

[Shri A. M. Thomas]

half of the period of the Plan. It is somewhat smaller than the proportionate outlay, we can understand that. But the rate of progress has been rather disappointing. We have laid our full faith in the Plan. Everywhere, in important sectors there has been a shortfall. Some have been pointed out by the hon. Finance Minister himself. We had expected much from the community development projects. They have not given any appreciable results. It is a matter of regret that the provision for local works has not been exhausted. There have been lapses in the provision for basic and social education. Unless there is prompt utilisation of the Budget provisions and a bold policy followed in that respect, we need not be told of the logical results of that.

The Industrial housing scheme of the Central Government is a first class venture. But, has there been any expansion of industrial housing? I can very well understand a slow progress in the expansion of the scheme where the co-operation of the industrial employees comes in. What about that section wherein 50 per cent. is given by way of subsidy to and the other 50 per cent. is given by way of loans to the States? My information is that papers pass between the two Governments, namely the Central Government and the State Governments, and either sanction is not given or the grant is not made. In these matters, we have to take into account the local conditions and problems. The State Governments should be given a freer hand in drawing up the detailed specifications and putting them into effect. I am one with my hon. friend Shri Tulsidas when he says that the expenditure must be properly supervised. At the same time I would submit that for the sanctioning of any amount or for making any grant, a more liberal policy must be followed by the Centre and the main emphasis should be on the principle of not

standing as a hindrance to the utilisation of the resources. It is totally absurd that financial sanction should be withheld for months after administrative decisions are taken. In this connection, I would advocate a policy of decentralisation in the administrative set-up.

In the first Progress Report of the Planning Commission, on page 141 it has been said that "in addition to the work which the Bharat Sevak Samaj or other voluntary organisations and groups can undertake over a long period, it is of the highest importance that the village panchayats and other local self-governing bodies at different levels should become fully responsible in the matter of organising development programmes in their respective fields for seeking the maximum local co-operation and participation".

5 P.M.

We were assured that a substantial portion of the amount which is to be spent under the Five Year Plan will be spent through local panchayats. In my State, for example....

Mr. Deputy-Speaker: The hon. Member may stop at this stage. The House has to proceed to some other business. He may continue tomorrow.

COMMONWEALTH FINANCE MINISTERS' SYDNEY CONFERENCE

Mr. Deputy-Speaker: Now, the House will take up discussion of the Commonwealth Finance Ministers' Conference, held at Sydney.

Two hours are allotted for this, from 5 to 7 o'clock. I understand the hon. Finance Minister may take between 25 and 30 minutes. There are as many as eight hon. Members who want to participate in the discussion besides Dr. Lanka Sundaram who has given notice of the motion and Mr. Gurupadaswamy who has supported it. In all there are ten. I will allow 15 to 20 minutes to the hon. Member who is

the opener of this debate. So, 50 minutes are over. An hour and ten minutes are left. I will try to distribute the time over the Members who have given notice under the rules. They will get five to ten minutes each. At the end of five minutes I will ring the bell.

Shri K. K. Basu (Diamond Harbour): It is better to drop out some of the speakers.

Shri Bansal (Jhajjar-Rewari): May I suggest that this is a very important subject? In fact, in the House of Commons a full-dress debate was raised on this subject. This should not be disposed of within a matter of two hours. I think the House will be willing to sit even longer. If not, some other day may be allotted. At least two more hours should be given for discussion of this subject.

Mr. Deputy-Speaker: I have nothing to do with the extension of time. I was personally feeling whether such matters ought to be allowed to interrupt the Budget proceedings. I am in favour of giving time for such discussions, but there is no meaning in introducing such matters as this, however important they might be, during Budget discussions. A number of hon. Members have sent me chits. Many of them have not taken part in the debate on the President's Address. Many have not had an opportunity to speak on the Railway Budget. If even this opportunity is denied to them, they need not go back to their constituencies at all! That is what is happening.

Of course, I am not going to extend the time. The time allotted is two hours. It must be finished within that time. I will try to allot the time as fairly as possible among those Members who have given notice.

Shri M. S. Gurupadaswamy (Mysore): Three of us have raised this discussion. So, I submit the time given to all the three may be equal, so that sufficient time may be available to us.

Mr. Deputy-Speaker: I cannot help it. The opener will have some more time than the other two.

Shri S. S. More (Sholapur): There are three sponsors like three Musketiers for the proposition. Who is the leader of the trio?

Mr. Deputy-Speaker: Why did they allow the first name to be put in favour of somebody?

Pandit Munishwar Datt Upadhyay (Pratapgarh Distt.—East): May I know whether the time for the Budget discussion will be extended by these two hours?

Mr. Deputy-Speaker: Wait until the Speaker comes tomorrow and then ask him.

Dr. Lanka Sundaram (Visakhapatnam): Before I make my submissions to this House on the Sydney Conference, I would like to lodge my emphatic protest against the manner in which Government is denying to this House access to information on questions involved in a conference of this character.

The House would recall that in the House of Commons on the 3rd February last this very same question was discussed on a Motion for Adjournment. Such was the assessment of England of the importance of the decisions taken at Sydney.

I have put myself in correspondence with my hon. friends, the Finance Minister and the Minister for Parliamentary Affairs, asking for data to be circulated to us, in fact for the issuance of a White Paper even weeks ago, and what do we get?—the communique from Sydney dated the 15th January, a brief statement of less than three pages made by the Finance Minister on the 18th of last month in this House, and yesterday morning—I would like you to mark the words—only yesterday morning, something purporting to be a paper done by the Economic Affairs Department of the Ministry of Finance, rehashing mostly

[Dr. Lanka Sundaram]

what the Finance Minister told this House on the 18th February, with only half a page of statistics added, were made available to us.

You would also recall that when my hon. friend the Finance Minister made the statement in this House on the 18th February, my hon. friend Mr. Bansal promptly stood up and said that only four days after the issue of the Sydney communique, a treaty was signed—a trade agreement—between the United Kingdom and Japan on the 19th January, and he wanted information. Even that information is not vouchsafed to this House. I regret to say that this is not the manner in which this House should be dealt with by the Government, and I would ask my hon. friend the Finance Minister to please remember that this is Parliament, and not the office of a district official or a bank.

In the notes circulated to this House by the Economic Affairs Department of the Ministry, the following sentence occurs: "The detailed discussions at the conference are treated as confidential". And small wonder that the information made available to this House by the Finance Minister is most meagre, even though the questions involved in the discussions at Sydney touched upon such a wide variety of important subjects like international trade, balance of payments, convertibility, commodity exchanges, wages and employment and a host of other questions.

In fact, I was astonished at the language and the meaning of the communique issued from Sydney on the 15th January this year. I have no desire to indulge in what might be termed the gentle art of debunking, what may be called Deshmukh Finance, but I would like to quote to this House the very high tribute paid to my hon. friend the Finance Minister by no less a person than the Chancellor of the Exchequer, Mr. Butler, in the course of the discussion on the Ad-

journalment Motion in the House of Commons on the 3rd February - on this Conference. Mr. Butler said: "I may say without betraying any secrets that one or two of those present, including the Prime Minister of Australia and the Indian Finance Minister, two great students of English, did their best to improve the language of the communique". I have for the first time come across a reference to my hon. friend the Finance Minister becoming something like a janitor for Her Majesty the Queen's English. But look at what the *London Economist* wrote about the communique, as well as what the *Financial Times* of London wrote about this communique, both as regards language and content. I am quoting the *London Economist*. It says:

"A jumble of careful contradictions, in eight pages of double talk and bad grammar."

The House would mark the words "careful contradictions".

The *Financial Times* says on this communique from Sydney as follows. I am quoting:

"The Sydney conference has provided something of a record in the production of garbled reports. If the final communique runs true to form, it is not likely to clear up the confusion very much."

This is the reason why, I am sure, that in all the statements so far made, not only in this country by my hon. friend the Finance Minister, but also by his colleagues in various countries in the Commonwealth, there is an attempt to deny information to the countries concerned. I will deal with that in some detail a little later on.

