otherwise, the industrialisation of the country will suffer. The Government should therefore adopt a policy which will help the rapid industrialisation of the country, by permitting the import of transformers until the demands can be met internally.

This transformer industry is a very important industry. Both the installed capacity and the consumers' interest should be taken into consideration. Above all this, I urge upon the Government to take another thing into consideration, i.e. as far as possible, while manufacturing transformers in the country, raw materials found in India should be utilised. Nowadays we are finding that many of the raw materials which go into the manufacture of these transformers are imported from abroad. By stopping the import of raw materials from abroad and by utilising our own indigenous raw materials, we will be saving a lot of foreign exchange. So it is very

necessary that a proper study of the transformer industry should be made. It is also very necessary that steps should be taken to increase the production of transformers.

Another point I want to refer is with regard to the glucose industry. This industry has been there in our economy for sometime, but so far it has not impressed very much. The price of glucose is far from the reach of the ordinary man. When compared to the price of the foreign product, this price is far high. So though the industry has been in our country for sometime, it has not been able to supply the consumers with cheap glucose. So it is very necessary that steps should be taken by Government to look into this matter. Possibly if they enquire into the cost of production of glucose and if they adopt more advanced methods of production, they might be able to reduce the cost of production and thereby reduce the price of glucose. So, Sir, I feel that enough has not been done by Government in this regard and Government has been a little slack and has not taken much interest in this matter. It is very necessary that glucose must be made cheap.

With regard to the other industries I have nothing to say.

Shri K. K. Basu (Diamond Harbour):
Mr. Deputy-Speaker, Sir, this short Bill seeking to make certain amendments to the Indian Tariff Act with a view to grant protection to the Power and Distribution transformers industry and to continue or discontinue protection to certain other industries seems to suggest that it is not very much other than routine business. Sir, it is true that Government come forward with amendments to the Tariff Act now and then and try to pass on that they have come here to give protection to certain national industries.

Sir, we all urge that the paramount necessity of our country is industrialisation, and therefore, any Government action which might seek to

improve the process of industrialisation in our country is commendable. But as some of the speakers have already said, when Government have brought forward this Bill, they should have given a report as to the action they have taken for the development of these particular industries. You know, Sir, and I want to emphasise it, that by mere continuation of the protective duty for all time to come, it is not possible to industrialise our country. We have to go to the basic needs of the industry. Sir, as the hon. friend who spoke first on this Bill said, Government promised that they were going to appoint a committee to go into the entire cost structure and see whether there was any possibility of the further development and further utilisation of the productive power of this particular industry. Therefore, I feel when the Government have come forward with such an amendment, they should give us a comprehensive report as to what action they have taken and whether they actually appointed a committee to look into all these problems.

Sir, the first point has been already discussed by some of the friends here about the power and distribution transformers industry. You know that electrical energy is very necessary and is one of the appendages of our productive force. It is absolutely necessary for us to see that we have more electric power. Therefore, the development of the power and distribution transformer industry for the manufacture of distribution transformers is absolutely necessary. Here some allegations were made—I do not know personally how far they are true—but we have got to see that the type of transformers that we manufacture here must be given to the people of India at the price which they can afford. It is true that for sometime in certain categories of industries it may be necessary for us to pay more than what we would have paid to buy the foreign product, because the very basis of protection is to protect our national industries

against foreign competition. But we must also see that these industries must be developed properly and they must not take advantage of the protective duties or the national feeling of the consumers of our country. Therefore, Sir, I feel that some attempts have to be made to see whether the transformers that are produced here are having a good market or not. All these factors must be taken into consideration before Government bring forward an amendment to protect a particular industry. Mere protection is not enough. They must see that the industry develops and to that end, steps must be taken.

