INDIAN TARIFF (SECOND AMENDMENT) BILL—*Contd.*

Mr. Speaker: The House will now proceed with the further consideration of the following motion moved by Shri T. T. Krishnamachari on the 23rd September, 1954, namely:

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

The House will also take up further consideration of the amendment for circulation moved by Shri V. P. Nayar on the same day.

The House will now resume the discussion on this Bill, as I said just now. For the information of the House, I may state that of the total time of 7 hours allotted to this Bill, 1 hour and 40 minutes have been availed of yesterday, and 5 hours and 20 minutes now remain. The discussion on this Bill has to go on for a longer time, as was just announced.

I find that we are getting behind schedule, in respect of the allotment made by the Business Advisory Committee. There are also some other important discussions which must come before the House, and cannot be postponed—some half-an-hour discussions or some other discussions, which under the rules we are bound to have in this session. That means that not only we must make up the lost time, but provide for certain further time. The Business Advisory Committee had provided for about five hours, but we are going in excess of that also. I may say, the hon. Members would not like the idea of my disallowing these discussions, half-an-hour or other discussions, merely to cut down the time; I must allow such as I think proper, with the result that the time for which the House has to work gets longer. The only alternative is to sit still further, longer; every day.

So, the discussion on this Bill will continue up to 3-30 P.M. and then the Private Members' Business will commence. That means, the House will be sitting till 6 P.M. today, and perhaps for subsequent days also, as we have very few days now at our disposal.

Shri T. B. Vittal Rao (Khammam): May I point out one thing about the extension of time? Suddenly it may be decided in the Business Advisory Committee. But we should be informed a day earlier so that we can space our engagements. But suddenly we are told we should sit till six o'clock.

Mr. Speaker: To what continuity of time does the hon. Member refer the time from 2-30 to 3-30 P.M.?

Shri T. B. Vittal Rao: The extension of time from 5 to 6 P.M.

Mr. Speaker: My impression is that when this question was discussed in the House that we should sit from 11 A.M. to 5 P.M., the hon. Leader of the House also stated that it had the advantage of prolonging the sitting by one hour, if and when necessary. That was a general statement made by him. I might agree that it causes inconvenience, but the hon. Members may take it that till the 30th, the House will sit till six o'clock.

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): May I request the Chair's guidance in regard to the fixing of time for the various stages in the Tariff (Second Amendment) Bill. We have now spent 1 hour and 40 minutes, and we have got 5 hours and 20 minutes to spare. Is it the desire of the Chair that time should be allotted for the various stages?

Mr. Speaker: As I have said, on this question, I am entirely in the hands of the House. What is it that the hon. Minister would suggest? I would put it to the House. If the House is agreeable, we will allot time.

Shri T. T. Krishnamachari: I merely wanted to know if the House had anything to say about it.

Mr. Speaker: What time shall we allot to the motion for consideration, what time for the clauses, and what time for the third reading?

Shri Kasliwal (Kotah—Jhalawar): There are no amendments to the clauses. I think there are one or two small amendments only to the clauses.

Mr. Speaker: I want to know what the proposal is.

Shri Kasliwal: Five hours for the consideration stage, one hour for the clauses, and one hour for the rest.

Mr. Speaker: Is the House agreeable to that?

Several Hon. Members: Yes.

Mr. Speaker: So we shall have five hours for the consideration stage, inclusive of the time taken up uptil now one hour for the clauses; and one hour for the third reading. That is clear then. That is the allotment with the consent of the House.

Shri T. T. Krishnamachari: Then, I take it that the consideration will be over today.

Mr. Speaker: Whenever five hours from the beginning are completed; if they could be completed today. But today, there is a difficulty, for the private Members' Business is there for consideration. So, it will have to be calculated—not till the end of the day, but wherever the debate comes in.

Today, the discussion on this Bill will go on till 3-30 P.M. as I said just now, and after that we shall take up the Private Members' Business. What time will the hon. Minister take for replying?

Shri T. T. Krishnamachari: About half an hour. My suggestion is that today, by 3-30 P.M. we should be completing very nearly 4 hours and 55 minutes. If the discussion on the consideration motion could be finished today, then we can take up the other stages tomorrow.

Mr. Speaker: Inclusive of the hon. Minister's reply, I think, will it not be finished by 3-30 P.M.

Some Hon. Members: No.

Pandit S. C. Mishra (Monghyr—North-East): No, it will be only 4 hours and 30 minutes by then.

Mr. Speaker: That does not matter much. We can adjust now to that extent; and the Private Members' Business will commence after that:

Shri R. K. Chaudhuri (Gauhati): An important announcement has been made by the hon. Railway Minister, so far as the constitution of the Railway Board in the future is concerned. Will the House be given any opportunity of discussing this matter?

Mr. Speaker: I think he may write to the hon. Minister of Parliamentary Affairs or to the hon. Leader of the House, and they will take it into consideration. But I do not think that I am at present in a position to say immediately that there can be a discussion. If the hon. Member wants really an effective discussion, the better course would be to have a copy of the statement made, study all the relevant literature and then discuss whenever there is not such pressure on the House to complete business by a particular date; and that means the next session. The Supplementary Demands for Grants are also there, and there are so many other things.

The House will now proceed with the further consideration of the Indian Tariff (Second Amendment) Bill.

Shri K. P. Tripathi (Darrang): I was discussing yesterday how even a very advanced country like the U.S.A. has been under the necessity of controlling foreign imports. In the context of things today, no country can say, we will allow or permit free imports into our territory. Why is this so? It is so because the world is divided into two parts; so far as imports are concerned. One

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consists of countries with a home consumption economy; and the other consists of exporting countries like England. England for its existence depends entirely on exports. Therefore, she has devised an economy which might be called an export economy.

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

But the United States of America is primarily dependent on the home market. So will have to be the condition of all those new countries which are coming into independence, like India.

India does export certain things, but her exporting capacity is not matched with the exporting capacity of the other countries. It has to be realized as to why this is so. It is because those countries had an advance of about two hundred years over India in regard to industrialisation, while in our country, all the machinery which we have got are practically foreign, and our institutions of research in every industry is also very limited. Therefore, it will be seen that in our country, once a machine is manufactured, it continues for a long time, but in other countries, both the machines as well as manufactures change every year, so great is the technological advancement in those countries. It is, therefore, quite clear that for a long time to come, that is, until we catch up with them the situation will remain as it is, namely, that we shall have to depend on the home markets for consumption; and for that purpose, our home market has to be protected. Our manufactures also have to be protected, so that they may not be completely wiped out by competition from foreign countries.

For this reason, I was citing the example of the United States where even butter had to be protected against competition from the Netherlands. Another example I saw when I was there was the protection given to beef. The United States produces a large amount of beef, but when there was competition from Argentine, there was the necessity of protecting beef also. So, no country in the world today can say that it needs no protection. When every country needs protection, the type of protection which is needed for countries like ours is obviously a fool-proof scheme of protection. For that purpose, what is the scheme needed? It is said that protective duties may be enough. I simply begin to think that it is not enough. Protective duties would be enough if our statistical department was up-to-date. But I find that our statistical department is so backward that it is always two or three years behind. So that the organisation which is set up, namely, the Tariff Commission, takes two to three years in order to find out whether an industry is going down. If you find that at the end of two or three years, an industry has already gone down, what is the use? The industry is already finished. It is in a bad condition. So we cannot afford to do that. Therefore, some sort of quantitative control should remain and must remain for our country. It is for this reason that I humbly beg to submit that it is necessary that, although we liberalise the quantum, the quantum must be set; it must not be abolished.

The position with regard to the balance of payments began to ease in the middle of 1953. I find from the *Eastern Economist's* report the terms of the balance of payments position from the index numbers. In April 1953, imports were 115 and exports 110, in May the imports were 119 and exports 119, in July the figures were 110 and 110.3 and in August imports were 110 and exports—an increase—113:2. Obviously, when this increase occurred, the Government began to feel that we were out of the woods. But it will be realised that this increase does not mean that we have got a balance of exports over imports; it merely means that the total trading position has eased. As soon as this position occurred, there was an attempt made by industrialists and businessmen to influence the Government and the Government also began to feel the itching and began to change the policy. Now, it will be realised that this balance of payments position which has improved is not a lasting one. It will be realised that the position with regard to import of foodgrains has eased very greatly, and it is for this reason that the improvement in the balance of payments position has occurred. In 1951, we imported grains and pulses to the tune of Rs. 230 crores, in 1952 the figure came to Rs. 119 crores, in 1953 it was Rs. 57 crores. What a steep decline? It is for this reason that the balance of payments position has improved. But you will realise that this position in the matter of foodstuffs is not a reliable thing. It will be remembered that two years ago only, the position of sugar was such that we were thinking in terms of export and within two years, the position has become such that we are importing a lot of sugar. Therefore, in a country where the population is expanding at a tremendous pace and there is a shift in the purchasing power of the people, this dependence entirely on the purchase or non-purchase of foodgrains or foodstuffs is not a reliable criterion for the purpose of determining whether we should go in for higher imports or not. This position has not been sufficiently taken into consideration. Therefore, as soon as we had a small surplus in the balance of payments position, the Government began to feel that it should liberalise import. I humbly submit that a poor country like India should try to build up foreign exchange rather than squander away foreign exchange simply because it begins to gather somewhere. Now, if we can build up foreign exchange, we can do away with foreign loans. If we can build up foreign exchange, we need not depend so much entirely on foreign loans at all. But for this purpose, there should be an attitude in the Ministry to build up foreign exchange. I humbly submit that this point has not been sufficiently taken into consideration. If it were taken, the hon. Minister would have been glad to find that there was a certain increase in the sterling balances. I find that there has been a gradual accumulation in the sterling balances of this country. At the end of 1951-52, the sterling balances were standing at Rs. 723 crores, at the end of 1952-53, they came to Rs. 724 crores; at the end of December 1953, the figure was Rs. 723 crores and at the end of February 1954, it came to Rs. 745 crores. So you will see that in these four years there was an accumulation of Rs. 22 crores in the sterling balances.

The Minister of Commerce (Shri Karmarkar): Yes.

Shri K. P. Tripathi: Now, when this accumulation of sterling balances occurred, obviously there are two ways. The English people will try to see that this sterling balance is liquidated. In their own national interest, it is necessary that no sterling balance may accumulate there. Therefore, there was a great attempt, a great pressure put on our Government, by the trading interests of U.K. for more and more imports into this country of British goods. That pressure is still going on. The question of Lancashire was quoted yesterday. Now, I would humbly submit that the position that simply because sterling balances have accumulated, therefore they should be liquidated against imports of consumer goods from that country, is not the right position. As a matter of fact, we are importing consumer goods, machinery etc. etc. from the U.K. As a matter of fact, the entire economy of U.K. is depending on our trade with them—the profits which they export from this country back to their country. Therefore, they should take a total view: they should not merely calculate in terms of textiles and say 'Oh, you are not getting our textiles, therefore, there is not enough trade'. They have to take the whole picture and our Ministry

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also has to take the whole picture. Then I think it will be possible to convince them that although we may not be taking enough textiles, which we do not need, we are taking other things and on an overall picture, we are importing sufficient things from U.K. In this way, it is possible to meet the political and other pressure which is being put on our Government to import more and more textile goods and other things.

In this connection, I want to point out the wisdom of the British Exchequer as compared to the wisdom of our country. I will cite one example. You will see that the total foreign investments in this country is to the extent of Rs. 320 crores. Out of this, what is the investment of U.K.? I have got figures for four or five industries in jute the investment is Rs. 12 crores, in coal Rs. 3 crores, in mining Rs. 7 crores, in financing Rs. 7 crores and in tea Rs. 49 crores That comes to nearly Rs. 80 crores. Now, they have got these Rs. 80 crores. Against these Rs. 80 crores, they are getting every year a return of profit which is now over Rs. 10 crores. In 1950, we exported Rs. 15·9 crores as profits, in 1951 we exported Rs. 13·5 crores and in 1952 we exported 11 crores. In 1953 also......

Dr. Rama Rao (Kakinada): On a point of order. There is no quorum.

Shri K. P. Tripathi:...there has been export of these profits. So, the British Exchequer is very clever. It believes in investing its funds in this country so that there may be export of profit. What do you do? You freeze our sterling balances in that country so that we might not get any export of profit from that country. What we are getting is merely the interest on the frozen investment of our country. I am reading from the Reserve Bank of India Report. At page 12, it says:—

Mr. Deputy-Speaker: The hon. Member Pandit K. C. Sharma will kindly stay in the House; there is no quorum.

Shri D. C. Sharma (Hoshiarpur): As soon as people come to know that he is speaking they will come.

Mr. Deputy-Speaker: I think, hereafter, if it is a Government Bill the Government and the Whips and the Ministers, all of them combined, should see to it that at every minute of the proceedings there is quorum.

Shri Karmarkar: If I am permitted to go, I can bring in some Members.

Mr. Deputy-Speaker: There is no question of permission. If the hon. Minister wants, he can go out and come back. I think there is enough quorum now.

Shri K. P. Tripathi: I am reading about the sterling balances from the...

Mr. Deputy-Speaker: I am considering seriously whether we can distribute sweets and coffee also here.

Shri D. C. Sharma: Only coffee will do.

Shri K. P. Tripathi: I am reading.

> "On the foreign and sterling balances which account for most of the short-term liability an interest half of one per cent. is paid, while on its five million long term debt to Canada and the United States, no interest is paid. Against these loan interest obligations, the country has still considerable longterm assets in spite of liquidations and many of them yield high returns."

So, you see against our investment, we were getting for a long time—I think it has now been increased—only ½ per cent., whereas in the case of British investments in India, the returns are more than 10 per cent. I was just calculating what it would look like if only on 80 crores—leave out the rest of the balances which you have got—invested in the United Kingdom, we got 10 per cent. as return; it would amount to Rs. 57 crores. As a matter of fact, the British investments of Rs. 80 crores in India in the last few years from 1947 to 1952 brought them

Rs. 57·5 crores. Eighty crores is the investment and the amount of profit which they got was Rs. 57·5 crores from 1947—52. Two years are left out. Whereas, if we have invested in frozen balances Rs. 80 crores in England, we are getting or rather we were getting in the initial stages only ½ per cent. and for the total we have only got Rs. 80 lakhs. You will see how foolish a transaction it is. We invest our balances in that country and we get only Rs. 80 lakhs and for the same amount invested in this country by them they got Rs. 57 crores.