I will direct the attention of the House to the preamble of the communique from Sydney of the 15th January issued in the name of the United Kingdom including its colonial territories, Canada, Australia, South

Africa, New Zealand, India, Pakistan, Ceylon, and the new Federation of Rhodesia and Nyasaland. The preamble of the communique in part runs as follows I am quoting:

"We have been informed of the discussions between the United Kingdom, representing us...."

—I would like the House to mark the words "representing us" meaning all the countries—

"....and the Western European nations and the United States of America. The relevant facts have been faced, and future trends estimated."

The House would not fail to note the power of attorney given by India to the United Kingdom to conduct negotiations with the Western European countries and the United States of America. I would ask my hon. friend, the Finance Minister, to tell us in this debate what exactly these facts are, what the estimated trends will be.

Shri Deshmukh on the 18th February when making a statement in this House said in part as follows:

"The action taken in the previous years had enabled it to overcome the crisis in its central reserves of gold and dollars and a continuous deficit had been turned into a moderate surplus during 1953."

This statement was made before the House to lull this country into a sense of security as to the manner in which our external finances are being handled by the Government. But let us examine the record. And here I am quoting no less a person—I repeat again—than Mr. Butler, Chancellor of the Exchequer in England, who on the 2nd February in the debate in the House of Commons said as follows. I am quoting again the *Hansard*:

"Taking the reserves at the first point, the Sterling area deficit in 1951-52 amounted to £1,000 million.

Its surplus by mid-1952-53 was over £400 million."

And then he said "Not a bad achievement". Immediately in the debate Mr. Hugh Gaitskell, former Chancellor of the Exchequer, to whom I will make a reference again in a few minutes time, asked Mr. Butler whether this sum of £400 million surplus was not just only £257 million, and whether it did not include defence aid of the order of £118 million, besides £45 million as "other capital grants for movements into the Sterling area", with the result that the surplus was only of the order of £94 million and not £400 million. As I said at the outset, lack of information, and denial of access to information are at the bottom of all this trouble. This House does not know, and this country does not know what exactly these figures are, and what the implications of these figures are.

I shall now quote from page nine of the Reserve Bank *Bulletin* for January 1954, the latest available to me so far, to carry the story forward. It says:

"Preliminary compilations of India's balance of payments position show that during the quarter July-September 1953, there was a small surplus of Rs. 0.2 crores on current account, compared with the deficit of Rs. 10.4 crores for the quarter April-June 1953. This improvement of Rs. 10.6 crores was, however, achieved at a reduced level of trade."

This, if I am not mistaken, is the balance-sheet of our foreign trade in recent months. I have got here built up a complete analysis of the balance of trade figures, and even though I concede that during September-October 1953, there was improvement, most of the months in the preceding year were deficit, and the years 1952-53, 1951-52, and even earlier years were entirely and heavily deficit.

I have attempted to examine as much as possible the statistical table

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attached to the note circulated to us in the name of the Ministry of Finance, and here is the result. For the twelve-half-yearly periods from 30th June 1948 to 31st December 1953, our contributions to the central reserve pool of gold and dollar of the sterling area were six times plus and six times minus, i.e., for six half-year periods, it was minus, and for six half-years, it was plus. The actual contributions were \$190 million, and withdrawals \$412 million; in other words, our net withdrawals were to the tune of \$222 million. My hon. friend, the Finance Minister, there seems to be an improvement in the dollar access to India, as a result of the ministrations of the finances of the country, which he has made with the past four budgets.

Without taking much time of the House, I would like to direct its attention to two very important questions, involved in the Sydney communique, relating to the decisions of the Commonwealth Finance Ministers' Conference. My regret is that in all the documents circulated or made available to this House, there is not a single mention of the words 'imperial preference'. In the light of what is happening now, as regards the conflict between Canada, which is a member of the Commonwealth and still belongs to the dollar area, and the rest of the Commonwealth, I would rather welcome the creation of a rupee area, the freeing of the rupee from the thrall of sterling, in view, in any case, of the fact that the sterling area is breaking up, even as Mr. Gordon Walker wrote in one of the local papers today.

Here, I would like to make two propositions. I regret that my hon. friend the Minister of Commerce and Industry, Shri T. T. Krishnamachari, who promised to place before the House the conclusions of his investigation into imperial preference, has not done so. That undertaking was given by him to this House nearly a year ago. I concede the point that the hon.

Finance Minister has in the current Budget, abolished to a symbolical extent, imperial preferences, especially with respect to the import of motor vehicles of certain categories. But look at the implications of the communique and what Mr. Butler said in the House of Commons, and what we are doing here.

In the highfalutin language of the Sydney communique, they speak of 'great, though intangible matters' in the following language:

"For, we have faith in ourselves, and in our future, and in our enduring company, one with another....The underlying element of thought and feeling at our meeting has been our deep and united faith that the strength of our Commonwealth is the strength of freedom: that the freer exchange of currencies and trade can be best assisted by the strength of our own currency and the expansion of our own trade and commerce....We avow ourselves, and the nations which it is our honour to represent, the friends of peace, the advocates of peaceful trade, the apostles of understanding."

The communique includes, of course, my hon. friend the Finance Minister among the apostles. And what does one such apostle, Mr. Butler say in the House of Commons? I crave the indulgence of the House to quote four pointed statements from the speech he made to the House of Commons on 3rd February 1954. They are as follows:

(i) "...it is the United Kingdom, which through all this difficult period, kept an open door for all imports from the sterling area..."

(ii) "...this Government hoped from the start that there might be an opportunity of getting the abrogation of the 'no new preference' rule in the GATT..."

(iii) "...The view of the Commonwealth as a whole—and I think I can mention this for each individual country—is that it wishes to see the existing preferences retained."

I would like my hon. friend the Finance Minister to tell us what exactly his reaction is to these statements of the British Chancellor of the Exchequer. Finally, Mr. Butler—and to my mind, this is the most important statement he made—said:

"...when the terms of trade have been running as they have been running, the United Kingdom profits more than the sterling area, because those very commodities, which go down in price and therefore reduce the earnings of the Commonwealth, naturally make our imports easier, and improve the position of the United Kingdom."

I have no quarrel with the prosperity of England. She has braved the storm of the second world war, and I have the greatest admiration for her. But what about my country? In what way do these declarations by the British Chancellor of the Exchequer, and the actions taken at Sydney affect the economy of my land? I would like to know whether Shri C. D. Deshmukh would like to have freer trade, and if so in what manner he proposes to get this done. Of course, I will concede the point that in the recent meeting at Geneva on the GATT, a symbolical concession was made to India as to the manner in which new preferences can be taken in hand, if this country or any other country wants them.

The second point I would like to direct the attention of the House to is in regard to investment and development, which I consider to be one of the most important points discussed at Sydney. I have here before me, the Economic Report of the President to the U.S.A. Congress, the Randall Commission Report, the I.M.F. Annual

Report for 1953 and a host of other publications of the U.N.O. Each one of these publications is conclusive with reference to three or four important issues. They are, according to my analysis, the following. Curbing of inflation must be there side by side with increased investment. Freeing of international trade must be there. The recession of the U.S. economy will be there, and a drastic cutting down of U.S. economic aid to the countries overseas will also be there. These are the four principles involved here. I have before me here the Randall Commission Report—I am most unhappy that this very precious document is not available to many Members in this House or outside in this country,—and I am quoting from page nine of that Report, which I think just clinches the issue, and I want my hon. friend the Finance Minister to answer me at the proper moment. It runs as follows:

"Underdeveloped areas are claiming a right to economic aid from the U.S.A. in proposals in the United Nations and in the Inter-Parliamentary Union. We recognise no such right."

The Randall Commission was appointed by President Eisenhower, and the note of the Economic Affairs Department of the Finance Ministry says that Mr. Randall's services have been still retained by the American President, with the result that this important statement which I have quoted—it is not out of context, I can give you my assurance on that point—and which is to be the basis of the economic policy of the United States, and financial and even military policy of the United States in the coming months, is a matter which has got to be remembered in the present context.