Then another thing which is sought to be protected is body panels including turret tops and sides for cars. This Bill seeks to legalise the notification made by the Commerce Ministry to this effect. Sir, in moving this amending Bill, the hon. Minister said that he hoped that because of this protection, cars here would sell cheaper than foreign cars imported here. We know that, in comparison, after taking into account the duties the foreign cars have to pay, the cars assembled here are cheaper. But that is not enough. It is nearly four or five years since this industry has been established and we have to see to what extent it has been able to satisfy the needs and requirements of the consumers of the country at large. Sir, we saw reports about a year or so back that the Hindustan factory wanted to close down because its production had no market. Since then the Government have taken some steps to protect the Indian manufactures against foreign competition. But I feel, Sir, that their policy should be so guided that in the case of those articles which can be produced or for which substitutes can be produced, an attempt should be made and direction should be given to the manufacturers to go in for them. Otherwise, it will mean unnecessary protection to industries which will mount up the cost for the consumer. Therefore, I hope Government will consider all

[Shri K. K. Basu]

these aspects and put a limit up to which protection is to be given.

We know about the sugar industry. I do not want to go into detail. The sugar industry has been protected for more than 20 years and yet we do not know whether it can stand on its own legs.

Sir, in this connection—I do not know whether I should go into detail—I find that the policy of Imperial Preference is still being continued. Last time, in the last session, when we were discussing some amendments to the Indian Tariff Act, there was a talk that the Government were going to review the GATT *de novo*. Some Government representative went to attend that conference and it was said that they would review the entire position for the last several years. We do not yet know what has been the result of the Government's discussion with the other signatories to that agreement. We feel the time has come when we must definitely and positively do away with this Imperial Preference. All the appendages and legacies of the past must disappear immediately.

Then, my hon. friend Shri Gurupadaswamy has referred to the glucose industry. We know that glucose is necessary for the production and manufacture of something else. But then we must see that those industries which are protected for several years do develop and the costs are reduced, so that the consumer may have to pay less. I agree that in the initial stages, in order to bring about the industrialisation of the country, the consumer may have to pay more, but the consumer has a right to know that the industry behaves in a way that enables the consumer to reap the benefit by having to pay less for the indigenous produce in comparison with the foreign produce.

Another point that I would like to emphasise is this. The glucose industry has been taking advantage of this

protective duty, and foreign concerns have come here and settled down to exploit our cheap labour and our home market. Therefore, mere protection is not enough. We have to see that foreign competitors, coming openly or in the garb of "India Ltd." or by working in partnership with their Indian counterparts, do not prejudice our indigenous industry. We do not want factories to be established here which are directly or indirectly controlled by Britishers or Americans or other foreigners. We want a purely national industry to grow. Apart from imposing the protective duty for a year or so and coming to the Parliament to renew it at the end of that period, if Government seriously mean to industrialise our country and protect the national industry, they must do away with all the foreign concerns who come in directly or indirectly in partnership with their Indian counterparts.

Then there are two other industries for which protection is sought to be extended. I refer to the plywood and tea chest industries and the iron or steel wood screws industry. Repeatedly, questions have been asked. From the reports, we find that the tea manufacturers, who are predominantly foreigners instead of using Indian-manufactured tea chests prefer to import them from outside, on the plea that Indian tea chests are not good enough. We have to go into it and find out whether the Indian product is really not good enough, and whether the foreign concerns are trying to import tea chests from outside only to help their own brethren. We must see that our manufacturing units produce at the optimum rate; otherwise, it is not possible for them to sell their products at a reasonable rate.

The plywood industry had to face a crisis some one and a half years ago, because all the tea manufacturers—who are essentially Britishers—imported their requirements of plywood chests from outside. It is therefore the duty of our Government to step in on such occasions, and help not merely by the

protective duty but if necessary by banning the imports. So long as similar types of products are available in our country, nothing should be allowed to be imported. If that is done, our manufacturing units would be able to produce at a price which would compare favourably with the imported article.