Shri Kottukappally (Meenachil): Theirs is a permanent investment here and ours is a current account balance.

Shri K. P. Tripathi: I am not talking about the current account balances. I am only showing the wisdom of the British Exchequer. Our wisdom is that as soon as we get a certain trading balance, we increase our imports into the country and squander it. Their wisdom is let there be balances, let them be invested in this country.

I will tell you what they have been doing. You know England is a debtor country today. Although they are a debtor country, they have, within the last few years, 1948—53, invested in this country a sum of Rs. 68 lakhs in 1948, Rs. 192 lakhs in 1949, Rs. 159 lakhs in 1950, Rs. 71 lakhs in 1951, Rs. 208 lakhs in 1952, and Rs. 37 lakhs in 1953. So, this debtor country, which is so indebted to us that it cannot pay its debt and the debt has been frozen, goes on re-investing in this country so that profits may be returned to that country. We the creditor country do not get any return and if we get more sterling balances in that country, we are immediately asked to liquidate it by imports and we immediately agree. That would be wrong.

Shri Karmarkar: Which would be wrong?

Shri K. P. Tripathi: Therefore, our sterling balances have to be preserved. These are not the sterling balances which were obtained during the war. These are new sterling balances, created by trade and therefore some new agreement should have been arrived at by this country with that country. That has not been done. The sterling balances are being treated as before. I think it is wrong to do so. I think Government should have taken some step so that some of the investments of that country in this country might have been liquidated against those sterling balances rather than what is being done. If some of the foreign investments in this country could have been liquidated, then to that extent those industries might have become ours. If those industries might have become ours, then the profits thereof might have remained in this country and the capital formation thereof might have become the capital formation of this country.

I have given you figures of capital export to the extent of Rs. 57 crores only to the United Kingdom in the last few years, 1947—52. At least this might have stopped.

You will realise, Sir, that in this country there are so many industries but very few are owned by our country. Therefore, what happens is this. The profit is exported out of this country. In the agricultural industry there is practically no profit because it is only subsistance industry The main problem of the countries of Asia today is capital formation. Therefore, some methods must be devised so that capital formation begins to occur here. That attempt is not being made. Until and unless you make that attempt you will always have to depend on the import of foreign capital, for the purpose of feeding our own growing population. I do not know what attempts have been made for the liquidation or exchange of foreign assets. Our Government is afraid. It may be said that as soon as we take any step for that purpose here, the sterling balances, past, present or accumulating in the U.K. they will be upset and therefore it cannot be done. I think it is

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a wrong view. Ultimately, it is not only in our interests that the foreign balances are liquidated and we get more capital formation here, but it is also in the interests of the foreign countries because what they require is trade and higher trade. Trade and higher trade is possible only if the purchasing power of this country increases. The real purchasing power of this country can increase only if there is higher employment. Higher employment can come only from higher investments and higher profits remaining in this country. All that is possible only if some such step is taken. But, if some such step is not taken, then higher purchases from foreign countries can only depend on the balance of payments position. The balance of payments position for any country is not stable at all and therefore on that no higher imports can be built for a long time. Therefore, it is in the interests of the U.K:, it is in the interests of all those foreign countries which want to trade with us that there may be found out some way by which capital formation occurs in this country.

I will draw attention to the resolution passed in the I.C.F.T.U. which said that there should be an attempt to export to India and all these underdeveloped countries, not investment capital but loan. They should give us loans rather than invest their own money here so that profits might be exported abroad. That body is dominated not by easterners but by the westerners; and they passed a resolution that loan capital should be imported into these countries rather than investment capital. It is only for this purpose, namely, unless and until the country has sufficient capital for investment, out of which profits accrue, it will not be able to go on expanding itself in terms of the expanding population. Therefore, after every two or three years there will be capital deficit and you will have to ask for more and more investment. I think the object of the recommendation was.....

Shri Kottukappally: The money will be more secure if it were a loan.

Shri K. P. Tripathi: I am speaking of a resolution of a body of labour organisation and there is no question of borrowing of capital from one country to another. That body has merely an advisory capacity and it has nothing to do with the big business or the big dollar areas.

Mr. Deputy-Speaker: How does this all arise under this Bill. Some import duties are increased. Duties relating to protection are continued or discontinued on the recommendations of the Tariff Commission. It is a very interesting debate on the sterling balances and how they ought to be used. If the import duties are increased merely to liquidate the sterling balances in an indirect manner, it does not come under this Bill, but if the import duties shut out the import of articles, then the question will arise.

Shri K. P. Tripathi: The statement made by Mr. Deshmukh in support of the Bill in this House said that a policy of restriction of this nature can be justified by a chronic position of unbalance in our balance of payments position, which no longer obtains. In this way he wanted to explain why they were liberalising the import policy. My argument is that when the balance of payments position improves, there is accumulation of our foreign exchange.

Mr. Deputy-Speaker: Under this Bill how are imports liberalised?

Shri K. P. Tripathi: By imposing higher duties and by increasing the quotas. Duties are restricted by the quotas, which are now being liberalised.

Mr. Deputy-Speaker: Is quota part of this Bill?

Shri K. P. Tripathi: Yes, imposition of quota is part of this Bill.

Mr. Deputy-Speaker: Where is it stated that quotas form the subject matter of the Bill?

Shri K. P. Tripathi: That is the basis on which the whole Bill has been framed. The whole idea was that formerly restricted quotas were imposed, but now those quotas are liberalised. Therefore, the duties are increased also and both these things are part of the same idea. I was suggesting that the policy which our Government as a whole, not merely the Commerce and Industry Minister, should follow is to have some kind of an idea in their mind so as to gradually exchange all the foreign assets in this country against our accumulating foreign exchanges, rather than squandering them away by liberalising imports. From that point of view I was arguing, and I feel that the Government will give sufficient consideration to this idea at some stage or other. I am not saying that foreign investment in this country should be stopped. Rather we are inviting foreign capital to invest in this country. What I am saying is that there are older assets in this country. Our Commerce and Industry Minister, Shri T. T. Krishnamachari stated in a speech outside the Parliament that the foreign interests should withdraw from commercial investment and concentrate on industrial investment.

Shri T. T. Krishnamachari: Quite right, but progressively.

Shri K. P. Tripathi: I agree, progressively. So far as the future and present investments are concerned, I invite them and they should come and establish themselves in those sectors of the industry where there are no industries floated in India, but in respect of the older industries in this country, there is a case for gradual elimination of foreign interests by exchanging them with our foreign exchange which is accumulating. From this point of view I hope that this Ministry, particularly and the other Ministries in general will give their consideration so that this change might be progressively brought about. This cannot be done in a year, I know. If this idea is taken hold of, I think it can be done, but we are afraid. Take for instance the question of employment in foreign firms. We cannot give direction to them that they should employ Indians in their firms. In Switzerland I was told that there is a law that nobody can go from outside and set up any profession or service until the Government there permits him to do that and nobody is angry about it. But whenever the question is raised in our country, we think it is some sort of discrimination and so all the countries might get angry or annoyed and might cease trading with us at all. I may tell you that if you take a reasonable step, you have nothing to fear and no country is going to be angry, and no trade will stop. Things will go on and relations between country and country will go on as usual. I would, therefore, request the Government to give up their fear complex of other countries and determine a national policy with regard to the gradual Indianisation of capital investment in this country with a view to creating sufficient internal capital for the purpose of present and future investments here.

Shri Asoka Mehta (Bhandara): The Government's import policy has changed so frequently and it fluctuates from time to time to such an extent that it is difficult to discover its rhyme or reason, its logic or purpose. I have been listening to this debate and I am sure the hon. Minister will agree with me that this policy has not been able to shed any light on us, and the debate also has not been able to help us very much.

We are discussing here a Bill that has been introduced with two purposes in view—first, to increase the import duty on certain goods mainly to get revenue advantages, and secondly to relax gradually the quota system. The Bill has also been brought in, to implement the resolutions of the Government on the recommendations of the Tariff Commission. In connection with this Bill the Finance

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Minister had certain important observations to make. He pointed out—

"Another consideration has been that our import policy imposing quantitative restrictions on several commodities by the fixation of small quotas has had the effect of creating artificial scarcity and of needlessly raising the consumer price of such articles...... At the same time, the excessive margin of profit that was available to the middle-man in conditions of scarcity induced by quantitative controls will be mopped by the exchequer."

It is suggested that because of quantitative restrictions, because of quantitative controls, it became possible for some middlemen to make excessive profits which the Government were not able to control and by reason of the tariff walls, now, it will be possible to mop up those excessive profits made by taking advantage of an artificial scarcity, or a scarcity that was brought about by the import policy of the Government. In this connection, I would like to invite the attention of the House and your attention to the debate that had taken place in this very chamber some years back, a debate that was held by the forerunner of the present sovereign Parliament. In that debate in 1946-47, the dangers of this policy were fully pointed out. Not only were the dangers pointed out, but a Committee that was then functioning, in a note which was supposed to be secret at that time, but which is no longer secret now,—note by the Commodities Prices Board—had something very pertinent to say. In the course of that report, the two Members of this Committee had pointed out:

"The implications of the policy of import and export controls must, however, be fully understood. During the course of the debate in the Assembly, it was pointed out how import controls created positions of monopoly and how, as a result, certain licences were able to exploit the consumers without check. Definite instances such as that of imports of brass were cited in support."

They were cited in support in the course of the discussion in this very Chamber.

"It is obvious that import and export controls create positions of vantage for certain classes of traders and producers. The control of imports limits the extent of competition with goods produced by internal producers which are of the same class as imports. It also gives a specially favourable position to persons who are able to obtain import licences and there is nothing in the present system of controls to guarantee that the consumer is not penalised or exploited because of the limitations of supply imposed by import controls."

This danger was pointed out as early as 1947. But, only after 7 years, in 1954, Government of India woke up to their responsibilities.

The committee further argued:

"Therefore, unless Government is sure that there are special circumstances which prevent licensed importers or exporters from exploiting their position in a special way, the imposition of export and import controls should logically lead to the imposition of controls for the protection of the consumer. Bulk purchase on Government account of imports and the sale of exports through Government agency have both been widely resorted to in other countries because of the problems to which export and import controls give rise. The policy of H.M.G. in the former is instructive; the policy of countries like Argentina in the latter has at least the merit of profiting the general tax payer and not any special class of trader or producer."

Here was an important contribution made by an influential Committee. But, what do we find? Government took not the least notice of this recommendation and the import export policy was pursued along the old lines. A handful of men, a privileged group of men, were permitted to make extraordinary profits and the Government neither protected the interests of the consumers, nor tried to draw to the exchequer the special profits that were being made. The Government ignored this Committee. When it found that its recommendations were ignored in these matters and others, it had ultimately to resign, perhaps in despair if not in disgust.

A little later, another Committee was appointed—a Committee on State trading. I wonder if Members remember that such a committee was appointed and that it had submitted a report. The report lies in a pigeon hole somewhere. This was a report to which the Government or the Minister concerned has never had any occasion to refer to because State trading is taboo. Today, it is being suggested that the substitution of high tariff duties for quantitative controls on imports will help to eliminate the danger of windfall profits. I do not think so. It will eliminate in one direction, in one sector; it will create windfall profits in another direction, in another sector. In certain items, like brass holders, bicycles, bicycle parts, the recommendations of the Tariff Commission have not been accepted. Import duties have been increased by the Government or higher import duties are sought to be levied by the Government. I agree that that is necessary to give higher protection to the small scale units that are engaged in the production of these articles. This is a very good proposal. It would be a very welcome proposal to protect the small scale units. But, what will happen behind the tariff walls? The large-scale units will thrive and get exceptional advantages. These exceptional advantages will be utilised to inundate, flood and ultimately disrupt the small-scale industries. The large-scale units will make very high profits and will oust the small enterprises. In the brass holders industry, the Tariff Commission tells us that just one large-scale factory in Bombay, and that too a foreign firm, has the production capacity to provide for all the needs of our country today. With high tariff walls, with enhanced fiscal duties, it should be possible for this one large-scale enterprise, which is a foreign enterprise to boot, to produce enough brass holders to disrupt and destroy the small producers. I do not know in what way windfall profits will be reduced by this Bill. Nor do I know in what way the small scale producers will be protected.

It is interesting to find that even when there were quantitative restrictions; even when there were quantitative controls over imports, Indian industries were not able to produce to their full capacity. I shall cite only two instances. One is the classic instance of razer blades. At present we are using only 10 per cent. of our production capacity. In the sheet glass industry, we are using only 30 per cent. of our installed capacity. The landed cost of 16-18 oz. sheet glass used to be Rs. 28-8-0 a case while the market price was Rs. 48/- per case. For the 24 oz. sheet glass, the landed cost was Rs. 42-10-0 a case, and the market price in Calcutta was Rs. 75/- per case. While on the one hand, we have an indigenous sheet glass industry which was working only 30 per cent. of its capacity, imported sheet glass, which you had restricted under the import policy, was able to fetch fancy prices in the market. Why is it so? May be that the quality of our goods is not up to the mark; may be, as was pointed out by my hon. friend yesterday, there is a certain amount of consumers' prejudice. If there is consumers' prejudice, if the quality is not up to the mark we have already armed the Government with the requisite powers, and with the

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requisite personnel. I believe that in the Ministry of my hon. friend, there is a section devoted to this work. I would like to know from the Minister what that section has been doing. I shall come to that a little later when I come to the working of the Tariff Commission. But, the fact remains that even where we had provided quantitative restrictions, even where we had provided effective protection to our industries, we have not been able to make full use of our production capacity. We know that such a contingency would arise. We had armed the Government. We had provided them with the requisite personnel. But, Government, so far, have not been able to tell us why they have failed us signally in this direction.