Having said this, I would like to quote Mr. Butler again—I am sorry I have to give a number of quotations, but it is most important for us to know what our hon. friend the Finance Minister would like to say on this. On 3rd February 1954,

[Dr. Lanka Sundaram]

Mr. Butler stated in the House of Commons as follows:

"I was able to discuss the matter with their excellent Finance Minister, Mr. Chintaman Deshmukh, and I thought that a most remarkable factor about India's economy was that she has curbed inflation."

It was a very fine compliment, and I am happy that our Finance Minister gets this compliment by the Chancellor of the Exchequer in England.

But, Sir, what happened between 3rd February*, when Mr. Butler made this statement, and the 27th February, when my hon. friend, the Finance Minister, presented the budget to this House?

Shri Bansal: Was there any other statement on 3rd February? I thought it was on the 4th.

Dr. Lanka Sundaram: 4th was the date of record of the *Hansard*. The debate was on the 3rd. My hon. friend, Mr. Bansal, should know that the date follows the debate.

Shri Bansal: I am learning from you now.

Dr. Lanka Sundaram: It is there for you to see.

Mr. Deputy-Speaker: One minute is lost in this way.

Dr. Lanka Sundaram: I am sorry, Sir. In the House of Commons, the publication carries the date following the date of debate. It is a small issue.

I would conclude now and I would crave your indulgence only for three more minutes. I was quoting just now Mr. Butler about the remarkable factor concerning India's recovery by curbing inflation. I was saying that between the 3rd February when Mr. Butler made this statement giving this high tribute to Mr. Deshmukh and

the 27th February, a number of things happened resulting in the declaration by my hon. friend, the Finance Minister on deficit financing of the order of Rs. 250 crores for this year. Later, Sir, my friend said in the other place that during the coming two years, it might be anything between Rs. 500 and Rs. 600 crores. With the result that the question must be posed—and I am sure my hon. friend would not burke it—as to how he proposes to curb inflation with this enormous pumping of fiat money, with his pilgrimage, which is long, remorseless, but deliberately undertaken, to the Nasik Printing Press. Because, as far as I can understand the documentation of the Sydney Conference, curbing inflation and putting the economy of each unit of the Commonwealth on an even keel are the primary criteria for the continuance of the Commonwealth as a sterling bloc.

Mr. Butler also said—and this to my mind is most important for this evening's debate—

"Moreover she (India) is actually not utilising her usable, available sterling balances even for the purpose of development. If she needs reserves for developmental purposes, I do not anticipate that she will have to go necessarily to the markets, for she has these reserves there. There, again, is another country which has taken most strict measures."

A great tribute to our Finance Minister—that he has taken strict measures to keep within the limits. But the point is, how does he propose to get money, with the Randall Commission report completely clear, with every possible declaration which is now coming from the U.S.A. stating that no more economic aid would be given by U.S.A. to any country, including India, as a matter of their global strategy, or the lack of it? We

*Corrected as "4th February" by the Member at later stage.

have already used more than a thousand crores of rupees of our sterling balances which were there at the time of partition. Now we have got somewhere about Rs. 723 crores, today, and this is anticipated to be taken into account. In fact, my hon. friend, the Finance Minister, said so in his budget speech. But the point to which I am directing the attention of the House is, how do we propose to go about in terms of the grandiloquent statements made at Sydney, in that communique, in regard to economic assistance for internal development of the Commonwealth in the light of this statement of Mr. Butler?

Sir, last year, £120 million were released in Britain for economic assistance to the various countries of the Commonwealth, including India. I would like to have figures from my hon. friend as to how much this country has got out of that amount. Mr. Butler said 'a variety of sources in the City of London for these purposes' will be available. That is a very important issue, and I want the Finance Minister to tell us about the manner in which, in the light of the growing drying up of American or other foreign assistance, Britain, according to the declaration made at Sydney, is going to release funds outside our own sterling balances.

Sir, Mr. Gaitskell, a former Chancellor of the Exchequer, with whom my hon. friend has negotiated a sterling settlement a few years ago, happens to have arrived in New Delhi yesterday, and I do not think I am doing him an injustice by quoting from a report of a special interview he has given which has appeared in the *Times of India* this morning. He said:

"As a former Chancellor of the Exchequer, I was not particularly satisfied with its working—i.e., the working of the sterling area."

I want my friend, Mr. Deshmukh, to tell us how exactly he reacts to this. The sum total of the events so far is that the sterling area is cracking up.

India alone has devalued to the fullest extent to which devaluation was done by Britain. Pakistan has not devalued. Canada has not devalued to the extent to which India has devalued, nor for that matter Ceylon. I repeat again in the words of a former Chancellor of the Exchequer, Mr. Gaitskell, that the sterling area is cracking up.

Sir, you would recall that each one of us in our early days, student days, has come across a publication styled something like "Benefits of British Rule in India", which each one of us was compelled to get by heart in those days. I trust that my hon. friend would not consider me to be indulging in levity if I ask him to bring out a similar document on the benefits of India's membership of the Commonwealth in the commercial sphere.

My final complaint against the Finance Minister—and I say it with a sense of responsibility—is that this House is entitled to information and that information is not made available. Even the figures announced by Mr. Butler were contested in the House of Commons on the 3rd February about these accruing dollar reserves by Mr. Gaitskell, and Mr. Butler could not rebut him in argument.

This, Sir, is my case, and I have raised this discussion in this House in order to enable this country to get the actual facts about the benefits that we are receiving as a result of our membership of the sterling area and the Commonwealth.

Shri Baisal rose —

Mr. Deputy-Speaker: I find that some of the hon. Members who have given notice that they would like to participate in the discussion do not appear to be in their seats here, so much so I shall allow some more time to other hon. Members who wish to participate.

Shri M. S. Gurupadaswamy: Sir, the previous speaker said that this House is entitled to know the full information regarding the Sydney Conference.

[Shri M. S. Gurupadaswamy]

I agree with this view. This House being a sovereign Assembly is entitled to full information. Unfortunately, the Finance Minister is treating this body with contempt. The communicate that has been released at Sydney is very scrappy and conventional and contains little information, and we cannot arrive at any decision. Sir, this is a very important matter which concerns our economic and foreign trade policy and so this sovereign body is entitled to know all the facts.

Unfortunately, some of the things are not given to us on the ground that they are confidential. Sir, the Finance Minister, if he wants to carry the House with him, must create confidence in us. We must have confidence in him. Unless we have trust and faith in him, it is very difficult to support his policies or support his decisions.

[PANDIT THAKUR DAS BHARGAVA
in the Chair]

Now, the Sydney Conference has met and dispersed. It has become an annual show of the Finance Ministers of the Commonwealth. Finance Ministers from various countries of the Commonwealth meet, talk to each other, discuss problems and disperse, issuing a very vague and general communicate. Sir, this communicate is very badly worded and it contains little information. If I may be allowed to say so, I feel that most of the communicate is a pitiful jumble of incoherent nonsense.

At Sydney the Finance Ministers have discussed the problems of balance of payments. That has appeared in all the papers. That is an important problem. Regarding this question, our position is not so happy. The Finance Minister said in his Budget speech that the balance of payments position this year is slightly better. But at what price? The balance of payments position is improved because there has been reduction of foreign trade. Im-

port has dwindled, export has also dwindled when compared with last year. So the balance of payments position is improved because there is a sort of austerity, restraint, restriction imposed upon foreign trade. So, there is not much foreign trade this year and there is not much progress. We cannot say that it is in any way an advancement on the previous year.