Then, take the screw industry. There are many factories in my State. Allegations were made that they are not good enough and that foreign-manufactured-screws are better and cheaper. In spite of our spirit of nationalism, some of us have the feeling that even if we pay a little more, we may prefer the foreign manufactured article. Government should not sit tight, thinking that their responsibility is over with the imposition of the protective duty. But so long as our Indian manufactures are available, and they are more or less of the same type as the foreign manufactures and can be sold in the market, Government should completely ban the import of such manufactures from outside.

Therefore, in regard to the plywood and screws industries, although Government want to extend the protection for a further period, they should not be satisfied with the imposition of the protective duty. They should take some positive steps, so that our industry can be saved and the process of industrialisation will be facilitated.

In conclusion, it is high time that we did away with imperial preference. Our national interests should be supreme. The consumer should not be called upon to pay more to protect the British industry. If the prices of the foreigners are competitive, let them come in; otherwise, why should we help them? I urge upon Government that they should have a positive policy, apart from imposition of protective duties. They should not allow British or other foreign interests to come in in the name of "India Ltd." or by joining a partnership firm. Our industries are facing a crisis. They are not coming forward to expand,

because of dearth of capital. These protective duties should not be treated as a routine business to be gone through on the basis of the recommendations of the Tariff Commission. This should be taken as a part of our fiscal policy and as a step to help and save the national industry and bring about the industrialisation of the country. Government should appoint a committee to go into the details of the working of protected industries. The committee should not be appointed with the view with which it was appointed during British days, but with the view that industries which have been protected under this Tariff Act are able, in the near future, to stand on their own legs, and help the development and industrialisation of the country.

Shri Jhunjhunwala (Bhagalpur Central): Mr. Deputy-Speaker, Government has come forward with a small Bill for giving protection or continuing protection to certain industries, e.g. the glucose industry, the plywood industry, the iron and steel screws, etc. So far as the question of extending the period is concerned, of course after the protection these industries are making headway and making some progress. But still, we do not understand why in spite of so much protection foreign manufactures are being imported.

The Tariff Commission, no doubt, reviews the position from year to year and simply comes to the conclusion that the protection should be continued for such and such industries. But then, we have no material to go by. We want to know why a particular industry has not yet been able to compete with the foreign industry. Just as my hon. friend Shri Basu said, so far as the tea chest industry is concerned, we are making tea chests here and still tea chests are being imported from outside. All the Britishers who have tea interests are purchasing foreign tea chests. Why should they purchase foreign tea chests?

Shri M. S. Gurupadaswamy: Because they are foreign-made.

Shri Jhunjhunwala: Even if our product is inferior, I would say that we should give them more protection. I do not like Government to encourage inefficiency. We should see that these units are not inefficient, but if there are some special difficulties in their way by which they cannot compete with the foreign manufacturers, it is the duty of the Government—apart from simply coming to the House and saying that protection should be continued for such and such industries for a period of one or two years—to place before the House the facts, and say “These are the difficulties; if necessary, we should increase the quantum of protection.” If necessary, for some time we should ban the import of such material, so that at least when our industry is in its infancy, everybody may be compelled to purchase the products of Indian industry.

Shri Karmarkar: I should say that I am very thankful to hon. Members for this debate because amongst the points that they have raised are only a few that require to be answered.

The first point that was raised by my esteemed friend, who spoke first, was that in spite of protection there is such a great disparity between installed capacity and actual production, particularly so in the case of the glucose industry. In fact, imported maize was costly and they had to pay a higher degree of price than what was normally expected of them. Apart from that, as my hon. friend rightly observed, in some of the industries the installed capacity is something bigger than the actual production and he was asking as to what action Government have taken in respect of having an assessment of the surplus installed capacity. My friend doubtless knows that at the moment this enquiry is being made, especially with respect to the engineering section of the industry, and we propose to take it by and by and we thought that

the best method of taking it is in sections. We are looking forward to the report of this enquiry which is being made in respect of the engineering section of the industry. We are quite sure that such information and such observations by this enquiry unit will be very helpful to us to see that production is stepped up.