As far as the policy of quantitative control is concerned, I find that though the Secretary of the Federation of Indian Chambers of Commerce and Industry, who is our colleague in this House, denied the suggestion, the fact remains that in this very interesting and valuable report that has been produced, by the Chamber has put it on record that it prefers quantitative control to general tariff protection. The report says on page 7:

> "A very important advantage in using import control as compared to tariff protection is that while the effect of an increased rate of duty on the volume of imports of a given commodity can hardly be foreseen, restriction on imports provide a direct assistance to the indigenous industry and is, therefore, a far more effective instrument of protection than the raising of import duty."

1 P.M.

As far as our industrialists are concerned, they want, therefore, quantitative restrictions, but naturally no suggestions have been made, no worthwhile safeguards have been provided in this report to see that the consumers are not exploited or that windfall profits are not made by the favoured importers. Now, it is here that one would have expected Government to come out and make suggestions. An under-developed country that is trying to develop herself cannot abandon completely the weapon of quantitative control from her fiscal armoury. Quantitative controls are necessary. Quantitative controls may have to be embarked upon in certain circumstances. And, quantitative controls, as was pointed out seven or eight years back in this very chamber inevitably creates certain circumstances where windfall profits become possible. And now, how are these difficulties to be met? Several years back it was suggested: take recourse to State trading. The Government was not prepared to consider State trading. At that time, they shut their eyes, they ignored, they refused to look into the windfall profits that were being made. Today, for reasons that I shall come to a little later, the Government are prepared to abandon quantitative restrictions, Government are prepared to throw aside, to discard completely the valuable weapon from our fiscal armoury. On both these occasions, it is my contention that the Government have been woefully wrong. In the past they should have looked at this problem from the angle from which the note was prepared by the Commodity Prices Board; and today it would be wrong on their part completely to ignore this question. If the Federation has merely posed the question as an *obiter dictum* and ignored its implications, the Government are doing no better by not merely ignoring the implications of this question, but by refusing to pose it at all.

Then again, the Government's case is considerably weakened by what is happening. We are raising tariff walls at the suggestion, at the recommendation of our Ministers, but what do we find, Sir? Behind the tariff wall, over the tariff wall foreign interests are coming. They are jumping over the tariff walls and establishing themselves behind it. What do we find in the cycle industry? Our Minister is very much interested in the cycle Industry. I know that he has been showing a considerable solicitude towards this industry. But, what do we find? As soon as tariff walls were raised, two foreign concerns, Raleigh and Hercules—established themselves, have been permitted to establish themselves, taking advantage of the increased tariff walls. We have in our country Capitalist Cycle Industry. The Hind Cycles are there, belonging to the Birlas. There are other cycle factories also organised by the big enterprises in our country. We have also small scale cycle industry. We have both these kinds of industry. We have quite a problem on our hands in trying to reconcile these two sectors of industry, but while these problems are unresolved, we are permitting, we have deliberately allowed, some foreign interests to come in—of course, in association with some Indian interests. But, is it wise, is it proper, that we should permit these foreign interests to come and take advantage of the tariff walls that we are creating; and if the foreign interests are going to jump over and come here, well, I think, as my friend pointed out just now, we shall be; we may be removing one difficulty but building up another obstacle for ourselves. We may be industrialising ourselves, but we may not become the masters of our industrialisation. These are questions of great importance, and it is necessary that the Government should make its position clear.

The Import Control Inquiry Committee that was appointed some time back, in its report, had said that quantitative restrictions had three specific purposes. The three purposes were outlined as follows:

"A. To limit the aggregate imports on Government or commercial account to the total available foreign exchange earnings from different sources including sterling releases.

B. To distribute the available foreign exchange resources in the most equitable manner among the commodities required for:

(i) the planned development of agriculture and industry; and

(ii) essential requirements of consumers.

C. Consistently with the above to moderate the fluctuations in the prices of particular commodities when they may have risen abruptly much above the parity of general level of prices on account of shortages resulting from deficiencies of supply."

These were the three reasons. These were the three purposes for which generally quantitative restrictions are used. Now, we find that as far as giving protection is concerned, in the past quantitative restrictions helped us in building up, in fostering industries like the antimony industry, but today we are told it will be possible to provide necessary protection by increasing the tariff barriers. That may or may not be.

As far as our foreign exchange resources are concerned, we are in a comfortable position, as was pointed out by the previous speakers, we have been slowly, steadily improving our position. While in March, 1951, our sterling balances were to the tune of Rs. 884 crores in 1952 there was a decline by Rs. 131 crores, but in 1953-54 we have been improving our position, and in March 1954 our sterling balances were at Rs. 754 crores. As far as our foreign exchange position is concerned, it is undoubtedly improving, and perhaps it might be argued that it is because of this improvement that some of these restrictions are being relaxed. But may I point out that this improvement has been there for a considerable time; and it is difficult to establish, it is difficult to discover a casual relationship between the improvement in the foreign exchange position and the changes in Government's policy.

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But, what about the third factor, the regulatory factor? The Import Control Inquiry Committee had emphasized, had laid a considerable amount of emphasis on, the regulatory aspect of our import policy. In what way will these regulatory purposes be fulfilled? It is here that we find that the Government of India are looking at our economic situation from an entirely different angle. The Reserve Bank of India, in its latest report, has this to say about our economic conditions:

> "The distinguishing feature of the Indian economy during 1953-54 was its overall stability... Economic policy during the year further strengthened the forces making for stability and flexibility of the system."

Further on, it is pointed out that as a consequence of these developments there was in 1953-54 a greater measure of balance between aggregate supply and aggregate demand than in the previous years both in the market for goods and in the market for money. There is the greatest stability in our economy. The flexible forces in our economy are being strengthened. That is the general assessment of our economic condition made by the Reserve Bank. And what do the Government want to do? The Government want to take advantage of the situation to rely more and more on the market forces, to foster the market forcest. There is a general movement towards greater and greater reliance on private enterprise and market forces. I may say, Sir, that the general philosophy that seems to guide our Minister is that capitalist enterprise is good for social progress. In the next five years, it seems the Government of India have committed themselves to a policy of increasing reliance on capitalist enterprise for social progress. Now, this is a philosophy which a large section of this House, irrespective of party division, has never accepted. This philosophy is sought to be introduced by the backdoor. I know it may not be possible for the Minister or for the Government to come forward and get the approval of a philosophy of capitalist enterprise being good for social progress. By pursuing this policy in a subtle manner, the Government are creating a serious situation. Public opinion in this country is not able to realise what is taking place at present. Stabilisation of our economy is being utilised not for the purpose of realising our social objectives but for promoting capitalistic enterprise, to increase the area of its operation in our economy and for enhancing its control. We find that as the economics of development and welfare in our country are vitiated by capitalism, so also we find that import policy is shaped to a considerable extent by our Commonwealth link. We find that other countries are very much interested in the liberalisation of trade and in regard to this policy of liberalisation of trade the "*Economist*" recently cautioned Britain in its editorial of September, 11, 1954. It reads as follows:—

> "The policy of standing still, or rather of edging instead of dashing forward to freedom, should still be possible."

This expression "edging forward" is a very good expression. The whole policy of the Government is to edge forward. We do want the Government to go forward. but it prefers to edge forward. Why? When there is edging forward it is very often the case that people are not able to discover the direction. Freedom here means freedom of trade for capitalist enterprise. The editorial continues:—

> "And it is this policy—though with the emphasis on the forward as well as on the caution on a more liberal import policy rather than an earlier C-Day—that should be urged on Mr. Butler as

he packs his brief-case this week-end for his journey across the Atlantic."

Our own Finance Minister also has packed his brief-case and made the journey across the Atlantic and I am afraid that in his brief-case you will find more or less the same kind of policy documents that have been found in the brief-case of Mr. Butler and that is a matter of no little concern to us all.

There is again a considerable difference of opinion on this policy of liberalisation of trade. Who is to do it? Is the GATT to do it or is it to be done by the Social and Economic Council of the United Nations? Argentina has proposed that problems of commodity agreements should be handled not through the GATT but they should be handled by the Economic and Social Council of the United Nations. Britain is in favour of handling everything and channelling all trade talks through GATT. There are other under-developed countries like Argentina, for instance, which want a different kind of policy. U.S.S.R., I am told, also wants that this kind of discussion; that this kind of agreement, should be arrived at through the Economic and Social Council of the United Nations where matters would not be dealt with by business men or business interests to a considerable extent but where they would be handled by political interests and where political forces would play a part in influencing the policies of the developed countries towards the under-developed countries. I do not know on this question what is the policy of our Government. Are we trying to relax our regulations, are we trying to liberalise our trade because the sterling area wants it, because it is the set policy of the British Government, or are we trying to liberalise our trade because we are committed to the GATT? Are we trying to give article 11 a greater importance over article 12? Are we going to permit the elimination of article 12 from the agreement in order that article 11 should become sovereign? There are important questions. Little indication has been given by the Finance Minister in his statement on these points. The Finance Minister has not told us frankly what is being planned. We do not know whether the Finance Minister, when he has gone abroad has gone with some brief from his colleagues in Delhi or is he going to get the brief in England? We are entitled to know this. I am sure that the Finance Minister's colleagues must have given him a brief. What is that brief? In any case what is the focus in which this Bill that has been brought forward is to be viewed and considered? What is the larger frame-work in which these particular amendments are to be set? I am surprised and I am also pained to find that we are not being taken into confidence and that we are not being told what is in the mind of the Government. We want to bring about social and economic re-organisation of our society, we want to create a new society in terms of our national traditions, in terms of the teaching of the masters of our freedom movement. At no time we are told this or explained this. We have periodical discussions on foreign policy, we have no periodical discussions on economic policy. We have no opportunity of discussing the over-all implications of the various economic decisions that are being taken by the Government. I do not know whether such a periodical review takes place in the Cabinet or not. Anyway, we have no opportunity of having such an over-all discussion.

Lastly, I would like to refer to the way in which the Tariff Commission works. Some criticism was voiced by previous speakers about the working of the Tariff Commission. I am in agreement with some of the comments that were made yesterday. The Tariff Commission has refused to concern itself with the jumping over of the tariff walls by some foreign concerns. Secondly, it has neglected the question of the small-scale manufacture of components and spare parts in the development of industry. The Commission

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does not bother to collect information and make any recommendation about the solution of the difficulties. All that the Commission does is to refer in a bureaucratic fashion, the matter to some other Committee, section or Bureau. It is surprising to find that no one is prepared to catch the ball but passes it on to other Committee. We expect the Tariff Commission to come forward and give us concrete suggestions. If they want to have more powers, if they want to have more finances, all that can be made available to them. Either the Tariff Commission or the Planning Commission or someone should be able to give us concrete suggestions so that we may know where we stand. As far as the relations between the small industries and the big industries are concerned it is not a minor question. We all know that there are different technological levels and the higher technological developments have a tendency to flood and wipe out the lower technological developments. India at least should know that. We know it from the days of Dadabhai Naoroji that the tendency of technology is to flood out those who are on a lower level by disrupting them. This can happen not merely from industries outside our country but it can also happen between the industries inside the country and also inside different sectors of an industry. Unless these questions are thoroughly looked into, unless they are thoroughly examined by the Tariff Commission, I do not know what value there will be for the recommendations of the Tariff Commission. The Tariff Commission makes a recommendation and Government modifies that recommendation. If that is so, then why have the Tariff Commission at all? What is the philosophy on which the Government is functioning today? Why is it that the Tariff Commission comes forward with a recommendation and the Government says 'no' to that recommendation and take some other action? Why is it so? Government says: "It is not enough to give so much protection only. We must give them more, otherwise our small units are likely to be wiped out." Is it not known to the Tariff Commission that it is the policy of the Government to safeguard and build up small units of production? If the Government have not made this policy clear even to the Commission, how is it possible for the rest of India to understand what the policy of the Government is?

Then again there is this question, namely, what advantages are the consumers getting as the result of protection being given to these industries? This point has been brought out over and over again. An hon. Member here yesterday talked about the necessity of consumer research surveys. It is absolutely necessary that we should know to what extent the consumers are benefiting and why is it that sufficient goods are not selling and as fast as they should sell.

It is absolutely necessary that we find out where are the difficulties, what are the difficulties, etc. I find that this Government, in spite of the increasing and widening bureaucracy in spite of the fact that bureaucracy seems to be foliating day by day, are not undertaking the responsibilities that are of essential for India's economic development to be accomplished.

I would, therefore, say, that while this Bill may be an important Bill, it becomes very difficult for us to formulate our opinions and to decide whether we should vote in favour of it or against it, because we do not know, and we have not been told about the wider framework of the policies of which this Bill will form a part. I would be grateful to you and to the hon. Minister, if in the course of the discussion we are given an opportunity to understand this wider framework, so that it may be possible for us to look at the Bill in an understandable and significant manner.

Shri L. N. Mishra (Darbhanga *cum* Bhagalpur): I was hearing the remarks offered by Shri K. P. Tripathi on this

Bill just now. He is not here at the moment, but I would like to ask him one thing. What does he want from Government? For the last one week, I have been reading some articles about sterling balances. I find that the hon. Member is saying now that Government are squandering away our sterling balances, and he wants Government to be serious only in accumulating sterling balances. On the other hand, popular opinion demands the use of the sterling balances. This is the difficulty before Government.

Now, I would like to say something to my hon. friend Shri V. P. Nayar also. Formerly, he used to claim himself to be a biologist, but yesterday he claimed to be an economist. He said something which does not, however, fit in with the science of economics. Speaking about deficit financing, he asked some questions. I want to ask him one or two questions. He said why the Government of India's policy, although not announced by the Finance Minister or the Commerce and Industry Minister for this change in import policy was to counteract the inflationary trend. I want to ask him whether a change in the fiscal policy of the country becomes necessary or not to meet a situation created by the provision of additional spending power to the community in the process of implementation of the National Plan? And whether liberalised imports become necessary or not to counteract the inflationary trend in economy created by increased public expenditure, and thus keep the price line steady? He quoted from Dr. V. K. R. V. Rao, and refuted him also. I want to ask him these two questions, and I would be glad to get a reply from him.