The Finance Minister, in the course of his speech, said that we will utilise our surplus reserve to purchase rupee coin from the International Monetary Fund to avoid payment of interest, and he also said that he may pay back debts to Pakistan. In this connection, I want to submit, when we are in need of huge sums of money, of great resources for our developmental projects, it is not at all wise to use our external resources for payment of debt or purchase of rupee coin. These things can wait. We can use this surplus more profitably for our developmental expenditure. Why should we have external aid when we have ample sterling resources? Why not use them for developmental purposes; where is the overriding necessity to earmark this surplus for purchasing rupee coin?

There is another point. If the Finance Minister does not utilise this surplus for financing developmental expenditure here, I can very well ask him—it may look a little fantastic—to invest that amount in some foreign business which may be more profitable than the projects here.

There is yet another important problem connected with foreign trade. Here, I want to say that we are bound hand and foot to the Anglo-American bloc. It is very tragic. Now, the bulk of our foreign trade is with the U.K. and U.S.A.

An Hon. Member: No, no.

Shri M. S. Gurupadaswamy: Unless we are completely free from this bondage, we cannot call ourselves

independent and we cannot follow our own independent economic policy. What has happened in Sydney? We hear that they discussed about GATT. Some of the countries did not agree for doing away with imperial preferences. Particularly, Australia and New Zealand laid emphasis, we hear, on having imperial preferences, and Canada and India disagreed. But, what happened? We do not know whether they have taken any decision in the matter and whether they are going to continue imperial preferences or not. We do not know whether the structure of our trade will remain as it is and whether it will always be linked up with the Anglo-American countries. We know nothing about this matter.

There is another matter which is equally important and that is about U.S. policy with regard to sterling countries. It is not a very happy one. America is not willing to change its foreign trade policy; it does not want to bring down tariff walls. It does not want imports from sterling areas. On the other hand, it wants to promote exports. Recently, the Randall Committee has been set up. It is not certain whether this Committee will be helpful in easing the tension. I doubt very much whether the dollar problem will be solved by the Commonwealth countries. It is not possible for them to solve the problem. It can be solved only by America; but, America is not prepared to solve it because it is not in its own interest. If it solves the dollar problem, if it creates facilities for the expansion of trade, if it promotes world trade, then American domination will come to a close. There will no longer be the financial colonisation of the world by America. That is the fear that is working in the minds of big, giant combines of American business and they do not allow America to follow any other policy in the matter. They want to be the money masters of the world.

We are hearing of the free world and the non-free world. We are now-a-
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days having more attachment to the so-called free world which are represented by the West European countries and America. Unfortunately, we have not promoted same relation with Eastern Europe and China and other countries. They are not at all participating in our conferences. It is unfortunate that we call ourselves international, we call ourselves neutral and claim that we are friendly to all nations and we are not acting accordingly. At least economically, let us follow a truly international policy. But our policy is, unfortunately, altogether one-sided; we are completely tied hand and foot, have become almost slaves to the economic domination of the Anglo-American powers. Especially America has increasingly entrenched herself in our foreign trade. That is painful to all of us. Hereafter at least, I expect the Finance Minister to be more bold and courageous and would view the problems from a different angle. He must be a little less rigid and orthodox in his views. He should change the old ways and methods. Finally we want that these Conferences should not become a joke or a farce.

Mr. Chairman: This is the fifth time that I am ringing the bell. I expect the hon. Members will not force me to ring the bell so many times. Now, six or seven Members are to take part in the debate. I would request them to be kindly indulgent to me and not force me to ring the bell more than twice.

Shri Bansal: Sir, I must say that the House would be thankful to Dr. Lanka Sundaram for initiating this debate and for showing a very fine understanding of all the problems that were involved in this Sydney Conference, even though his reading of the *Hansard* may not be as perfect as I would have expected it to be. The debate was held on the 4th; he can take it from me, which is borne out fully by the copy he has in his hands. A lot of what Dr. Lanka Sundaram said will certainly get headlines in the Press, particularly, his idea of the

[Shri Bansal]

rupee area and so on. But, was he serious when he was mooting this? Does he know what is the position of our external trade today? Our trade is stabilising at lower levels. The terms of trade are going against our country. I have the figures here; and I am sure he also had those figures. Our terms of trade in recent months have gone down from about 122 in 1950-51 to 89 in April-June 1953. When your position of external trade is like this, to talk of a rupee area or a smaller area than the sterling area is sheer moonshine. I am sure Dr. Lanka Sundaram would realise that the suggestion he has made would not do credit to his understanding of economics.

I am one with him when he complained that the Finance Minister did not give this House sufficient information as to what happened in the Sydney Conference. I have another grouse, that important subjects like this should not be discussed at the instance of one or two hon. Members of this House who happily happen to be vigilant. Discussions on these subjects must be initiated in my opinion by the hon. Minister in charge who is dealing with those subjects.

Dr. Lanka Sundaram: Let them put down a motion.

Shri Bansal: These are vital problems, and to dispose them off in a matter of two hours is, in my opinion, to say the least, not doing justice to this House. As my time is limited, I would ask a few straight questions of the Finance Minister arising out of the Sydney Conference.

I notice from the Press communique that the Conference took a rather Micawberish attitude about the recession in America. I do not believe that a depression of the type of the thirties is likely to develop in America, but the fact remains that recession is taking place there. I want to know whether the Commonwealth Finance Ministers' Conference did discuss a common policy about it. If not, what

is the Finance Minister himself in this country thinking about it?

I was reading an interesting article by Mr. Gaitskell who, I find, is just now in the gallery. He had made a suggestion which, I am sure, would have come to the notice of the Finance Minister. He made a suggestion which must merit very close consideration by this country. In fact, in my opinion he gave an advice of desperation inasmuch as he suggested that if the position about dollars worsens, we must leave every country of the Commonwealth to itself; we must set some maximum limits and those limits must be governed by the dollars that that country earns. I want to know what is the attitude of our Finance Minister to such a proposal.

My next question is relating to the sterling agreement of U.K. with Japan. The ink on the Press Communique was hardly dry when England, which was leading the Commonwealth countries in Sydney on discussions about common policies, signed an agreement with Japan absolutely unilaterally. Inasmuch as India is going to be very vitally affected by that agreement, I want to know whether our Finance Minister was taken into confidence even at the Sydney Conference as to what Britain was going to do with regard to the sterling payments agreement with Japan.

I have already referred briefly to the terms of trade. Again, I think it was Mr. Gaitskell who pointed out in the House of Commons that in recent years the terms of trade had gone against Britain, excepting for the past few months. The same is the position with India, but I want to know what is the position of our terms of trade vis-a-vis U.K. and the Commonwealth countries. The figures which I have quoted are relating to the terms of trade of India vis-a-vis the rest of the world, but before we know what is the position about the terms of trade of India vis-a-vis U.K. and the Commonwealth countries, to jump to any conclusion like the one drawn by

Dr. Lanka Sundaram will not be doing justice to the Finance Minister.

The next question I would ask the Finance Minister is about the future of GATT. A vague reference was made in the Press communique that some decision was taken as to the future of GATT. But I want to know what is the attitude of the Government of India regarding GATT. As you know, I was a delegate to the last GATT Conference. I must say India did not come out badly from that conference, but at the same time I must take the House into confidence and say that when America wanted Japan to come into the GATT, they were all the time cajoling India, and when the United Kingdom wanted the waiver from the "no new preference" rule, they were almost begging India for her support, but when India wanted some concessions—and those concessions were not something out of the way; they were very ordinary type of concessions for we simply wanted releases from certain agreements which we had entered into with a few countries—we were cold-shouldered. Our request for a reservation was simply not granted and we had to be satisfied only with the remark that our request for re-negotiating those items will be favourably considered by the Inter-Sessional Committee. I wish to know whether the Government of India is going to follow the lead of these countries—U.K. and U.S.A.—in regard to GATT or are they going to evolve an independent policy of their own? As you are aware, again and again the Government of India said that they would take a decision in regard to the Havana Charter only after U.S.A. had decided the policy. I do not know why we should adopt that attitude. If we see something good in the GATT let us continue in it, but let there be some independent policy, and it is high time that this House is taken into confidence after a full-dress debate on the floor, so that we know where we stand with

regard to this big organisation of the world.