My hon. friend Shri Natesan wanted to know as to why the Madras Government has placed indents for foreign transformers. I should like to clear away one misunderstanding—the impression seems to be that there has been a total ban in respect of transformers, because he also asked why a big factory had to be closed down. I have before me a statement of our policy regarding import of transformers. Of course, we have based it upon the necessities of the case. For instance, in respect of transformers upto 1500 k.w., we have permitted only 25 per cent. to the established importers and other types of transformers 100 per cent. to established importers. Actually, the import has not been banned, because the local production is not sufficient to meet the demand. Of course, my hon. friend can take up the matter with the Madras Government as to why they have placed an indent for foreign products. There must be some good reason for that and I am quite sure that my hon. friend will elicit the information from the other quarter.

My hon. friend Shri Gurupadaswamy made a very relevant observation, apart from a few others, and said that the consumer's interest should not suffer. I think, Sir, that is one of the principal considerations before us. For instance, when the old Tariff Board, now the Tariff Commission, dealt with an industry, it sets up before itself certain principles to guide its work in respect of the protection to be given to an industry, and one of the important considerations is that the industry is given protection if it can stand on its own legs within a

reasonable time. But I must say that a few of the industries have given us difficulties. Take for instance the production of raw silk. That industry has been receiving protection ever since 1934 and we have still to cover a long way. One of the difficulties that we have found in respect of that particular section of our industry is that there has not been competence in production on par with the units in Japan, for instance. Both in respect of cocoons and spinning of silk and all that processing work, the world has gone far ahead of us, and somehow partly because our industry has been a cottage industry and in the present state at home, hon. Members will see the difficulty of our interfering with any cottage industry in the country though we have accepted the introduction of modern methods in respect of particular industries. It may be that the consumer will have to bear the burden for a considerably long time in respect of production of raw silk.

Regarding imports, I cleared the ground earlier that we will permit imports only to the necessary extent. One of the points that we have to bear in mind in respect of protection to be given to industries is whether a particular industry has to depend on it for all time to come and whether that is an industry which will be difficult to work or manage. For instance, take the plastic industry. There is something to be gained even by processing the raw material for it. We have to make a distinction as between the purely processing industry, which is also important for the sake of production, because ultimately in the near future you will find that the relatively cheap labour may work to the advantage of our country. In the case of cloth, for instance, and some other items, cheap cotton and conditions of labour do help us, but the broad rule has been for how long have we to protect a particular industry; by and large the raw material should be found within the country itself, unless that is impossible.

Another point was made by my esteemed friend Mr. Basu, who made many other points too. He referred to a point, which I was quite sure he will not miss, and that was what he called 'imperial preferences'. I think he is still thinking in terms of an empire. I may say there is no longer any imperial preference. It is wrong to state it that way and any preference that we give is a preference in accordance with an agreement between us and them. If he does not mind a correction from this side, he may accept this. This is the result of the India-U.K. agreement of 1939 and afterwards. What exactly has been the effect? He had better examine the position of our exports to U.K. and the advantages gained by the duty-free entry which our goods are getting in the U.K. Perhaps he might do justice to that, and if he gives it a closer examination he might find that it has been a distinct advantage—these mutual preferences,—because ultimately these preferences are meant, not preferences only on one side but mutual preferences, to do good, though, of course, preferences ultimately might handicap a particular thing, in which case we will consider the position, and the position has always to be reconsidered. But then you will have to take a total view of those things, not take a partial or prejudicial view, because it is an agreement with U.K. We have to take the actual realities of the situation. We have to take into consideration the fact that whether we wish it or not, the U.K. forms a substantial market for our exportable commodities, like, for instance, tea, jute and even cloth. Now, it has been substantially importing from us to an appreciable measure. Therefore, whether we discuss this question of commonwealth preferences, or the results of Indo-U.K. trade agreement, whether we consider the import of some cloth from U.K. or not, I think we must take into consideration the actualities. I am not quite sure if my esteemed friend will himself undertake a technical study of this problem. He was a little conventional. Ulti-