I now come to the Bill. Whatever might have been the failings of Government, we must admit that the achievement made by Government in the commercial and industrial fields has been really great. I feel that the policy that they have followed in the sphere of international trade has not only helped us to stabilise our position in foreign trade, but to make our position sound, so far as the balance of payments position is concerned. It has also provided enough facilities and avenues for the indigenous industries to develop and expand.

This Bill, which is certainly not an ordinary one, is nothing but a consequential demand of that policy to arm Government with a weapon which will help them to strengthen their position to pursue that policy. This is a healthy measure, and one can have little difference, so far as its aims and objects are concerned.

Yesterday, Shri Bansal made some remarks against the Tariff Commission. I would like to submit only one thing and that is that the Tariff Commission is an independent body, almost a quasi-judicial body, and so far as I have been able to follow this Government's attitude towards the Tariff Commission, they have always tried to accommodate the wishes of the Tariff Commission. This amendment is also just to accommodate the recommendations of the Tariff Commission. I would like to thank Government for their efforts to set up a healthy convention by accepting the recommendations of an independent body like the Tariff Commission. The developing of this convention will inspire confidence in the people, and I think that that is a thing which deserves to be encouraged.

Coming to the Bill itself, I would like to say that I am in full agreement with Government in their decision to liberalise imports, and to shift emphasis from the quantitative control on imports to their regulation by tariffs and regulations. It was urgently required in the face of the developing trade conditions.

I agree with the hon. Finance Minister when he says in his statement that:

> "Our import policy by imposing quantitative restrictions on several commodities and by the fixation of small quotas has had the effect of creating artificial scarcity and of needlessly raising

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the consumer price of such articles. The allotment of small quotas has had the effect of preventing new-comers from coming into trade."

I am glad to see that this Bill seeks to end that state of affairs. I also feel that the huge profits earned by a particular set of people will also be eliminated by this new policy, and the consumers will find themselves placed better, and they will be able to get better goods at cheaper rates. Further, the import trade would now be competitive and less monopolistic, and some stability will be imparted to our economy. Apart from this stability, I feel that this liberalisation of import policy, as announced by the Finance Minister, will earn good revenue for the public exchequer. This reason alone is not less important to warrant such a change in the policy. I also feel that a definite measure of flexibility will be imparted to our economy. This policy of liberalisation of imports will also open new avenues for increasing our exports. There may also be chances for us to rehabilitate the export position in regard to oils, oilseeds, tobacco, raw cotton, mica and lac, which have been in a very bad position up to this day. In view of all this, I support this Bill.

I would now like to place one or two doubts that have come to my mind. I would like to put one or two questions to Government in this regard. First, I would like to have their reply in regard to a question put by one of the leading papers in this country. Firstly, I want to know why the prices paid by the consumer for manufactured goods have not fallen as significantly as the prices that he gets for what he produces. I want to know how this anomaly is proposed to be eliminated.

Secondly, I want to know how far it was essential and desirable that our Government should yield to the demand of the United Kingdom, to permit the transfer of textiles to the free licensing list. I know that because of the prices and quality, this position is not going to affect us very far. But what has hurt my feeling is the argument of the President of the British Board of Trade, and our compliance to his demand. The House is aware of the fact that the volume of the British imports into our country has not declined, and it is rather at its peak. If it had declined, then there would have been some reasons for them to make some grievance, and we would have had no objection to help them. But if they desire to dictate to us what we should import, and what we should not, then I feel they are going too far, and I cannot agree to that.

Next, I would like to say something about a particular industry, to which my hon. friend Shri Asoka Mehta referred, *viz.*, the cycle industry. The House is aware of the fact that the cycle industry, although it was founded earlier, is almost a post-war industry. The development that it has made in a short span of life is really great, and it has not only made the production good both qualitatively and quantitatively, but has been able to stabilise its position as well. The commendable success that this industry has achieved is much more due to the protective policy followed by Government in this regard, than to anything else. The cycle industry's claim to get protection was recognised as late, as 1946 only, when the revenue duties were converted into protective duties. In 1949, the Tariff Commission again recommended protection for it, and the same was granted. In May 1954, again, the Tariff Commission has recommended its case for protection, and as expected, Government have accepted to give protection to it with certain modifications, and this industry will get protection for two years more.

There has been some talk as regards this protection, and there have been some questions whether protection should be given to this industry or not. Without going into the merits of the case, I will only say one thing, and that is that even an industrialised and advanced country like the U.S.A., which has all the requisite raw materials, the necessary skill and finance, has had to raise tariff walls to fight against the British-made cycles. Therefore, the case for protection being given to the cycle industry is quite justified.

But here, I would like to say one thing. Mr. Asoka Mehta took exception to the presence of good cycles like Hercules and Raleigh etc. Cycle is a poor man's conveyance; it is the worker's necessity. Is it not necessary for us to provide cheap and better cycles to the low income group people? If we decide to have good cycles and cheap cycles along with protection, we have to provide competition also. Therefore, the Government are perfectly justified in deciding to import some good quality cycles. The import of good quality cycles will keep the indigenous industrialists vigilant, alert and non-complacent.

Before I conclude, I would like to caution Government that in the matter of imports and exports, we should be guided only by those policies that might be helpful today to reconstruct the country's economic development. The policy of import and export need not be guided by a temporary disequilibrium in the balance of payments position or in the annual statement of receipt and expenditure. It should follow only a considered policy that might prove helpful towards the programme of economic development of the country. Therefore, if the Government decide to stick to the old policy of quantitative restrictions in imports, there is nothing to feel shy about it. Import restrictions as a form of protection are a recognised right of an under-developed country passing through a phase of industrialisation. and India cannot give up her right to use import quotas for protecting her industries and for reserving foreign exchange over night.

In that background, India's attempt to liberalise import is indeed a bold decision, and also a rejection of the demand of the vested interests of the country. I feel the Government deserve congratulations for this policy.

Lastly, I would like to say one thing, and that is that some attempts be made to raise duties on some GATT items after seeking their release, especially stoves, domestic refrigerators, type-writers and wireless receivers. With these words, I conclude.

Shri V. B. Gandhi (Bombay City—North): This Bill that is before us has a number of objects before it. One of the objects is to procure additional revenue, and it is a legitimate object. We have no doubt that by imposing higher rates of duty, Government will be able to procure additional revenue. It is also claimed that in this process of imposing higher rates of duty for revenue purposes, they will also give a certain amount of protection to local industries. Now, we admit that that protection will be there and will be available to local industries. But it can be doubted whether this is an ideal method of giving protection to industries. After all, all matters of protection to industries have to be very carefully and meticulously examined from all aspects concerned in the matter. But what are we going to do here in our hurry to raise additional revenues by this method of increased rates of duty? We shall find that a certain amount of protection is being granted to these local industries. I am afraid this method of giving indirectly protection to local industries is rather a careless method, a blind method. We do not know what is being given to which industry.

Now, it is also claimed that one of our objects is to restrict imports, not by quantitative restrictions but by this method of levying increased rates of duty. Well, that object will be realised because these increased rates of duty will increase the landed cost of our imports and that may conceivably result in restriction of imports. Then, it is also claimed that through a liberalisation of import licences, we wish to provide some elbow-room for newcomers. Now, it

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is very difficult really to understand how this is going to be achieved. Here, on our own admission, as a result of increased rates of duties, we expect that our imports will be restricted. Now, if imports are going to be restricted, then the old position of scarcity will continue. Then, what is the good use of giving liberalised import licences to these newcomers? The position will be that there will be more import licences and less imports. How is it going to help these newcomers? In a shrinking trade, in a shrinking import trade, these new-comers will be compelled to compete or face a terrific competition with established importers. And let us not forget, as I said, that the overall quantum of our import trade is expected as a result of these higher duties to be reduced.

Now then, it is also expected through the medium of this Bill to mop up middlemen's profits. If on the supply side, the condition of scarcity, on our own hypothesis, is going to prevail, then I do not see how we are going to succeed materially in taking away the profits of the middleman, and especially to the extent we expect. Because in all this calculation, what we are doing is that we are assuming somehow that the demand side will remain constant. But it does not remain constant. In some of these items which will be subject to these higher rates of duty there will be a shrinkage of demand. In others and to the extent to which the items are items which have what is known as an inelastic demand, the demand will continue unchanged, consequently if scarcity or reduction in supply prevails, then the middleman will certainly be able to put up his price sufficiently high to take care of the higher rates of duty as well as of his traditional margin of profit. So this has to be looked into.

Now, it must be said that lately the administration of our import control has very greatly improved. It is a very creditable record that we have had of this department in the last few years. It has organisationally greatly improved and its efficiency and its promptness in dealing with the increasing number of applications deserve our compliments.

Now, this whole problem has also something to do with our balance of payments position. In the statement made by the Finance Minister a few days ago, the position as it appeared to him is stated as follows:

> "A policy of restrictionism of this nature can be justified by a chronic position of imbalance in our balance of payments of a kind which no longer obtains."

Since that chronic position of imbalance in our balance of payments no longer obtains, is it intended that we can just go away on a career of free spending of our foreign exchange? Some of us were very gravely disturbed when we read that statement as we tried to realise what its implications for the future would be. But, luckily, when the Minister for Commerce and Industry made his statement yesterday in this House, there was ground for re-assurance. This is what he said:

> "Unfortunately, even now it is not possible for us to say that our foreign exchange difficulties have been permanently solved."

This is indeed very re-assuring, as compared to the very categorical statement I have read just a few minutes ago. I will read this again.

> "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 and 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 for the second Five Year Plan. Therefore, the availability of foreign exchange will continue to be restricted."

I think, most of us in this House will find ourselves more in agreement with this very balanced and realistic mood on the question of our foreign exchange and our balance of payments position.

I will just make a short reference to new-comers again. In the past, it seems these new-comers were accommodated by taking a slice out of what was available for established importers, and the process by which this was done was by applying a certain percentage deduction to the quotas of established importers. Sometimes, this wholesale or all-round application of a percentage deduction resulted in certain unexpected hardships. I know of certain cases where a deduction of some 50 per cent was applied for the import of certain special articles. After deducting 50 per cent., what remained was an import licence of hardly Rs. 15,000 or Rs. 20,000. If these importers wanted to import an article from America and if the minimum quantity which the American manufacturer would supply would be, say, of the value of five thousand dollars, that is, about twenty-five thousand rupees, this importer having a small import licence of Rs. 15,000 or Rs. 20,000 after the deduction of 50 per cent., had no use for his licence. This is not a very good illustration but this is one of the illustrations that I can just think of.

My suggestion is that the Commerce and Industry Ministry should in future consider some such plan; say, established importers having a quota of Rs. 5 lakhs or Rs. 10 lakhs may, by all means, be subjected to the full percentage of deduction, 50 per cent or 60 per cent, whatever it is. You know a small firm working in Bombay, Calcutta or Madras—and if it is a firm with a quota of Rs. 1 lakh only and if you apply the same rate of deduction, what will happen? It comes to Rs. 50,000 and the hardship on this particular firm is much greater. So, just as we have certain considerations and classifications in our income-tax, we should have some system here also. I am quite sure it is not beyond the ingenuity of the Commerce and Industry Ministry or our Import Control Department to have some such classification.

For instance, in big cities like Bombay, Calcutta and Madras one lakh of rupees should be the minimum for established importers and in the mofussil, say cities like Poona, you can have Rs. 50,000 as the minimum. In the former case there should be no deduction for one lakh and in the latter no deduction for fifty thousand. If the newcomers have got to be accommodated, then the bigger ones with Rs. 15 or Rs. 20 lakhs of quota should be asked to contribute, instead of a deduction of 50 per cent, increase it by, say, 10 per cent and you will probably get more for the newcomers than by making a very rigid deduction of 50 per cent on the biggest as well as the smallest established importers.

It is expected that as a result of the measures contemplated in this Bill a revenue of Rs. 4½ crores will be secured by Government. I wish the Government all luck. They may achieve this object. I am not quite sure whether they would have equal luck in the case of their other objects.

The whole case for this Bill, as it is presented to us has not been a very clearly stated one. Ordinarily, in a case like this, I would have said at the outset that I am very sceptical about the whole purpose of this Bill. But, from my experience of the last few years, I have a certain amount of faith in the soundness of the calculations and proposals that emanate from the Commerce and Industry Ministry and it is only this faith that bears me up and what I have just said are some of my misgivings.

Shri M. S. Gurupadaswamy (Mysore): Mr. Deputy-Speaker, the import policy of the Government of India today is under a change. The purpose of this measure, as I understand it, is to bring about a shift in our approach. Many members have already spoken in detail whether a change or shift, whatever it is, is timely, necessary and reasonable. They have advanced arguments both

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in favour and against. I am here to make a few observations on certain things which have not been touched so far by the hon. Members.

I have got here the cutting of *The Financial Times,* London, dated 15th September, 1954. It relates to the question of Commonwealth talks in London about the GATT. I find very surprising things in this article and the article says that there will be a meeting of the officers of the Commonwealth Governments very shortly in London to consider some of the technical questions connected with the Conference of GATT which will meet very soon in the next month. I find there that the policy of the British Government has been enunciated briefly and in very clear terms. According to that article, the intention of the GATT Conference is to frame a general pattern of rules for governing the use of quantitative restrictions by means of import quotas. In this connection, we have to examine what will be the type of rules that are going to be framed and how far those rules will affect our trade policy. The intention of the Government of Britain seems to be very clear. It wants to promote indiscriminate quota-free trading. This is the basis of Britain's policy in regard to trade. I find here that Britain has protested to the Government of India a number of times in the past regarding the high restrictive policy followed by the Government of India so far in respect of imports. I am reading from *The Financial Times* of the 20th August 1954—Mr. Thorneycroft stated ......