My last question is in regard to internal policy. The press communique that was issued after the Sydney Conference says:

"That on the application of sound economic policy depends the purchasing power of money, cost of living, the ability to sell exports in increasingly competitive world markets. Short coverings in the internal policies of any one member affect the external fortunes of the whole sterling area by creating excessive demand for imports diverting resources from export industries and throwing the balance of payments out of equilibrium."

I want to know whether our Finance Minister was a party to this statement in the press communique. It certainly comes as a surprise to me because in under-developed countries, embarking on huge programmes deficit financing has come to be acknowledged on all hands as a legitimate means of tapping resources. The Finance Minister has been indulging in deficit financing and in the current year he is providing for more than Rs. 250 crores. The same is the position with U.K. as far as I understand from the debate in the House of Commons, to which the hon. Mr. Gaitskell had made a reference. I would not have cared very much for the wording of the press communique had I not come across a sentence in the paper, which was circulated by the Ministry to all of us. It states—

"It was generally agreed that the Commonwealth countries would continue the sound internal policies agreed upon at various conferences."

I want to know whether this statement, which finds a place in the press communique, was one of the agreed policies of the Commonwealth Conference. If this represents the agreed

[Shri Bansal]

policy, then I can only say that I am surprised in view of the budgetary policy that is being followed here.

As you are ringing the bell again, I do not want to take the time of any other hon. Member. I would again request the Government that, in future, when such subjects are discussed, they will not allow the initiative to pass to some hon. Members of the Opposition, but initiate the debate themselves.

Dr. Lanka Sundaram: On a point of personal explanation. I made a mistake about the date of the Hansard. The debate took place on the 4th and the Hansard reads immediately under the 'Contents' as February 3rd, and below that is the continuation of the proceedings, though the date at the top is February 4. I am grateful to the hon. Member for pointing this out.

Shri K. K. Basu: The discussion today is certainly concerned with one of the most important subjects. In the context of our economy, that is, in the context of under-developed countries which propose to industrialise themselves as far as possible, we have to consider the agreement or whatever arrangements that are arrived at in the last Commonwealth Finance Ministers' Conference.

Sir, the unfortunate part—as far as we could make out from reports in the papers and the press communicate that was issued—of the whole Conference was that the decisions arrived at were based on three vital factors. The Conference accepted the proposition that the United States of America will not have an economic recession. They have tried to explain it away by the fact that in view of U.S.A.'s economic potentialities they would try to avoid a recession; therefore, we must not be alarmed by the recession that might set in in the United States and *vis-a-vis* their trade with other countries. The second factor is that

our Government at the Economic Conference tied themselves to this proposition that the interests of our nation are absolutely linked up with the interests of the United Kingdom and the Commonwealth countries. Thirdly it has been conceded that whatever economic policy we take must be sanctioned by, or discussed with, or be in collaboration with, the particular group to which we belong.

So far as our country is concerned, we should aim at our economic development as fast as possible. We have been told that there has been improvement in our balance of trade; there has been improvement in the balance of payments and there has been improvement in our export trade with foreign countries. Theoretically speaking, there might have been some improvement in all these matters. Of course, during the last one year we have ceased importing foodgrains and other very essential articles which we were importing from the United States of America and the Commonwealth countries.

But the most important thing which we should consider in the present context is to what extent the pattern of our export and import trade is in keeping with our national interest and the industrialisation of our country. An hon. Member tried to explain away that our export trade has not shrunk to any great extent. But if we analyse the character of our export trade, we find to our regret that even today, after nearly eight years of independence—or whatever you may call it—we have not been able to change the pattern of our export trade. It continues to be just as it was when the British rulers were ruling over us: we are still exporting mainly industrial raw materials, while we keep on importing machineries and other capital goods which we require. Take, for instance, any of our important items of export—tea, jute, pepper. The quantum of our exports has not appreciably diminished but the values

have. But our dependence on a particular system—the Commonwealth and through the Commonwealth the dollar link—is such that they are in a position to dictate terms to us, so far as prices are concerned. I do not want to give the figures because the time is up. The value of imported articles has not diminished to the extent the value of our export articles has diminished. There is no point in saying that our balance of trade has improved or our balance of payments position has improved. We have been told by the Finance Minister that President Eisenhower has given a message that America will take a very lenient attitude and have an open and free market, which my hon. friend who has spoken before referred to. What has been the result is yet unknown to us.

There is another point I would like to emphasise. We have been told that there has been an increase in the sterling reserve. What have you gained by it? They are in Great Britain and so far as our country is concerned, we have not been able to utilise whatever release that Her Majesty's Government is pleased to give according to the arrangement. I am not going into the agreement by which a large part of the sterling reserves which were accumulated during the war was eaten up and is being released slowly because that is not within the purview of this discussion. We have not been able to utilise the amount because the goods and articles that India needs could not be supplied by the sterling area countries for which sterling could be utilised. During the British period, there has been a huge accumulation; our credit balance with the Bank of England has mounted up but they declined to say to what extent we can utilise the reserve which has been built up by the export of essential raw materials. We cannot utilise the amount that has been accumulating there. There is another point on which Dr. Lanka Sundaram emphasised and

I would also like to know something about it. It is said that they have released in the last year 160 million pounds sterling. I would like to know what proportion of that our country has been able to utilise and benefit thereby. There is no point in our Finance Minister saying, 'I am satisfied with the talks that we had with all the Commonwealth countries'. To what extent are our country's interests being looked after?

We have been told that our export-import trade is improving. The main item of our export is textiles. My hon. friend, Mr. Bansal said that immediately after the Conference, Great Britain entered into an agreement with Japan and Japan is coming as a powerful competitor in our export markets so far as textiles are concerned. Therefore, we want to analyse to what extent this Conference of the Commonwealth Finance Ministers will benefit our industries. They have hoped that the International Monetary Fund will at least arrange for the release of dollars but we are not to be duped by hopes; we want real facts. In case the proceedings of the meeting are confidential, the Finance Minister should satisfy us on these points.

Last year we have been told that there has been an increment of sterling reserves and the London money market has improved, and that Great Britain will be pleased to allow us to raise money on the London money-market, possibly in the private sector. You know how our nation has been exploited by foreign investors. Apart from going into the merits of the case, I may be permitted to quote from page 9 of the press communique to show the condition that is attached to the raising of the credit in the London money market:

"The United Kingdom Government will therefore wish to be sure, first, that the programmes as a whole are in conformity with

[Shri K. K. Basu]

the general policy of concentrating on the improvement of the sterling area's balance of payments, and secondly, that the country concerned is making an adequate contribution from its own resources. It is also necessary in the general interest for the timing of any such borrowing to be carefully regulated."

That means that they will not allow investment on such industries in our country which may not be suited to Great Britain's interests. Therefore, I feel that the time has come when we must know what our relationship with the Commonwealth countries is. We should not depend on a particular system. Our criterion should be, whether we go to China, South America, or America or Great Britain, to what extent the particular trade relationship of that country will be helpful to the industrial growth of our nation. Unless that is our criterion, I shudder to think what the future of our country will be.

6 P.M.

Shri V. B. Gandhi (Bombay City—North): Sir, Dr. Lanka Sundaram has asked that the Finance Minister should make a categorical statement as to what decisions were arrived at at the Sydney Conference regarding Imperial Preference. My friend Mr. Bansal also wanted to know if the probable American recession was at all discussed and, if it was discussed, what were the decisions of the Conference.

Sir, reading all the material that has already been placed before us it is very clear that the Conference considered and discussed both Imperial Preference and preferential trade, as well as American recession, and discussed many other points besides.

There was a general sense in this House that this House has not been taken into confidence on what has been decided at the Sydney Conference.

The Minister of Finance (Shri C. D. Deshmukh): Sir, may I just ask the hon. Member where he has found a reference to Imperial Preference in any of the papers relating to the Sydney Conference?