[**Shri Karmarkar**]

mately, the matter is one of experience, and I can assure the House that if we find in actual practice that there is something seriously wrong in respect of an agreement by which we have stood till now, we shall not have any hesitation to come to the House and say "these are the disadvantages." I shall not dilate further on that point at this stage.

There was also another point. If I may be pardoned for saying so—that came a little conventionally. That was this: that foreign concerns are exploiting protection. There again, Sir, it leads us to another question which is unconnected with this particular Bill: Time and again, we have stated in this House that we have been doing it as desirable,—to allow foreign concerns in the sphere of industry not on their terms but on our terms, on mutually agreed terms. Then, I should also add that in no case has that been of any disadvantage to us, unless it is considered that whatever is foreign, even if it be helpful, is something that has to be eschewed. I do realize the impatience in certain quarters that we find in certain sectors of production, like the tea industry or some other industry, say, the jute industry, appreciable foreign participation. There again, we cannot un-make history. Now, I can well appreciate a feeling on that side of the House—'nationalize all those industries,' but that is another issue altogether. I go a step forward and say that apart from the foreign experts that are already there from the past.....

Mr. Deputy-Speaker: The point made is, why should foreign industries started in this country be given protection when foreigners in their own country are able to manufacture, paying customs duties, paying shipping charges and sell in our country at a cheap rate?

Shri Karmarkar: I am coming to that point. I very much appreciate

that point. That was the point made by my hon. friend and I am grateful to you, Sir, for clarifying it. In respect of that point, the option, according to my friend, would be he would far rather not take up any industry at all in which foreigners have to be employed. That, Sir, is a view which the Government do not share. At least in the initial stages.....

Mr. Deputy-Speaker: The foreigners who come here have special knowledge, the 'knowhow', etc., and they have been handling the machinery. How does it yet happen that the moment they come here, they have not been able to produce as cheaply as in their own country? And they think of increasing the labour charges here.

Shri Karmarkar: I appreciate that thing. If there is any exploitation in that system, that is a matter which we will look into as part of the industrial drive as a whole. That comes to this: that the Tariff Commission should be very correct in the assessment of cost accounting. Now, that is a point on which I need not join issue with the hon. Member. Whether it is foreign exploitation or local exploitation, it does not make any difference. It does make a difference when we permit foreign participation in any industries here. Having said that, whether it is an Indian manufacture or foreign manufacture, it stands to good sense to urge that whether it is Indian or foreign manufacture, it should not derive any undue advantage.

Shri K. K. Basu: If it is an Indian concern, possibly they may be willing to shoulder certain amount of burden for more years, knowing fully well that after the five years, they will get the benefit, but in the case of the foreign concerns, will not they exploit this for all time to come?

Shri Karmarkar: My friend there might differ entirely on this point from me, as to the advisability of

allowing foreign participation whatever. He might stretch the point further and say....

Mr. Deputy-Speaker: Not on these terms of protection. The foreign manufacturers are invited here because they are much better producers, more skilful and sell more cheap. But if that object is not fulfilled in respect of our own industries, what is the good of pampering them and putting burden on oneself?

Shri V. P. Nayar (Chirayinkil): He knows that, but he likes to say it in another way.