Shri T. T. Krishnamachari: He is the President of the Board of Trade.

Shri M. S. Gurupadaswamy: Yes, he stated that the Government of Britain has protested to the Government of India about tariff and quota restrictions on their textile exports to India. The article continues—

> "Some sections of the industry believe that pressure should be put upon the Indian Government by restricting imports of Indian grey cloth into this country, and, if the British Government's present quotas fail to produce an easing of Indian restrictions on Lancashire goods, the request for retaliation will certainly be repeated."

So, we understand by this that the Government of Britain not only employs persuasion but also threats. It is prepared to follow the policy of retaliation if the Government of India does not yield to their request. The main purpose of the Government of Britain is to promote their trade and exports. They do not want the Government of India to have restrictive quotas. By reducing the quotas, they want us to provide sufficient market for their manufactured goods. For this purpose they are envisaging a scheme of rules which will tighten the control governing the use of quantitative import controls. In other words, they want to have a set of rules for the GATT by which they can exercise greater control over our import policy. They want to utilise the GATT for their ends. They want to make it the instrument of their policy. This is something extraordinary. According to the Finance Minister, and some other Ministers also, we have been told very often here that the GATT is a trade organisation, an organisation which will bring about a sort of adjustment in respect of trade and tariff, on a multilateral basis, but it is amazing to find that Britain is thinking in a different way altogether. The British way of thinking is not the way of thinking of the other Commonwealth countries. I read again from *The Financial Times* of the 1st November, 1954—

> "Britain's interests as an exporter in a world of convertible currencies require a system of rules which will prevent any country from placing an absolute limit on the amount of any product that it will buy from abroad. There would of course have to be exceptions."

According to Britain, if there

should be any high restrictive quota policy in a particular country under certain circumstances, that will be treated on its merits and there should not be a general policy at all. It goes on to say—

> "The rules should be changed so that any country introducing such restrictions on balance of payments grounds should be under an obligation to justify them to a committee of its peers (as in the O.E.E.C.) and not merely to consult with the other members of the organisation ...."

According to this article, I find that there will be a committee of peers under the aegis of this organisation and if you want in future to change the rules or if you want to make a shift in your policy, you have to justify your stand and argue your case before this committee. If the committee agrees, you will have your policy changed, otherwise not. This GATT has really become a sort of an iron chain around us, and the so-called movement for revision of GATT seems to work against our interests. I strongly feel that this change in the import policy of our Government might have been brought about as a result of the protest by the Government of Britain. I feel we are not acting independently in this matter. Our policy has been tied up with the policy of Britain, and GATT has been made a convenient instrument by Britain to impose its policy on India and other countries. Here I can just quote the instance of Japan. Japan wanted to come to the GATT and it has been trying all along, but till this day Japan has not been admitted as a member of the GATT, presumably on the ground that Japan may become a little unscrupulous, as it was before the war. They seemed to justify the non-admission of Japan into the GATT on that ground. Anyway, there seems to be a change in their outlook because of the American influence, and Britain may agree to the admission of Japan into the GATT in the very near future, but I want to show here how GATT is making this an iron curtain or as a sort of "close system" which does not allow others at all into it, and we are a member of the "close system". I feel that the time has come to reconsider our position with regard to the GATT not merely with regard to the changes to be made in the constitution or rules to be framed, but with regard to our relationship with the GATT, whether we should remain in the GATT or not. I want to state here that this Bill has been brought about by the Commerce and Industry Minister just to please the English interests, just to please Britain. We have been submitting ourselves too much to the dictates of Britain in the matter of trade. I feel that this is not a policy which has been considered on its own merits. This is a Bill dictated by Britain if I am allowed to say so. Even if the Minister says that he is still independent and that he has not in any way bowed down before Britain—he may say so in so many words—I feel that the policy has been linked too much with Britain. We are sinking and swimming along with Britain. This is very unfortunate.

2 P.M.

Regarding one or two points which have been prominently discussed, I wish to make a few observations. The time has come to see whether it is a good policy to lean too heavily on only one type of system for protecting young industries. In other words, we should see whether we must have only tariffs and tariffs alone for the purpose of protecting our industries and nothing else, is adequate. We must consider whether this type of protection will be adequate, whether it will serve our purpose or whether it has got any other dangerous consequences and whether other measures should be taken along with a high tariff policy. I am a protectionist from the very beginning. The hon. Minister agrees with me that this is a protection measure. But, I want to know whether this provides an adequate protection to our industries.

I humbly submit that protection by means of high tariffs is not at all adequate protection. Of course, tariff

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duties may bring in a lot of revenue to the exchequer, and from that point of view it may be justified. Revenues are necessary and tariffs should be resorted to. That is one way of protection. Another way of protection is to have restrictive quotas. The difference between the quota system and the tariffs is this. If you content yourselves with levying tariff duties and dispense with the quota system, we will be throwing the entire internal market to the exporters of other countries. Other countries may export any goods to our land without restriction, provided they pay the tariff. This is making too much room for the free play of market forces. After all, we are advocating controlled economy, planned economy. There should be planning and control not only in the domestic sector, but also in the matter of external and internal trade. Unless there is proper control, it will be very difficult to check the free forces that will operate. We should not import a market economy through the backdoor. We believe in planning. Very well, we must have planned economy. But, we should not sabotage this planned economy by importing the market economy through the backdoor. If we allow a lot of imports from other countries, in effect, we will be having a market economy. There will be a release of free forces of supply and demand. Unscrupulous businessmen will come in and make a lot of money by trading. So, I say that it is very dangerous to lean heavily on one type of restriction, that is, tariff restriction. I say that tariff restriction should be combined with the quota system. That is the proper basis of protection, the only adequate way of protecting an industry. If you want to have a proper protection policy, we should see that there is no loophole anywhere. Therefore, I say that the decision of the Government to liberalise imports will have ultimately the effect of doing away or dispensing with the quota system altogether. That is rather dangerous. It will go against the protectionist policy that we have been pursuing for long. We should not now follow a policy of import surplus. Of course, there are Members here who justify a policy of import surplus. They say, we have accepted deficit financing and deficit financing will lend support to the idea of more imports as a safeguard to prevent the evil consequences which flow from deficit financing. They say that liberal imports are necessary as a safeguard in an atmosphere of deficit financing. They also, say, we have been having so many development projects under the Five Year Plan, we are in need of a lot of goods and therefore it would be proper that we should liberalise imports. I feel that this is an one-way and short-sighted approach. It has not taken into consideration the other aspects. Suppose we allow unrestricted quantities of goods even though by providing high tariffs, the result will be, the products of Indian manufacture will go to the wall. They cannot compete with the goods from other countries. In the matter of price, there may be parity between the Indian goods and the foreign goods. But, in respect of quality, the foreign manufacture may be of a higher quality. In that case, the foreign article will be purchased by the customer. There is always the temptation to purchase the better article in the market. I feel that more tariffs alone will not save our industry. Therefore, I strongly urge upon the Minister to reconsider the whole position. At this juncture, liberalisation of imports is not called for. I say so because there has already been liberalisation of imports since 1953. We have been liberalising from time to time, and there has been an increase in the imports. I may quote: and say that India's imports in 1953 amounted to Rs. 566·4 crores, and exports Rs. 530·8 crores, leaving a trade deficit of Rs. 35·6 crores. Still more liberalisation may prove dangerous to the industries which are already in the protected sector. Therefore, I would urge upon the Minister to reconsider the whole position and see that our policy is based on sound lines. The Minister may say that he is very anxious to enlarge the scope of foreign trade. The balance of payments position is very favourable. Therefore let us have more goods. We must take into consideration the consumer's interests and the consumer's point of view. For a very long time the consumer has been neglected. I also agree that it is certainly a view that must be considered. I do not say it is a very frivolous view, a wrong view, a very narrow view. Of course, we must take into consideration the views of the consumers. But, when considering the point of view of the consumers, we must also bear in mind that our industries should exist, should grow and the economy should be stabilised. First of all the country's economy should be stabilised. Subject to that, you protect the interests of the consumer. I have no objection. So, I feel that we should adopt a policy which will help to stabilise our economy. By importing large number of goods hereafter, it may create a situation of surplus in the country. It will be an artificial situation and people may think that there is so much of goods available in the market. Such an atmosphere is dangerous for the growth and the development of the native industry. It will create a new psychology altogether. People will think: "Yes, we will get a lot of goods, and goods are plenty." Then the purchases will be discouraged. The consumers will postpone their purchases to a future date. There may not be incentive left among the consumers. So, it will act as a discouraging factor in the economy if there is a feeling that we have got import surplus, or surplus of goods. Then it is the natural tendency of man to postpone his wants or to postpone his purchases. To that extent it will work as a discouraging factor for our Indian goods.

Lastly, Sir, I say that the Minister has not considered the vital question, the broader question of State trading. Now, I feel that we have had some experience in the matter of trade and commerce, in the matter of industry. We have already passed through nearly eight years of independence. We have gained sufficient experience, and it is high time that the State should step in to take up certain sectors at least in foreign trade. It should make a beginning, and should make an earnest attempt to reserve a few sectors in the foreign trade to the Government itself. I am not in any way against the concentration or more concentration of power in the hands of Government in this matter. I agree—we agree to give more powers to Government, provided they are properly utilised. We are not in any way standing against it and saying that there should not be concentration of power, there should not be extension of the activities of the Government. In this particular question I feel strongly that the Government should take early steps to reserve a few sectors of foreign trade and lay down a proper scheme, a proper pattern, for State trading. And I feel that the measure that has been brought forward needs revision and needs reconsideration. I wish that the hon. Commerce and Industry Minister would appreciate my point and would assure the House that this policy which has been enunciated will not be carried far, will be reconsidered and it will be changed. Once again I request the hon. Member to have both tariff as well as quota system for protection.

Shri Kasliwal (Kotah—Jhalawar): Mr. Deputy-Speaker, Sir, the hon. Members who have preceded me in this debate have spoken at length on the so-called new import policy of the Government. Opposing views have been expressed from this side as well as that side, but, after the expression of these views and certain decoctions, as it were, having been administered to this new policy, I find that the policy—this new economic policy, the new import policy—seems to have become a little crystallised.

Now, Sir, what is the effect of this new import policy? The effect of this policy is to give increased facilities for imports from hard currency areas, to increase import quotas for certain

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items, removal of some of the restrictions on the use of import licences and the extension of the system of liberal licensing to a number of items.

My friend, Mr. Gurupadaswamy, who preceded me has strongly criticised the liberalisation of these imports, but he did not take into consideration the artificial scarcity which has been created in the market because of these quantitative restrictions, and I think the Government today is following a more rational policy than they have hitherto followed in this respect.

Some discussion has taken place regarding the question of the accumulation of our foreign exchange and my hon. friend Mr. Bansal who spoke yesterday expressed fears that our foreign exchange resources are being frittered away for these imports, and he said that these foreign exchange resources should be reserved for use for our next Five Year Plan. But if you closely examine the new import policy, you find that there is really no great danger of the frittering away of our foreign exchange resources. The accumulations which we have been making are much larger than what we are going to spend. Actually, as the Minister said yesterday, only a very small amount is going to be spent.

Now, Sir, there is another point to which I would like to refer, and that point relates to the import duty on spices. No Member has referred to this question. This duty which has been increased on spices is a duty which directly affects the poor consumer. Spices are an essential part of his food. This is a country ......

Shri A. M. Thomas (Ernakulam): Very curious.

Shri V. P. Nayar (Chirayinkil): All the spices are exported, but they are brought again for certain uses.

Shri Kasliwal: If you will please see, the duties have been increased from 37½ on chillies to 65 per cent. Now, this is a very large amount of duty. I wish the Minister had kindly told us as to what amount of revenue this increased duty will bring. I wish this matter could have been reconsidered by the Minister.

There is another part of this Bill to which very little attention has been given by Members. That relates to the question of protection to the various industries. My friend Mr. Asoka Mehta and one other Member referred to the bicycle industry. The bicycle industry, I am glad to say, as the Tariff Commission have said, has made great progress but there are certain things to which I would like to draw the attention of the Minister. Although the rated capacity of this industry is enough to supply the entire demand of the country yet this industry is manufacturing only half of the number of the bicycles which are being consumed in the country. The demand of bicycles in this country varies from four lakhs to four lakhs and fifty thousand, but only about two lakhs to two lakhs and fifty thousand bicycles are being manufactured here. When the rated capacity is there, there is no reason why these manufacturers should not manufacture the full quota of bicycles needed for the demands of this country.

Mr. Deputy-Speaker: How much of the money is being invested by foreign companies?

Shri Kasliwal: Well, there are only two concerns which have come up recently—Sen Raleigh and Hercules—but the amount of money which has been invested by the local investors is much greater than that invested by foreigners.

Mr. Deputy-Speaker: And how much money is being taken away year after year by way of profit?

Shri Kasliwal: I am afraid I may not be able to answer that question. Probably the hon. Minister will be able to do so.

Now, Sir, I am informed that a Development Council has recently been appointed for this industry. I would very much like to know what the Development Council has suggested for the improvement of this industry; whether this Council has chalked out any export programme for this industry. I am of the opinion that after some time this bicycle industry will be in a good position and may be able to send exports outside also. You will recall that we had previously no tea-chest industry but after adequate protection and after stabilising the industry, not only are we able to meet the local demand but we are now in a position to export tea-chests. Similarly to the hurricane lantern industry also some protection was given and later on, after a year or two, so many lanterns were manufactured and now we are in a position to export hurricane lanterns and protection to this industry is no longer needed. So I suggest........(*Interruptions*).

Mr. Deputy-Speaker: Does it not happen that before the foreign concerns were established here, the local industry had to compete with foreign industries and when they have shifted from there and been brought here, will not the problem still continue on account of the protection? The competition between the local industry depending on indigenous capital *versus* foreign owners inside the country will still continue. How is it an advantage to the local industry if they have cheap labour?

Shri Kasliwal: But the labour is employed all the time.

Mr. Deputy-Speaker: Yes, but only the labour is employed.