Shri V. B. Gandhi: I beg your pardon. I thought Imperial Preference was referred to by Dr. Lanka Sundaram. (Shri C. D. Deshmukh: That is right). Therefore the very next expression I used was preferential trade.

Shri Bansal: Sir, if you would permit this small interruption, I have come across the words Imperial Preference used in a number of press reports that have emanated from Sydney in connection with this Conference.

Mr. Chairman: But not in the paper submitted by the Finance Minister.

Shri C. D. Deshmukh: Which one is it?

Shri V. B. Gandhi: Therefore, Sir, a feeling persists in the House that the Finance Minister is withholding information to which this House is entitled. Now, in this connection we should be very fair to ourselves and to the Finance Minister and ask ourselves whether we really are entitled to the kind of information that we are asking for. The Sydney Conference was not a conference of politicians. The Sydney Conference was not a meeting of the General Assembly of the United Nations. It was a conference of Finance Ministers and Ministers responsible to their Governments. Leaving that part also aside, in matters of trade is it considered very wise to publish everything that you decide, particularly when those decisions refer to hypothetical conditions such as a probable recession in the American economy? We must also not forget that when this Conference was actually discussing these matters the Randall Commission was still sitting and had not published its report. Now, questions such as have been raised by Dr. Lanka Sundaram and Shri Bansal

in this House, have been raised equally forcibly elsewhere. I am going to read here a statement by Mr. Butler and Mr. Menzies to a Press conference in Sydney which will probably give us an idea as to the position that our Finance Minister will have in regard to making available information of the kind sought. Here is the statement:

"At a Press Conference on the same date, (that is on the 15th of January, 1954) Mr. Menzies and Mr. Butler explained why the communique had contained no reference to preferential trade within the Commonwealth. Mr. Menzies said that while this question had emerged, and while the general sense of the conference was that much might be done, it was not precise enough for statement in the communique. Mr. Butler explained that it was difficult to make general statements on such a subject..."

Let us note those words "it was difficult to make general statements on such a subject". There is particular significance in this attitude taken by Mr. Menzies because his country was not only the host country for this conference, but in fact, his country had a special grouse, inasmuch as they saw that Australian wheat was not taken by the United Kingdom when United Kingdom was buying wheat with dollars in Canada on the ground that Australian wheat happens to be slightly dearer, although available in sterling. Dr. Lanka Sundaram belittled the achievements of the sterling area and said that the achievement of a surplus of four hundred million pounds in the last year, ending June 1953, was not the correct figure.

Dr. Lanka Sundaram: I did not say that.

Shri V. B. Gandhi: He said that someone proved it otherwise in the House of Commons and the correct figure was ninety-four millions. Very

well, but I think, even ninety-four millions is an achievement which should be noted, particularly when we remember that this surplus had to be achieved over a deficit of a thousand million pounds in the previous year. If Mr. Butler said that it was "not a bad achievement", I think, it was characteristically an English understatement.

Then, something was said about the present position of the balance of payments of this country and the lower level at which this country's trade stands today. Let us remember one thing in relation to this sterling area arrangement. It is not only the individual country's gain that we seek but the whole objective is that our balance of payments position should be achieved at a higher level of trade for the whole community in this arrangement.

Finally, Dr. Lanka Sundaram quoted a sentence from the Randall Commission report. Unfortunately, I have not seen that report and I could not properly grasp that particular sentence. But, let us not forget that the Randall Commission report has been hailed as a considerable step towards liberalisation on the part of America.

Shri Sarangadhar Das (Dhenkanal—West Cuttack): Hailed by whom, may I know?

Shri V. B. Gandhi: By those who have considered the report.

Shri Sarangadhar Das: Americans?

Shri V. B. Gandhi: Of course, not Americans. Most of my sources are English newspapers like the *Manchester Guardian*, *Economist* and others. Dr. Lanka Sundaram quoted the *Economist*. In the next issue to which he made reference, you will find a whole article, an editorial....

I have finished....

Mr. Chairman: Then, I will call another hon. Member. If you have finished, there is no point in still taking the time of the House.

Shri Tulsidas (Mehsana West): This is a debate; I do not think that any Member can do justice to the subject by speaking for five or ten minutes. This is a very technical subject.

I have been listening to the general remarks of my hon. friends Dr. Lanka Sundaram and Shri Bansal. Somehow or other, I think that there is a certain amount of feeling that the information which the Members ought to have, has not been made available. I think that I must agree with that complaint that the Members have not received the information that they should have otherwise received.

The question at issue is the Commonwealth Finance Ministers' Conference and the decisions that they have taken. The present context of our foreign trade has to be taken into consideration. I just heard somebody saying that our foreign trade is of the old pattern of the pre-war days. I must say that the whole pattern of our foreign trade has changed since the war. We are now exporting more manufactured goods. There is no question of exporting essential raw materials. If we have to export more manufactured goods.....

Dr. Lanka Sundaram: More and more.

Shri Tulsidas: ...we have to cater to the trade from those areas, which are, in my opinion, important and which are in the sterling area. If we get away from the sterling area, what will be the position? Today, Japan is finding it difficult to sell their goods because they have not got the same amount of sterling availability as a country in the sterling area has. Look at the position of Burma. We just heard only a few months back that Burma said, we do not want any imperial preference because we have got certain difficulties. If we are going to completely get out of the sterling pool and get away from the foreign assistance from countries like America or other countries, what will be our

position? I do not think we can completely say that our remaining in the sterling pool has not been beneficial to us. When we did want dollars for our capital requirements, we got dollars from the sterling pool. Though we have to contribute whenever we can, it is always a better thing to remain in the sterling pool. After all, it is a club and the members of the club have to function properly.

It has been made very clear in the Finance Minister's Budget speech that with regard to the policy of the sterling area, each country is free to do what it likes and there is no question of binding one by anybody else. Each country is independent and each country has to look after its own economic conditions in its own way.

There is no question of binding or any sort of compulsion. Therefore, if we get away from the sterling area, as my friend said here, I do not know what will happen. I feel that in our interests, even of our foreign trade, we have to continue in the sterling area, and what has been said by the Finance Minister in his speech is perfectly correct. That is the position.

Even in a club we may find sometimes that certain members are not behaving properly. That does not mean that we must completely get away from the club. Since we get a certain advantage I think it is better we should continue to be in this club.

Now, what is the position with regard to our economic set-up? According to the communique, each country is entitled to get a certain amount of aid provided, of course, it has acted in a satisfactory manner in the opinion of the other countries. Then, what about multilateral convertibility? That is a problem, and unless this sterling pool ultimately becomes a powerful body having multilateral convertibility, I am afraid there will be a certain amount of handicap. The aim of the sterling area is to reach that goal, and if we reach that goal, then naturally

there will be much more freedom in the whole set-up. In order to reach that goal, it is not proper to say that we should get out of the club and then we will be much better off. On the contrary, we may be still worse off.

Then, the most important point in the communique and the statement made by the Finance Minister is, I feel, that each country should so manage its internal policies that the sterling pool is not unnecessarily eaten away by undue demand being made on it. Equally important to our country, I feel, is a sentence in Mr. Eisenhower's statement, viz., "economic preparedness is as essential to a nation as military preparedness". Therefore, we must put our economy on a sound footing. Unless we do that, it will not be possible for us to achieve any progress.

The other day we heard the Prime Minister speak about the United States giving aid to Pakistan. We have taken a certain attitude in that matter. If a country takes aid from another country we cannot say anything. In the same way, if we take aid from other countries, no country can object to it. If we have to take aid from foreign countries, we should belong to a certain club where we have better advantages. If we remain separate, we will have to please everybody to get aid.

Dr. Lanka Sundaram: The old *Ma Baap* club is all right for you.

Shri Tulsidas: I think there are definite advantages in remaining in this club. It is not a question of a *Ma Baap* club.

Pandit K. C. Sharma (Meerut Distt.—South): Brotherly co-operation.