Shri Karmarkar: I am not in the habit of putting things like that. What I said was that if we take the industries—for example, the radio manufacturers, we say, well, here are the local units. Here is foreign participation coming. On the merits of the question, and on the importance of the industry, we decide, as to whether there should be foreign participation or not. Assuming for a moment that there will be some foreign participation units, and some local units, it stands to reason—I will not like to isolate my observation only in respect of foreign concerns—that we, after deciding what particular unit should be permitted to have a particular industry and other projects working, put it separately. On that decision, we might have a difference of opinion which has been to some hon. Members like saying “Ban all foreign enterprise altogether.” That is a separate thing. But we have crossed that issue, and when we have decided that in any particular section of industry, we have permitted foreign participation, the industry goes on working. After that, it becomes purely an economic point. I am not only against pampering foreigners but also against the pampering of our own industries if that pampering results in increasing burden on the consumer. So, Sir, the Tariff Commission has the power to see as to what extent the cost accounting is correct. If the process of cost accounting is to be correct—if that is my friend's point, I entirely agree with him. Whether it is foreign-produced or Indian-produced, the

588 PSD.

burden should not be more than what is necessary to cover the gap between local production and imported cost of any particular goods. In the essence of things, we are not interested in giving undue protection to any industry because, in our opinion, it does not do any good. Protection is just that much and for just the period of time which will be sufficient to make the industry stand on both its legs.

Then again, Sir, regarding tea-chests, I am afraid that the position was misunderstood, because our import policy happened to be missed, because, in respect of our last period, regarding the import of tea-chests, we permitted only about 10 per cent. of the past half-year's import, and in the latest policy, we reduced that ten per cent. to five per cent. But there is no question of 95 per cent. being given away. Whether it is foreign or Indian, it does not matter. My friend appears to imagine that only foreigners like foreign things. I must say that our people also like foreign things many times. That also is equally undesirable. Whether it is Indian or foreign, we have made it impossible for you to get anything more in the shape of imported tea-chests, more than the 5 per cent. of the normal imports. Now, it has been our experience that it is always necessary to coax our own industry. They get offended at this proposition: whenever we make a token import for improvement's sake, naturally they are displeased, and of course, we want all 'swadeshi.' I know of similar instances also. But common experience has shown that wherever this protection is given, the Tariff Commission and the Government between themselves propose sufficient protection for any industry. In my humble opinion a time should come when people would say, it is not a matter of free or liberal imports of anything, even if

5 P.M.

our product is not so good, our people should be so patriotic as to say that even though our import policy may be liberal, not one man will go in for a foreign product. But that has yet to

[Shri Karmarkar]

come. Government always take into consideration the fact of local or indigenous production. If we make some token imports of a small quantity, it is only because our industrialists also should not feel themselves absolutely cosy under the cover of banning all imports. Not only in the matter of articles covered by this Bill, but also in respect of all articles we always take into consideration indigenous production, largely because our foreign exchange resources have been difficult in many years as to limit the quantum of imports to be made. In the matter of the import of tea-chests, I am quite sure that allowing import of 5 per cent. of our normal imports is not in any way grievously injurious to the local industry.

Then there was a demand for a positive policy. Yes, Sir, I am very happy to know that my hon. friend is thinking in terms of something positive, because I have always misunderstood him of suggesting something negative.

Shri K. K. Basu: Jaundiced eye!

Shri Karmarkar: Jaundiced eye either way. There has to be a positive policy which means absence of a negative policy, whether it is participation of foreign capital, whether it is imposition of foreign technical, personnel, whether it is a question of development of industries, whether it is a question of import policy. In the whole of the economic sphere there has to be a positive policy.

There has been a positive policy. So far as we are concerned, that positive policy is to carry out the terms of the policy enunciated by the Government of India in 1948, that is to say, we have to stimulate greater and greater production. I will not tire the House by inviting its attention to detailed facts. Hon. Members can easily glance through the figures of production of many of the industries. Take glass, take paper, take textiles, or a whole range of products. Hon. Members will be happy to find that the nation has been making definite, positive progress, in terms of production.