Shri Kasliwal: Then, Sir, I will revert to another industry—the ball bearing industry. You will recall that a year back there was some discussion on this industry. There is only one single unit manufacturing ball bearings in this country and the Tariff Commission, when they made an enquiry into this industry, said that this industry was very badly managed. They had some very castigating remarks to say about this industry. They said there was no proper system of costing. The cost of production was not properly related to the prices available in the market, but in spite of that they thought fit to give protection to this industry for a period of two years. Now this Bill proposes to extend this protection for another year. We have no information at all because the enquiry by the Tariff Commission is not yet over and we do not know what is the position of this industry. I wish the Minister would say something regarding this industry, whether the defects which the Tariff Commission has pointed out regarding this industry have been removed or not.

Mr. Deputy-Speaker: There are no other hon. Members wishing to speak. I, therefore, call upon the Minister to reply.

Shri T. T. Krishnamachari: I was quite prepared to request you to extend the debate to tomorrow morning if the hon. Members were interested in speaking on the motion but since they are not, the problem is comparatively easy. The discussion on this motion is not in my view one that can be categorised in the manner in which my hon. friend Mr. Asoka Mehta did today. My hon. friend felt that neither the Finance Minister in the statement that he made prior to the introduction of this Bill nor I in my introductory speech made the position clear in regard to Government's policy and that speeches made on the floor of this House on this Bill have not thrown any light either. Well, if more light is required and it is not forthcoming the hon. Member has quite a good reason to complain. After all, light is a matter which has relation in regard to our vision and it may be that he might need more light or he might need better glasses. It is a matter for somebody outside to decide—a doctor—in the case of my hon. friend Mr. Asoka Mehta if it is not a case of his needing slightly better glasses. I mention this merely because I attach very great value to anything that falls from the mouth of

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my hon. friend Shri Asoka Mehta. He has taken considerable pains to go into the history of this problem—the history with which hon. Members of this House are fairly familiar went to 1947 and traced the history from then onwards. So far as we are concerned, in this House we have been discussing this not merely during budget time but also practically every other day during Question Hour until a year or so ago. Hon. Members in this House have very kindly ceased asking questions about import policy during the last one year. At any rate, questions have been practically negligible numerically. All the questions more or less now relate to industries, cottage industries, and so on. As the Minister incharge of a very important sector of our economic life, I welcome all these questions from hon. Members not merely because they make hon. Members familiar and conversant with Government's policy but they also help the wider franchise that we all possess to understand Government's policy. In fact, as Mr. Asoka Mehta mentioned, I should certainly welcome this critical eye of the hon. Members being directed more often to the economic and industrial policy of this Government than what is done today once only during the budget session. During the Budget Session we have a few hours and during that many hon. Members speak and I have to give a hurried reply. I do not have the facility of being able to speak for one hour if I need to reply to hon. Members. I must say, therefore, I am in agreement with Mr. Asoka Mehta's view. I think nothing but good will come out of critical examination of Government's policy in this regard, and so far as I am concerned, I am prepared to place all the cards on the Table. The policy of the Government in regard both to commercial and industrial matters is just an open book. There is nothing that we have to hide and I can claim with a certain amount of humility, when things settled down and conditions settled down, we have not been doing badly.

Sir, the pride of place so far as replies are concerned, should normally be given to my indefatigable friend Mr. V. P. Nayar who probably is still going on with his researches and might come up with them later on, but unfortunately his points are of a very general nature and the points that he raised are such on which I could not give him satisfaction because it is a matter where if I am to give him satisfaction I must agree with his views. I do not, nor is Government's policy in any measure intended to be directed to be able to conform to the views that Mr. Nayar possesses. He laid down a very good proposition, about which other Members were touched indirectly, and that is that the Tariff Commission must be given a direction that in affording protection to industries, they should ignore industries in which there is an element of foreign capital or foreign management, even though they are established in this country. The hon. Member who spoke before me also mentioned this, and he has raised a similar point. I am afraid I cannot accept the proposition. We on one side invite foreigners to come and establish industries here. We have said in our industrial policy statement of 1948 that we shall, as far as possible, insist upon a majority participation in capital by Indians, and subject to the terms that we impose on them at the time of entry, we shall give them fair and equal treatment. So, this is the policy of Government.

Mr. Deputy-Speaker: Is there any broad classification of industries for which foreign capital is invited, or is it invited for all and sundry including in the case of those which can easily be manufactured in this country, or are in the process of manufacture, such as luxury goods, etc.?

Shri T. T. Krishnamachari: I can tell you, broadly the policy is this. If it is possible for something to be started in this country without foreign technical know-how or foreign assistance, they are encouraged. If somebody is starting it, we give them all encouragement. On the other hand, if that is not started, and if some foreigner comes, we just tell him, you must seek Indian participation, and without Indian participation, we would not give permission. And Indian participation, normally, we would like seventy per cent., so that foreign participation is only about thirty per cent. There are other cases where an industry is an important one. If Indian participation is not forthcoming in a large measure, then we allow foreign participation even to a larger extent. If all avenues are tried, and we want that industry established in this country for strategic and other reasons, and no Indian participation is forthcoming, then we allow the foreigner to establish that industry in this country on his own. Government have broadly adopted this policy having in view the need for establishment of more industries not only from the employment point of view, but from the point of view of making ourselves self-sufficient and strategically strong and also to provide goods and services for our people, is a thing which Government are conscious of, and want to further.

The hon. Member Shri V. P. Nayar raised a queer proposition in regard to deficit financing, and he quoted the authority of Dr. V. K. R. V. Rao. I do not know where exactly Dr. V. K. R. V. has said it. But so far as deficit financing in the pure theoretical sense is concerned, it means pumping in of more money into the economy. And if you pump in more money into the economy, well, that sets up an inflationary spiral. When an inflationary spiral is set up, then there is a larger amount of money impinging upon a smaller amount of goods and services. That means, either you have to control the purchasing power and canalise it in other forms, or alternatively, you provide more goods and services to the people, so that the inflationary spiral will not gather momentum. In fact, if we find that, as a result of a policy that we have adopted of pumping fiat money into limitation for the purpose of financing our development needs, it is quite likely that we might have to import some more goods, so that the inflationary spiral may not gather momentum. That is the economics that I have studied in my time, and which I have sought to keep up to date, and it has not still been controverted. But we are not in that position today. The import policy today is not designed with a view to dealing with the effects that might arise from a policy of deficit financing. Deficit financing in this country has not gathered any momentum, as much as we would like it to because it is only when a policy of spending more money gathers momentum that the development plans will gather momentum. Unfortunately, we have not been spending as much as we wanted, and my colleague the Finance Minister, I suppose, at a suitable opportunity, might perhaps tell the House that the quantum of expenditure envisaged in the Five Year Plan may not be reached—I mean the revised expenditure. But if actually a condition like that comes into being, where the mal-effects of deficit financing are noticeable in our economy, then willy-nilly I have to find goods and services to put in the hands of people, so that the large amount of created money may not chase the small amount of goods. But anyway, I am not a professor of economics, and I have no desire to undertake the education of Shri V. P. Nayar in that regard.

Coming back to this question of the giving of a specific direction to the Tariff Commission, I cannot give a direction to the Tariff Commission in a manner which will directly conflict with the industrial policy of this Government, which has been declared, namely, that if any foreign enterprise is allowed to come, and after examination, we allow it to come, then subject to the terms imposed on them at the time of entry, we treat them fairly and squarely like any other person in this country. So, it is obvious that a discriminatory direction to the Tariff Commission is not a possibility.

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Shri V. P. Nayar has mentioned other factors like importation of motor cars. He was good enough to give me a copy of the photograph that he had of the car that has been produced in Moscow, and I propose to import on my own account, *i.e.* on account of the Commerce and Industry Ministry, a couple of cars for Government use, and we will try to find out what it is.

Shri V. P. Nayar: But Shri Bansal has a different story about it.

Shri T. T. Krishnamachari: If it is possible, if we find that the car is cheap and is good, we probably would find some persons already engaged in the industry to undertake it, or somebody else might come in, provided other conditions are favourable.

The next speaker was my young friend Shrimati Tarkeshwari Sinha. I am not complimenting her because she is a woman, but I must say that it is a very good speech that she made. It showed that there has been an amount of work put behind it, which I would like in all humility to suggest that other younger Members of this House might well copy. By and large, it was an approval of Government's policy. But I would rather have a criticism of Government's policy, provided it is an intelligent criticism of it. If it has happened in this case that she finds that she can approve of it, I am grateful to her for it, but even if she had criticised our import policy, after a critical examination of the policy, I should not have resented it, because after all, in a democratic government, functioning as we do here, even our own people on this side must tell us where we go wrong, and where they think that we are not proceeding in correct lines, and that is a thing that I always welcome. After all, hon. Members in this House, and you, Sir, might remember that we were all on this side of this House, and I do not think we were always critical without some purpose. A criticism with a purpose is a thing that a democratic government has to welcome, and even if it is rather inconvenient for me to reply, I should certainly welcome it. If I cannot reply to it, I might perhaps keep quiet, but I would certainly take a note of it and utilise the facts given for purposes of mending matters.

The one point that my hon. friend Shrimati Tarkeshwari Sinha made was a very useful point, namely that Government must have some kind of data, some kind of idea of the consumers' needs in the case of these goods. I would not use the technical term 'consumers' preference,' because its connotation varies and is rather wide. As you know, Government have not got a very large staff for purposes of investigation. We are building up our statistical and economic staff, and all this costs money, and if we build up a staff, but we do not make use of them, then that goes waste. It also happens now and again that each department has its own economic and statistical staff. My hon. friend the Finance Minister has more or less placed an embargo on ribbon development in this direction. We are trying, as far as possible, to utilise the material that we have not merely in the Commerce and Industry Ministry, but in the Finance Ministry, the Food and Agriculture Ministry and the Planning Commission as well, not to speak of the Tariff Commission, and the Forward Markets Commission. I might tell my hon. friend, because she would be interested in it, that I have in my own way started a very small cell in each port, with an intelligence officer assisted by a couple of people in the major ports, who keeps himself informed generally of imports, the prices charged, the exports, the prices that are mentioned in the invoices, the market reports roundabout the port areas, (because we cannot go very much beyond that), and so on.

We agree that there is a lot of need for more light on these matters. A scientific investigation is necessary. Perhaps in course of time as we go on, we might even use the universities for this purpose. I had the good fortune to be asked to inaugurate the

All India Economic Conference last year, and I spent a whole day with the younger economists who were assembled there. And I felt that what we need today is not merely to get the economists to advise us but to educate the economists themselves about our needs. I felt the academic world did not know exactly what was being done in the practical field. I had told them that during the off-session period a group of ten or twelve should go round and see how the Government machinery worked either in regard to formulating tariff policy or in regard to dealing with Government's views that were expressed in places like the GATT or in the formulation of industrial policy or in any other such matter. I would like to take ten of them round my Ministry and perhaps the Finance Ministry as well, if my colleague would permit it, during the off-session period, so that they will know what the Government are doing. So it is a question of our not merely setting right our own machinery, but also of educating the people about what the Government are doing. I think we do need a lot of improvement in that direction. I value the suggestion made by my young friend, and within the limits that finance will permit us, we do propose to proceed in that direction. May be, some few years hence, we may be able to produce a White Paper similar to what is produced in U.K. before the budget, which will give all the information that people like my young friend want. But I must thank her for making the suggestion, and I assure her that these suggestions are not usually like pearls cast before swine.

I must express my deep gratitude to my friend, Shri Bansal, again, for a very critical appraisement of Government's policy in regard to imports. I must also express my personal gratitude to him for the few words of encouragement that fell out of his mouth. As a person who has very nearly reached the age of superannuation, I suppose I would not ordinarily blush if I am praised,....

An Hon. Member: Not yet.

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Shri T. T. Krishnamachari: ....but it is a matter which I think we, as human beings, can take some pride in, if you feel that the institutions with which we are connected, namely, the Government of India, are not proceeding on wrong lines but on the right lines. It may be that it may not move fast, it may be that it moves slowly; it may not take into account the entire panorama that is unfolded before it or it might be narrow-minded. But anyway, it is moving, and moving in the right direction. I think that the speech of my hon. friend indicated that we are certainly moving in the right direction. One fear he expressed in regard to this term of rather doubtful connotation that we have used in regard to the policy in respect of items where imports are to be liberalised, namely, liberal licensing, I think, can be explained. It is this. The Government have indicated this policy. I think one hon. Member really underlined it. He—I think it was my friend, Mr. V. B. Gandhi—said that he was happy that I felt that the position in regard to our foreign exchange and balance of payments was not something which made us feel that we were out of the woods, and that we had to go cautiously about it. That is the position, Sir. I am not looking at the question merely from the point of view of what obtains today, nor what obtains six months hence, nor what obtains one year hence. It is the ambition of all of us, who are serving the country, through the means of this Government to rapidly industrialise this country and, as Mr. Bansal said, in my dreams I even envisage a Rs. 3,000-crore investment project in the public and private sector during the next Five Year Plan. It may come to pass; it may not. But a condition like that will mean a very heavy drain on our foreign exchange resources. I am quite conscious of the fact that our foreign exchange resources, as they are today, may not be able to bear that drain; we might have to seek foreign aid, whether by means of outright loans or by loan capital or whatever it is. Having

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that condition in view, it is not possible to relax my controls or to ease the reins altogether. So even in the OGL that we have announced yesterday, we have taken care to see that some of the items are transferred from the OGL on to what we call free licensing. Free licensing does not mean that it is completely free. Government exercise a certain amount of check. For instance, if we are prepared to license the import of a commodity and a person comes and says: 'I want to import goods worth Rs. 20 lakhs', we say 'No we do not think Rs. 20 lakhs worth of goods are needed. We will give you licence for Rs. 1 lakh or Rs. 1½ lakhs'. That is all that it means and nothing more. We say established importers can have additional quotas and new-comers can get quotas. We do not propose to restrict anybody's importation or use it as a matter of patronage—except to use it as a matter of restriction when we want to do so.