Shri Tulsidas: Unless our export trade is quite big, I do not think we can completely get out of it. We have got to import capital goods etc., and that is why I personally think it is no use our trying to keep away from the sterling area. I am sure the Finance Minister is fully alive to the

necessity of properly shaping our internal policies.

Shri Joachim Alva (Kanara): This morning I sent notice of three questions addressed to the Finance Minister through the Speaker. They are as follows:

"Will the hon. Finance Minister be pleased to state:

- (a) whether India is irrevocably tied up to the sterling bloc;
- (b) whether India will stick to the sterling bloc, even if countries other than those of the dollar and sterling blocs make serious inroads on the oil and gold monopolies hitherto held by the Western bloc, thus upsetting the currencies of the latter area; and
- (c) how India hopes to overcome the drastic limitation of the convertibility of the currencies, which are the direct consequences of the second world war?"

We should no more conduct a *purdah* conference either in our finance or in any other matter. We are on the high road to independence. India has been for long under the influence of the *purdah*, ever since we had the oppressive British *raj*, and today when they have become our friends, still we say, we shall again go into *purdah*, when it is a question of India's economic or financial policy. This House, consisting of laymen like myself, unacquainted with dollars or figures or high finance like my hon. friend Shri Tulsidas, is entitled to get full information on any vital topic affecting the future of our country. This House must be taken into confidence, so far as rupees, annas and pies are concerned.

When one or two Members from the other side spoke of our loan to Burma, I almost put down my head in shame and pain. Here is Burma, the sister country to our right, while Egypt is there to our left, Ceylon is down, and Afghanistan above; when Burma was war-ravished, she asked for help, and we gave her some money

[Shri Joachim Alva]

to protect herself from the enemy. When millions of rupees have been thrown away into Britain, either out of the sterling balances or by the manipulation of the sterling bloc, we do not take stock of these moneys; yet we have the temerity to ask, when will Burma repay her loan? That question should never be asked in this House, as long as our fundamental policy is one of friendship with Burma, and in Asia, with Indonesia, China, Ceylon, Afghanistan and Egypt.

I want to mention one other thing. We have had devaluation of the pound, and following in its wake, the devaluation of the rupee. We went into *purdah*, when we devalued our rupee, and we did not invite Pakistan. Today Pakistan is doing *puja* at the court of the dollar-god for arms, because we went first to do *puja* at the shrine of the sterling. We did it without telling Pakistan, and we did it in *purdah*, I make bold to say, with all the sense of responsibility, in this House that Pakistan was entitled to know from India whether we had devalued the rupee or not. And why did we do it in *purdah* then? We did it to please the British Chancellor of the Exchequer, the late Sir Stafford Cripps—who was, no doubt, a great friend of India—and his disciple Mr. Hugh Gaitskell, who was here a few minutes ago. We devalued our rupee, in order to please Britain, who devalued the pound, in order to get out of the tangle with the dollar area, that she then got into.

What happened when we devalued the rupee in India? There was the outbreak of suspicion on the part of Pakistan, and that suspicion has continued all along, and they have stuck to it. I am mentioning all these things, just to point out that we should not do anything in *purdah*. We are all laymen, as I said earlier, and we are entitled to get full information, on all these financial matters. We know everything on many subjects, but on this intricate subject of finance and deficit financing, we are altogether laymen. The hon. Finance Minister has

been a bureaucrat all his life, and he may know everything, but public life is something different, and we, being public men, ought to have been supplied with more information. When I got this shabby communique issued by the Ministry of Finance, I felt that tons of paper are being wasted by the Government of India, when small journals run by us go to the wall because we have no paper. Here is the shabby communique telling us:

"There is no question of the Conference as a whole or any country participating...or any policy being dictated to our country."

Policies have been dictated in *purdah*, and policies are being dictated by the Britishers even today. Ever since the end of the war, we have witnessed the drastic limitations of the convertibility of currency. The answer to this was given by them, as follows, viz. we shall enthrone the pound sterling as a convertible factor, so that the world may follow it, and may exchange the pound through their goods.

I would like now to make a reference to a speech of Mr. Robert Butler and quote one passage, which my hon. friend Dr. Lanka Sundaram, who made a really very good speech, and made uncomfortable the position of those who belong to the majority party, forgot to mention.

This goes to the root of our Defence and economy. This is what he said:

"I must emphasise that external deficit must be covered; otherwise, economic foundation to any defence effort goes. That is why it must remain a cardinal point of U.K. policy to reconcile defence programme with expanding exports....From whatever aspects they are considered, the problems of an economically strong sterling area and a militarily strong North Atlantic Territory are very closely associated. It may be questioned whether latter can be solved while the former is in doubt."

Here the cat is out of the bag. The North Atlantic area is to be commercially backed up by the sterling area. They have finally ushered in an armed Pakistan by the backdoor by means of American dollars. Here is Mr. Butler making a responsible speech and paying a great tribute to our hon. Finance Minister. Mr. Butler lays a flattering unction unto his soul. It is time we considered whether we should remain in the sterling area. Britain wants to be the banker of the sterling area. Britain made us devalue our rupee and compelled us to sell to America and buy from the Commonwealth. There must be an end to this kind of business.

Today my hon. friend, Mr. Gadgil, made a very important point about foreign firms coming into India and establishing themselves as '(India) Limiteds'. They are threatening us. Time was in 1947 when we used to send Indian coloured representatives, we are now having European representatives. At the rate that we are going our country is going to be in great danger. Millions of pounds are sacrificed and we do not know what is going to happen.

Take the GATT—the General Agreement on Tariffs and Trade. Their Secretary, Mr. White was here the other day and I asked him one question about Ceylon which is entirely dependent for her bread and butter on rubber. Ceylon said: 'If you do not buy from us, we will sell to China'. Then the Secretary said that they gave in in the interest of security. Under this agreement, India has accepted a lot of restrictions on her right to raise or lower her tariffs as she likes. We shall neither raise our tariffs nor lower them, because we are a member of the GATT. GATT is America and Britain brought together. Soviet Russia is not there. Today with our Sterling Balances in London, we cannot buy from any non-sterling area. We will have to buy from the sterling area, because Britain says so. What is the effect of it? We cannot buy

things from Russia and China, two big chunks of territory with millions of human beings. There is a lot of misrepresentation made in regard to our national border and frontier with China and Russia. I started off as an anti-Communist. But now you see there is a real confusion. We have to look to geographic factors; Russia and China are on our borders and we have to have trade with them. These GATT negotiations and the sterling bloc do not permit us to do anything.

This is a very important issue and on such an important subject we should have devoted a whole day for debate. I shall give some instances. Take Soviet oil. Soviet oil is going to be dumped in the world markets. What is going to happen? Shall we be tied up with the sterling area or shall we have an independent economy? Our Planning Commission should look into this matter. Britain, at the Colombo Plan Conference, put all the emphasis on agricultural production. Their idea is that we produce the agricultural goods and they produce industrial goods and dump them in our country. We should adopt the attitude of sturdy gentlemen who have been nurtured in the fight for freedom in our dealings with foreign nations. The old bureaucratic methods will not do. We must say: 'this is our money and you have had enough loot of our money. We shall not allow it to be taken away any more'.

Mr. Gordon Walker, ex-British Commonwealth Secretary in an article in the *Hindustan Times* this morning spoke about the split between the Canadian dollar and the American dollar. Says he in effect: "We shall not buy from Australia, our blood brother, but we shall buy from Canada!" In the name of this Commonwealth vanity, the interests of India are going down the drain. We have to stop this. We have to stop this and, in the interests of national unity, this cannot go on.

I now come to the question of Soviet gold which is flooding the western countries. The world economy will be affected by the Soviet gold.

[Shri Joachim Alva]

What is going to happen? Today the world is having a shortage of gold. We are paying dollar through the sterling and when the gold shortage overwhelms the sterling market what is going to happen? These are points on which the Finance Minister must take us into confidence and must give full information to the House. We are entitled to know more in detail than the information that has been supplied to us in the Communiqué of the Ministry of Finance. I have no time and I shall explain to you later on how this sterling business is a danger to our country.