What has it been due to? Partly because production units have been themselves efficient, largely also because Government have been very much concerned with regard to promotion of industry as a whole. May be our steps are cautious. Sometimes we are cautious. We do not want to burden the consumer with more than the necessary burden. In the past sometimes—we know that has been due to unfortunate traditions—certain quarters have indulged in undesirable practices. What happens today? Supposing, on account of our import policy of razor blades, for about fifteen days there is a sense somewhere in the retail or wholesale market, that there would be a shortage of 10 per cent., why is it that immediately the prices register a greater increase than is necessary? Why is it that that sense of even a small shortage of production, sends prices high? Who has to bear that? Taking all these things into consideration, the positive policy that Government has been pursuing in the promotion of industries, firstly by inviting as much capital goods as possible, secondly by making raw materials as much available as possible, thirdly by affording protection in all possible ways, both in its purchase policy, in its import policy as also, which is the most important according to the opinion in respect of tariff policy, and the results are obvious for any hon. Member who looks into facts.

Not that our methods are perfect. We are not claiming perfection, as nobody can. Sometimes our anticipations may be wrong; sometimes the protection afforded may not have been taken advantage of by the industries concerned. But by and large the positive measures that Government have been taking have resulted in definite progress being made in the sector of industry.

These are the only important points that I could gather in this debate. If I have missed any points, I should like to be excused because at this stage I do not want to take the time of the House by going into minute points. I very much appreciate the

way in which this Bill has been received. I beg to move that it be taken into consideration.

Mr. Deputy-Speaker: The question is:

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

The motion was adopted.

Mr. Deputy-Speaker: There do not seem to be any amendments.

Shri V. P. Nayar: Nobody expected this Bill to come up.

Clauses 1 and 2 were added to the Bill.

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

Shri Karmarkar: I beg to move:

"That the Bill be passed."

Mr. Deputy-Speaker: The question is:

"That the Bill be passed."

The motion was adopted.

INDIAN TARIFF (THIRD AMENDMENT) BILL.

The Minister of Commerce (Shri Karmarkar): I beg to move:

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

The main objects of the Bill are three-fold; first to grant protection to the titanium dioxide industry, secondly, to continue protection to a number of industries and, third, to discontinue protection to certain industries as mentioned in the Statement of Objects and Reasons.

Sir, I may state at the outset that the case of the titanium dioxide industry has some distinctive and special features of its own. The industry which now consists of a single firm, namely The Travancore Titanium Products, Ltd., has after a promising start

gone into a state of suspended animation. The immediate problem is to bring it to life and activity. The product of the industry, that is titanium dioxide, is an important white pigment used in a number of industries, including paints, printing ink, rubber, enamelware, soap and cosmetics rayon etc. It has, however, to compete with several substitutes which hold a strong grip over the Indian market for instance, lithopone, zinc oxide and white lead.

It is a principal raw material ilmenite, is available within the country in abundance. The range of production of the industry does not cover at present all types of titanium dioxide. The 'anatase' type of titanium dioxide constitutes the main line of its activity. It is, however, equipped to manufacture the other type, that is, 'rutile' grade also. The Tariff Commission considers that the chief obstacle in the way of the speedy development of the industry is the comparative smallness of the internal demand. It is important, therefore, that steps should be taken to enlarge the volume of demand and that we should avoid all steps which would have the effect of raising prices.

The Commission recommended, and Government have agreed that the existing rates of duty namely 25 1/5 per cent. *ad valorem* preferential and 35 1/5 per cent. *ad valorem* standard should be converted into protective duties and that protection should for the present be limited to one year.

[PANDIT THAKUR DAS BHARGAVA in the Chair.]

Sir, with regard to the second part of the Bill, I can state that the protection granted to industries, on the recommendation of the Tariff Commission is limited to a specific period of time. Before the period of protection expires the Commission is expected to make a review of the manner in which protection granted to the industry is operated. On the basis of the report of the Commission, Sir, Government decide whether protection should be continued for a further period of time or withdrawn. Thus this is not a new measure which the