The other thing that I have learned during these 2½ years as Commerce and Industry Minister is this. I find that the largest amount of drainage of our foreign exchange resources was not so much when we had liberal licensing for imports but when we changed liberal licensing to quotas, and because we had to issue what were called OGL concession licences. I do recognise that one of these OGL concession licences related to import of goods from Aden worth Rs. 8 crores. Surely, Aden does not produce anything. But these people produced firm orders from people from Aden and the thing was granted, because the condition was that anybody who had placed firm orders with foreign exporters would be given a licence. So a contingency like that inevitably comes to happen when you have an OGL and change it. Having in view the fact that our licensing policy might have had restricted freedom—or regulated, as my hon. friend, Mr. Asoka Mehta put it—we do not want a system of licensing which will mean that he is free to import whatever he wants. The freedom is there, but a check might be imposed by Government and that check will only be imposed and limits will be imposed only by the Government of India—not by individual officers at ports.

I might also tell my hon. friend, Mr. Bansal, one thing that we do. It might look very silly, it might look as if the Minister is wasting his time on petty little things. In the case of every licence that is granted or rejected, of the value of about Rs. 75,000, within about five or six days after the week-end, a statement comes to me. I go through it. I know that I cannot often say that a licence has been granted wrongly, but in very many cases I check up where a licence has been refused. It has happened in several cases. Probably, two or three times every week we find that a licence has been refused either on purely technical grounds or because of a narrow interpretation of Government's policy; then I ask my officers to revise the thing or send the papers up to me. So we do exercise some kind of control in regard to the larger values of licences. Of course, if somebody is very clever and he says: 'This matter goes to Delhi. So I will only apply for import licence for Rs. 74,000', well, he will escape. I agree. That kind of thing may happen. But a certain amount of check is exercised on these matters, and I can give my hon. friend, Mr. Bansal, the assurance that merely because we say 'liberal licensing' and we have mentioned in the policy book that established importers will get additional quotas, actual users will get for quantities for which they have use and newcomers will be given liberal quotas, it does not mean that there is going to be any application or any use of patronage. It is merely a question of putting a check where you find that things are running away from our hands and more goods might be imported for a value which would be considerable and perhaps there is evidently a case of over-trading.

For instance, we have been issuing, sometime ago, licences for the import of rice. Hundreds have been asking us for licences and one crore of rupees straightaway. We said, get the banker's guarantee or an indication of a letter of credit having been opened. We issue licences for two or three lakhs of rupees instead of crores.

The same thing in the case of betelnuts. The people asked for licences for a crore of rupees. They get it for the whole year in the hope that the Government may change its excise policy. Naturally, we would not give it. If you want, you can have licences for two, three or four lakhs of rupees. The principle of liberal licencing will not be used in any other manner than I have indicated.

Mr. Deputy-Speaker: Occasionally, this liberalism is due to the desire to increase customs revenue.

Shri T. T. Krishnamachari: The Government is also like a human being. And, unfortunately, while the human being's need to find money is restricted to his own propensity to spend, the Government's need to find money is determined by the propensity to spend by the vast number of people whom the Government controls.

It is a very curious thing that some time back—I think it was in July—there was a lecture by the Auditor-General of U.K. Mr. Frank Tribe, in which he said that the idea today amongst Members of Parliament in U.K. was not so much to restrict expenditure as to demand more and more money to be spent on developmental schemes. There is that demand in this country also. So, the Government has to find money. We cannot look at it purely from that point of view. It will be just a sort of adjustment between various claims. We would like to increase our customs revenue if it is possible to do that without damaging our economy.

The other point mentioned by Mr. Bansal was a criticism of the Tariff Commission, though he did not put it exactly in the same way as my hon. friend Mr. Asoka Mehta put it. There is a point of view, I think, amongst businessmen in this country that the Tariff Commission is doing something which is not altogether correct. Sir, I beg to join issue with that particular viewpoint. The Tariff Commission has been created by this Parliament. Its duties have been laid down by statute. We make the appointment for a period of time. I have been striving, during the time that I have been a Minister here, to maintain the independence of the Tariff Commission. I do go to Bombay now and again and I meet the members of the Tariff Commission. We broadly discuss Government's policy with them but I have not at any time—and I do not propose at any time in future—to tell the Tariff Commission what they ought to do. It will be completely wrong. The independence of the Tariff Commission, in my view, has to be maintained and we have been lucky enough to find as Chairman a person who has a very high reputation for integrity and, I think, by and large, after he became Chairman, he has induced in the minds of the business community in India a feeling that they can get fair treatment, absolutely fair treatment, unbiassed by any other consideration. I know when he goes on his tours, he puts himself to the utmost inconvenience which could all be avoided if he only accepts the hospitality from people who are willing to give him that hospitality and will not demand anything in return. He goes out and stops in a travellers' bungalow or in a railway retiring room. That is the attitude adopted by the Chairman of the Tariff Commission. My intention is that that attitude must be maintained, that independence should be maintained and Government should not try to do anything to impair that.

The Tariff Commission must be in the know of the Government's policy. The policy of the Government in the past has been just to accept whatever the Tariff Commission has said. If the Tariff Commission has to say

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something and I have got to accept it without seeing whether it is in tune with my own policy or not, then either the Tariff Commission should be an automaton or I should be an automaton. I think the Tariff Commission should be an independent body having a view of its own and I consider that, as a Minister, I should also exercise my intelligence because, I think, I have the ultimate responsibility to the House which represents the entire public. So, to say that either I must accept *in toto* whatever the Tariff Commission says or I must dictate to the Tariff Commission that it must submit a report entirely in tune with my own views, is a totally wrong view. If the Government resolution is a departure from the report of the Tariff Commission in any degree, that indicates either a defect in my judgment or a defect in my motives. The House is there to criticise it. I shall accept that criticism cheerfully. I do not want the type of criticism which says, you either tell the Tariff Commission to tune themselves to your policy or you just follow a rule-of-thumb method, whatever the Tariff Commission says. I am afraid that I can neither abdicate my capacity for reasoning nor can I ask the Tariff Commission to abdicate its position of impartiality.

I find we have been criticising the Tariff Commisson because of delays. The Tariff Commission is composed of four members; it is composed of a certain amount of staff, and they ask for more staff. In fact, I would like the Tariff Commission to have a little more staff of Cost Accountants and Economic Investigators. But, I cannot assure my hon. friend, Mr. M. C. Shah, who generally rejects whatever application I make for increased expenditure, that the work-load for the staff that I want to engage will be more or less of an even nature, namely, that they will have eight hours of work all the 365 days of the year excepting Sundays. It all depends upon the number of cases we refer to them, it depends upon the number of industries that we want to start and it also depends on the competition which a particular industry is likely to have. It is impossible to assure my friend Mr. Shah that the work-load will be even and if he gives three more Cost Accountants and a few Economic Investigators they will all be kept engaged and busy. They may probably be able to produce figures which may be of some economic value but the utilitarian value of which varies with the use which we put these figures to. That being the case, he exercises his control on me and he exercises it rather ruthlessly, which is right. After all, I cannot complain. It is a good thing that he does, because, otherwise, I will, probably, go on making more and more demands on him. These are the considerations that stand in the way of quick action. If I provide more staff for the Tariff Commission, they may be able to do their work quickly. I cannot assure that the work will be there all the time. But, I say a certain kind of adjustment has to be made in a country like ours, with an ambition which is A-1, with an economy which is C-3 which has resources which are D-4—certain adjustments have to be made in our mental outlook and compromises are inevitable. But the fault, if any, in regard to these delays are not with the Tariff Commission because, I think, they work hard, but it is because of the quantum of staff that we have given and the nature of the work they have to do.

For instance, I can mention that some hon. Member who might have asked a question—I think it is Mr. V. P. Nayar—has not forgotten that I ordered an enquiry into the prices of tyres because we found that certain adventitious aids that the tyre industry had in this country had not been utilised for the benefit of the consumer. My terms of reference were extremely wide and I have been asking the Tariff Commission now and again as to what has happened to it. Is it that there is delay on the part of the tyre companies giving the information? I find that the real trouble was that the amount of staff that they need for going into the tyre companies' figures as far back as 1947 has not been adequate and for that reason there has been a delay. In every case that we look into and find delay, we cannot ask the Tariff Commission for an explanation, because, as I said before, the position of the Tariff Commission is such that we cannot ask for an explanation. I think the Members will adhere to that position. So long as I am here, I wish the independence of the Tariff Commission to be maintained and if we are prepared to spend a little more money and if that is done on the unanimous demand of this side of the House, though it does not matter that people are idle and are asked to do some other work—let it have some more staff—I can produce quicker reports, probably reports which cover more pages and so on.

3 P.M.

The other point which Mr. Bansal mentioned hinged upon the question of GATT. It was raised by Mr. Asoka Mehta and subsequently by my young friend Mr. Gurupadaswamy. So far as GATT is concerned, the particular articles, as Mr. Asoka Mehta mentioned, which appear relevant to this discussion, are articles 11 and 12. Article 11 is a general elimination of the quantitative restrictions. Article 12 is in regard to restrictions to safeguard the balance of payments. These articles were put in at the instance of primarily producing countries on the one side, under-developed countries on the other. I can assure my friend, Mr. Gurupadaswamy, that there is no danger of there being any drastic alteration of these articles merely because *The Financial Times* has indicated the view point of certain people in the U.K. After all, if the articles of the GATT are to be changed, they have got to be changed with the agreement of the various participants in this organisation. It cannot be done unilaterally, merely because a powerful Press in the U.K., which often does not represent the Government's viewpoint, even the viewpoint of the Conservative Government,—Mr. Brendon Bracken does not altogether see eye to eye even with the Conservative Government—has stated so. It is not to be taken as a general statement of policy of the contracting parties who will not accept it without discussion of the terms of the GATT agreement. If we are members or signatories to this agreement, there must be a question of give-and-take, and that brings me to the question of quantitative restriction control *versus* tariffs. Some hon. Members here—I do not know if Mr. Mehta himself mentioned it—said "But what is going on behind the scenes? Why does the Government not take us into confidence?" It is a little difficult, even granting that there is something going on behind the scenes—it is not—to do so, there is no point in taking the curtain off and exposing all that is going on to the public gaze. What is going on behind the scenes must go on; the man or woman or both of them must get dressed up and be in a position to create the illusion, and then Mr. Mehta will enjoy it as he does in a theatrical performance. Let me warn him if he saw them without the powder and all the make up, he would not enjoy it so much and the impression that he would have would be totally different. So, let the performance be enacted on the stage in due course so that Mr. Mehta may get pleased and also have its good effect. From that point of view, therefore, I do not agree with him. I do agree with the outlook of persons like Jeremy Bentham that even an atmosphere of a House like Parliament should provide enjoyment and should provide information for the public. The utilitarian aspect of this House must not altogether be lost sight of. Nevertheless I think there is nothing very sinister going on behind the scenes. We are not trying to make any radical change in the make up of the policy of the Government, which will probably create illusions in the minds of people who see it when it is property presented. I think it will be presented when such

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a stage occurs. Mr. Mehta asks: what is the brief we have given to the Finance Minister? We have not given any and there is no need for a brief either, while he is attending the I.M.F. meeting. The I.M.F. meeting is to review the existing situation in the world and it may be that other things might be discussed. Because we are members of the I.M.F., somebody may get up and ask a question in the meeting why India, with a favourable balance of payments, is still sticking to quantitative restrictions. I am sure my colleague would say the same thing that many hon. Members have said here—that we are not yet out of the woods, we are an under-developed country, our *per capita* income is very low, our ambitions are very high, our import policy whether by means of tariffs or by means of quantitative regulations or by means of absolute bans must be so framed as to enable us to become healthier as a nation, our industry to grow up and become strategically stronger. I am sure my hon. colleague will remeber all these reasons and tell it to the I.M.F. far more effectively than I can tell the House here. So far as this question is concerned, I may tell the hon. Members of the House that there is no sinister design in this particular measure. My hon. and young friend, Mr. Gurupadaswamy, again drawing his inspiration from *The Financial Times*, has said something. Mr. Thorneycroft goes on saying something because he is in the same position as I am so far as this country is concerned. Tomorrow, somebody in London might say; Why does Mr. T. T. Krishnamachari say these things in the Lok Sabha in India? Mr. Krishnamachari happens to be responsible to the Members of the House. I do not represent the taxpayer of the U.K. and similarly I am not placed under any obligation to any of them. Vested interests in every country are there and they agitate, and if my friend draws any lesson at all from this article which has been read to us, it merely indicates that pressure groups in every country act in the same way in respect of any quantitative restrictions. My hon. friend Mr. Mehta would realise that it is rather difficult if Government are to decide on quantitative restrictions purely from the administrative standpoint. They cannot escape the influence of pressure groups. That is one of the reasons why during the last two and a half years, in spite of the fact that I have been against quantitative restrictions I did not altogether give these up. I suppose I did act wisely and well. I have said in all my public statements that I was against quantitative restrictions and it was merely to tell the pressure groups in the country that we will not tolerate pressure groups using their power to make Government adopt a system of quantitative restrictions. That is the whole trouble. If there is a valuation by an independent body that is the Tariff Commission the responsibility is shifted from. It may be quite possible as Mr. Bansal stated that 39 per cent. is what is needed to cover them against imported goods and they have said only 40 per cent. is enough instead of which, as Mr. Bansal wants or perhaps I too want there should be at least 15 per cent. coverage as it is for the purchases by the Supply Department. Nevertheless it is done by somebody like the Tariff Commission on whom there is no pressure, and this question of Mr. Thorneycroft being heckled is merely a question of bringing pressure to bear on the Ministry in the way it is sought to be done on this unfortunate being in this country.

Shri Algu Rai Shastri (Azamgarh Distt.—East *cum* Ballia *Distt.*—West): This being is very fortunate here.

Shri T. T. Krishnamachari: It is always the man who wears the shoe that knows where it pinches. My hon. friend, Mr. Algu Rai Shastri thinks I am a fortunate man, but he does not know this is astrologically my worst period in life. I will tell hon. Members that so far as Mr.

Thorneycroft is concerned, whatever he has said—he has to say several things; he might even say that his Indian friends are short-sighted people and many other things—we have got to take it as partisan or one-sided. For instance, I am not going to get angry because Mr. V. P. Nayar said something against me or Mr. Gurupadaswamy said that the Minister is ignorant of Mr. Mehta said things against me even if he put it in a more dignified and pleasant language. Outside we are friends.

By the way, I would ask hon. Members not to attach much importance to Mr. Thorneycroft's point of view. There is the other factor also. Somebody said: Are we doing all this for the sake of Mr. Thorneycroft and his constituency? No. If I wanted to do something like that at all, I could have done it and I have the power under section 23 of the Sea Customs Act, to reduce the duty from 60 or 80 per cent. to 40 per cent. and allow goods to come in at the lower rate. But I would not have done that and there is certainly nothing of that kind at all.

Acharya Kripalani (Bhagalpur *cum* Purnea): That would be too obvious.

Shri T. T. Krishnamachari: I do not know if that will be too obvious, but somehow obvious things sometimes miss my hon. friend's eye, and it is only the thing that is not obvious that he has his eyes on. I think it is much safer to do the obvious if one is progressing for safety. I remember the case of a gentleman who came from Pondicherry. He brought a bottle of *eau de cologne* with him. When asked how he managed to get it he told me—"I put it right on the top of my things in the motor car and did not at all hide it, and the Customs people passed it." So, the obvious is the thing that escapes scrutiny and I am sure my esteemed friend, the Acharya, is no exception to the rule and he generally misses the obvious.

An Hon. Member: Question. (*Interruption*).

Shri T. T. Krishnamachari: But, the plan, so far as this particular matter is concerned, is not so much to assist my colleague in his discussions with the I.M.F. or assist the delegation that is going to the G.A.T.T. It is a thing that we have ourselves seriously considered and it is part of a policy that is being implemented over a period of time. I do believe that, for the reasons stated by my hon. friend in that short statement that he made, terse certainly, nevertheless, very wise, and in the long statement that I have made the other day, this is the correct policy to follow provided that we can keep the reins in our hands. If anything goes wrong or we feel that the foreign exchange resources for our development purposes are affected, we can switch over to a system of greater control.

I must also tell the House whether they agree with me or not, that we in the Commerce and Industry Ministry do not go about our work blindfold. We do exercise some intelligence in the matter like this. There are some data available. We do some amount of application of our mind not merely to theories, but also to the tendencies that we see. The structure that you see before you in the shape of the Bill which imposes higher rates of duty on many articles is a part of a plan conceived and prepared and not one that is prepared on an *ad hoc* basis. You may find loopholes in it; you may find mistakes in that policy. But, I would ask you to accept my word that it is not an *ad hoc* solution to a problem, but one that has been well thought out and has got a certain amount of work behind it.

My hon. friend Shri Asoka Mehta did throw, as I said, a lot of light on several of our problems, because he took us to the history of our import control policy. He referred to the report of the Commodities Prices Board on Controls and their Continuance. Para 39 deals with import and export controls; the first half of that para deals with imports and the other half deals with exports. He

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also referred to the report of the Import Control Enquiry Committee of 1950. But, there is only one slight defect in that scheme of thinking that has been followed. It is this: using old documents for new purposes. Obviously, they cannot fit in. It is like the Biblical saying....

Shri Asoka Mehta: For reviewing your past policy.

Shri V. P. Nayar: Past folly.

Shri T. T. Krishnamachari: One cannot altogether wash one's sins by repentance. I certainly cannot adequately repent for the sins of my predecessors. But, we have repented. We have changed our policy. What is the object of throwing it back to us? Whatever mistakes we made in the past were mistakes of the older people.

Shri Gadgil (Poona—Central): I think the old people were right in the context of those circumstances.

Shri T. T. Krishnamachari: I am not blaming them. The older people had to face a set of circumstances which it is impossible for us to visualise today. In 1947, the Government was faced with a series of situations which it is rather difficult for us to envisage. I think Shri Asoka Mehta said in speaking on a different context that we have conquered those circumstances. I must say to the credit of my predecessors, as my hon. friend Shri Gadgil puts it, that they have acted in the best interests of this country. I think they have acted well. If I am able to change the policy today, it is because of the result of their actions of which I am aware. But, none-the-less, these reports are applicable to the set of circumstances which existed in 1950 and 1947. They have no application to the set of circumstances today. If my hon. friend meant that I have not read this report and that I have not even thought about the solutions suggested there, he is mistaken. I have read the report carefully. In page 42 of the Report of the Import Control Enquiry Committee, my hon. Shri Asoka Mehta will find that that Committee also takes into consideration the view expressed by the Federation of Indian Chambers of Commerce. They say:

"As the Federation of Indian Chambers of Commerce and Industry observes—

'By its very nature, import control has to be discriminative in the sense that imports of all the commodities and articles cannot be slashed to the same extent in order to balance the anticipated export receipts minus other normal requirements. There has to be a list of priorities and goods and articles are bound to be allocated quotas according to that list. In framing the list of priorities, certain considerations have to be borne in mind, and it is obvious that, whether the commodity or article is being produced at home or not, and if so, to what extent, is bound to be one of the most important considerations for fixing up the list of priorities.' "

They go on to say:

"We endorse this view, but would add that the quality of domestic production, no less than its quantity, and the price at which a commodity is sold should be equally important considerations for determining the priority to be accorded to the import of competitive articles. We therefore recommend that as long as the balance of payments difficulties exist the import policy of Government should be so framed and administered so as to safeguard the balance of payments position with due regard to output, quality payments and the price of the indigenous products. The problem of practical policy is to ascertain in every individual case, where a conflict between the claims of domestic producers and importers may arise—......

(1, 2, 3, 4 considerations.)".

I may say that periodically, every six months, my colleague and I and the officers concerned have to look up our import policy. We have a sheet for every commodity. The commodity sheet has the indigenous industry angle, indigenous production and so on in it. The very principles laid down here are being observed in every day practice. There has been no departure. There is only one fact that Shri Asoka Mehta must recognise and that is, the conditions that they imposed for the observance of these principles do not exist in the same measure today as they existed in 1950, namely:

> "So long as the balance of payments difficulties exist...."

They do not exist to the same extent today.

One or two matters were mentioned about bicycles. I think Shri Asoka Mehta mentioned about my particular partiality for bicycles. I have no particular partiality for bicycles. I cannot even balance myself on a bicycle today. I may say, I have not tried for some time. I may have to try for some time to see if I can.

Shri V. P. Nayar: Why not get a tricycle?

Shri T. T. Krishnamachari: He asked why should there be two units with foreign capital. I myself thought that it was Shri V. P. Nayar speaking. I can assure my hon. friend Shri Asoka Mehta that the foreign capital in these two units is not much. I am not going to give the split up. He can get it if he wants. Capital in each company, share-holding in each company, all this is available. But, in any event, I get the information under the Collection of Statistics Act and I cannot give the information. Taking the two companies which have foreign tie-ups, their aggregate paid-up capital is Rs. 1,37,73,000. The non-Indian capital is Rs. 28,35,000. It is not a question of foreign capital dominating. Here is a case of Indian capital dominating. I do not see why my hon. friend should think that the Indian capital which dominates is supine, is indifferent to the interests of India, to its own interests. A capitalist has to be interested in his own interests. His interests happen to be in this country. Why should they be cowed down by foreigners, why should they yield to them if there is no need? I say there is no such thing as foreigners exercising control over these institutions. These institutions have done well.

I can tell the House why I say that they have done well. I get the figures of the weekly stocks of cycles with them. The stocks are low. In the last sheet I have seen indicates 1,600 units in one case. In another case, it is 3,000; whereas in the Indian unit, unfortunately, it is about 30,000. They are progressively bringing down the prices. We are insisting on their bringing down the prices. They have not done badly. I will once again tell the House that whereas in 1950 the production of bicycles was 103,000, in 1951, it was 114,000; in 1952 it was 196,956, in 1953 it was 264,000, and in the first seven months of this year, it is 193,000. The target that we have fixed for this year is 370,000 and I hope it would be very nearly reached.

Mr. Deputy-Speaker: This is with respect to the foreign concerns?

Shri T. T. Krishnamachari: The entire lot. It is not for the concerns with foreign capital alone. Even these concerns are owned by Indians, controlled by Indians, and there is a certain amount of foreign capital because of the foreign know-how, foreign technique, foreign methods and foreign technical assistance which are being given from time to time.

So, this is the position of the bicycle industry, and I think if I take any pride in it, it is a pride that I should take along with every other Indian. Here is something which we have done and we are progressing very rapidly. Whether, as my friend Mr.

[Shri T. T. Krishnamachari]

Kasliwal says, we will be able to export bicycles or not depends very largely on the raw material prices and the cost of production. If we really produce a cycle in this country anywhere between Rs. 120 to Rs. 140 I am afraid there is not much chance of our being able to export it. One of the reasons why I did not accept *in toto* the Tariff Commission's recommendations was this, that the reduction in duty which I have effected might perhaps allow cycles from a country, a low-cost producing country—a country where costing is not even marginal, where costing is dictated by other considerations—to be dumped into our country. I have no recourse against it. I do not want to stop goods of better quality being brought in by a user of a bicycle with a fastidious taste. In the days when I was a user of a bicycle I liked a bicycle with what is called an oilbath gear case, as a young man of today likes a bicycle with one of these dynamo lamps. This type of fastidious taste is something which I think we ought to indulge in. It is not something like having a Rolls Royce car, or a Bentley or a Cadillac, and I think it is really something which we should allow our young people to indulge in. Please remember that if you allow him to import such a cycle he will have to pay 47 per cent. duty, provided he pays Rs. 60 which is the minimum. I think the arrangement is one which is generally approved of by the trade. They feel that the amount of protection is more than adequate, and they will be able to flourish under it. I think some such adjustment was necessary.

The other point which Mr. Asoka Mehta mentioned is about these brass lamps. He said one factory in Bombay has the capacity. But then, when we are taking a particular action for a particular purpose, I think Mr. Mehta will be charitable enough to allow time to the Government to see if that purpose is fulfilled. I am grateful to him for his warning, for reminding me that my purpose might be defeated, because one unit might take advantage of the protection. The small man may or may not. We do propose to help the small man. I think our policy is even there right.

My hon. friends Mr. L. N. Mishra and Mr. V. B. Gandhi made a number of useful suggestions.

Mr. Deputy-Speaker: Does the hon. Minister want me to put this question to the House?

Shri T. T. Krishnamachari: Yes, Sir. I shall finish in another two minutes. As a matter of fact, I have probably been spinning out because of the hon. Members having given me a lot of time. Surely, the number of Members that spoke on the various points that were raised, I do not think, expected me to deal with all these at length.

But, Sir, those two hon. Members made some valuable points. I shall certainly look into the suggestions which they have made.

So far as Mr. Gurupadaswamy is concerned, I have mentioned the position regarding financial tie-ups and the question of G.A.T.T. G.A.T.T. is not quite so bad as he thinks, and we are not completely powerless; and, of course, if we find that G.A.T.T. is not good, we will withdraw from it.

I am also aware of the suggestions made by Mr. Kasliwal though some of them could not be implemented.

There is only one point that I should like to mention and that is in regard to the very long speech made by my friend Mr. Tripathi. I am sorry he is not here. I see that he has drawn his inspiration from a body the very name of which, if he mentions, will provoke the ire of people in that group—The International Co-operative Federation of Trade Unions.

Shri T. B. Vittal Rao: The International Confederation of Free Trade Unions.

Shri T. T. Krishnamachari: Confederation or conflagration, whatever you call it.

Anyway, what he suggests is no doubt right, but his arguments have been addressed to the wrong quarter. In the economic set-up of the Government of India I have a certain amount of dominance in my own sphere, but where it is a question of sterling balances and the question of utilization of those balances, I think the legal representative of the Finance Ministry, Mr. M. C. Shah, is here, and he has taken note of whatever Mr. Tripathi has said. But, things are not as easy as he says. In fact, I am not particularly happy with the present trends. We want money to come in. We want more money to become available, more foreign exchange available for us, and as I said, out of this Rs. 3,000 crores that we want for industrial development, very nearly 40 per cent. will have to be in the shape of foreign exchange. That is about 1,200 crores, and we have only about Rs. 330 crores reserve with us, allowing for a currency reserve. And we might be able to pump in some more during the period of five years, but it would not be enough. I would not like to fritter away my resources in buying, as my leader often puts it, junk in this country and paying fancy prices for them. Well, if people do want to buy foreign assets, let them, but I would rather discourage the acquiring foreign assets in this country at this stage. I might like some of the capital in the better managed companies, useful companies, to be acquired by Indians. In fact, we are insisting on some of them throwing open their capital to Indians, but so far as these vast tea estates and other things are concerned, I am not anxious that Indians should acquire them now—not now, at any rate, when our foreign exchange resources are inadequate. I do not want our foreign exchange resources to be wiped out by means of purchasing tea estates and so on, and if there is a tea estate for sale so far as I am concerned, I would rather discourage Indians buying it at the moment. Though I do not know why Mr. Tripathi says it and I do not know what my hon. colleague the Finance Minister will say, but that is my answer, but if he wants further clarification, he must address his remarks to the Finance Minister. That, perhaps, is not a very adequate attempt to deal with the various points raised by hon. Members, but I take it that they will, at any rate, recognise that though the flesh is weak and it is not able to deal with all these points, though the spirit has been very willing to deal with the points raised.

Mr. Deputy-Speaker: I will put the amendment to the vote of the House.

The question is:

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

The motion was negatived.

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: Now, there is only one minute more. Therefore, I will take up the non-official business. The clause by clause consideration will stand over.

MOTION *RE*: TWELFTH REPORT OF COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS.

Shri Altekar (North Satara): I beg to move:

> "That this House agrees with the Twelfth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 22nd September, 1954."