Shri Morarka (Ganganagar-Jhunjhunu): Sir, when we received the first intimation of the intention of the hon. Member in opposition to raise a discussion on this subject, I wondered—purely on the economic ground—what could be the criticism of this Conference. By this I do not mean to say that on political grounds, the parties who are wedded to different political philosophy cannot criticise our participation in this Conference. But, purely from the economic point of view, and keeping in mind the freedom and sovereignty which this Conference allowed to each country to enjoy, I have been wondering what could be the possible criticism that can be made against such conferences. I must confess very frankly that even after hearing the entire debate this afternoon, I have not been able to follow the possible criticism that hon. Members have against this Conference.

Shri V. P. Nayar (Chirayinkil): You will take some time more.

Shri Morarka: There are many reasons why we should align ourselves with the sterling bloc. First and foremost, is that we have got to our credit more than 700 crore rupees worth sterling and in order to make our position secure, we have to see that the sterling currency remains strong, stable and convertible. It is not in anybody else's interests but in our own that we have to safeguard

the interests of the sterling area. We have to keep our sterling balances strong and freely convertible so that we can make good our 700 crore rupees.

[MR. DEPUTY-SPEAKER in the Chair]

The second point which is equally important for our aligning with the sterling bloc is our historic relationship. We have been dealing with sterling countries for the last few centuries. Even today, our foreign trade is mostly with the sterling area countries, and also with America though to a smaller extent. But with the third bloc namely, the Communist bloc,—our foreign trade is almost negligible.

At this stage, Sir, I would like to give you a few figures. At the end of the 1948, our total import trade amounted to Rs. 470 crores, out of which our trade with sterling countries was Rs. 355 crores, with the dollar countries Rs. 109 crores and with the Communist countries only Rs. 7 crores. Similarly, our export for the same year was Rs. 330 crores out of which Rs. 220 crores was with the sterling countries, Rs. 70 crores with dollar countries and only Rs. 8 crores with the Communist bloc. In 1952-53, out of a total foreign trade of Rs. 450 crores, Rs. 272 crores was with sterling countries, Rs. 181 crores with dollar countries and Rs. 4 crores with Communist countries. Similarly, in our export trade out of a total of Rs. 377 crores, Rs. 264 crores with the sterling countries, Rs. 111 crores with the dollar countries and only Rs. 2 crores with the Communist countries. Looking to our foreign trade, I think, one cannot but say that our remaining in the sterling bloc is vital necessity.

In these days, the idea of self-sufficiency or the policy of isolation in every thing is not only politically unwise but, in my humble opinion, it is economically wasteful.

Then, Sir, I wish to invite the attention of this House to the aims and objects of this Conference. First and

foremost is the development and expansion of international trade. Second, to oppose closed system of discriminatory arrangements which can lead only to chronic restrictions and recurring crises. Thirdly, to devise ways and means to see that the gold and dollar reserves are not unduly depleted and to ensure currency convertibility. Last, but not the least, is to afford an opportunity for free and frank discussion on many points of common interest.

There is one point which I must particularly refer to here. Hon. Members have complained that sufficient information is not supplied to this House. I do not disagree that sufficient information is not supplied, but, at the same time, Sir, even the information which was supplied has not been, I regret to say, read by many hon. Members.

Shri S. S. More: Is it not a slur on the hon. Members, Sir?

Mr. Deputy-Speaker: It is possibly somewhat true in some cases.

Shri Morarka: There is a passage in the information supplied to us, which says:

"There is no question of the Conference as a whole or any participating country dictating any policy to individual countries, who are sovereign and independent and free to pursue policies which they consider in their best interests."

Every country which is in the sterling bloc has got full economic freedom so much so it is free to regulate its trade either by physical quota system or by tariff policy, free to fix and maintain any price level at home, free to fix any bank rate and discount rate at home and free to fix the rate of exchange and to value, revalue or devalue its currency, in any manner it likes. Then about the development needs, the Conference said, I am quoting some passages from

the communique of the Sydney Conference. It is as follows:

"The Commonwealth has great resources, natural, human and industrial. The need for their development is urgent and indeed vital."

Then it goes on to say:

"In some countries of the area, development plans have been made to provide for some basic improvement in the standard of living which is the necessary foundation for further economic development."

About the factors affecting the scope and pace of development, the Conference said:

"Supplies of goods for development have much improved. But in most cases, finance is still the major factor limiting development. Each of our Governments will continue policies designed to secure the highest possible level of internal savings. However, most individual countries and the sterling area as a whole still need additional financial resources from outside."

Sir, I do not think that even the Members of the Opposition could say that our problems are in any way different from those enumerated by the Conference and our remedies are dissimilar to those suggested by the Conference.

Finally, I wish to refer to some figures about the central reserves. At the end of 1948, the central reserves were reduced by 64 million dollars, out of which India's responsibility was to the extent of 56 million dollars, that is, a little over 82 per cent. In 1952, the total contribution made by the countries was 161 million dollars, out of which India contributed 70 million dollars, that is, a little more than 44 per cent.

Sir, I do not think one can attribute any motives to any member country

[Shri Morarka]

and suggest seriously that any country of the Conference has benefited at the cost of another country or that one country is exploited by another country. I think hon. Members can very rightly appreciate the fact that India is fully justified in remaining in the sterling bloc and that purely on the economic ground, nobody can seriously criticise that India has suffered in any way or is likely to suffer in any way by remaining in the sterling bloc or attending these conferences and making some co-operative effort on voluntary basis towards implementing the financial arrangement and development plans.

Shri C. D. Deshmukh: I am glad that you restricted the length of this debate to two hours, not because it encroached on the time available for the Budget, but because I think hon. Members have not even well utilised the two hours that you have allowed. Some of them have indulged in misconceived criticism or even wild ranting, tinged by a certain amount of personal venom, for which I cannot think of any justification.

Before I come to the observations made by hon. Members—at least such of them as call for an answer—I think I should deal with two points which form a sort of background. One question has been raised incidentally and had better be put out of the way, that is the question of Anglo-Japanese Payments and Trade Agreement for the year 1954. In November 1953, the U.K. Government informed us that as the existing payments agreement with Japan was expiring on the 31st December 1953, they had asked the Japanese Government to send a representative to London to discuss the payments arrangement for 1954. They had also asked us, India, for estimates of our likely payments for imports from, and likely receipts from exports to, Japan during 1954. The Government of India were thus informed beforehand that negotiations were to be undertaken for the extension of the Payments Agreement.

The new Payments and Trade Agreement was actually signed on the 29th January 1954. As this Agreement, which was the second agreement, did not raise any new point affecting India, it was not necessary to consult us before the agreement was actually signed. The new Agreement is on the same lines as the Agreement of 31st August 1951. During the negotiations leading to this latter Agreement, which took place in Tokyo, our representatives in Tokyo were kept fully in the picture by the United Kingdom negotiators and the Government of India were also informed of the developments from time to time.

The main features of this Payments Agreement were that all payments between residents of the sterling area and the residents of Japan would take place as before in sterling. Japan would be permitted to utilise her sterling for financing direct current transactions with certain non-sterling area countries and both parties would consult together in order to keep Japan's sterling balance within reasonable limits. Japan, I may add, is now experiencing a shortage of sterling. But the situation was different then. But under the agreement the old convertibility clause under which any excess over specified limits of sterling held by Japan at the end of the agreement period was to be converted into dollars was abolished.

This Agreement was, therefore, welcome to all the sterling area countries, as it enabled them to trade more freely with Japan without fear of its ultimately involving in dollar payment. Prior to this Payments Agreement there used to be annual trade negotiations between Japan and sterling area countries with a view to balancing estimated payments during the ensuing year. We used to be associated in this annual trade negotiations. With the signing of the Payments Agreement of August 1951 it was no longer necessary to have an overall trade agreement with Japan, since it was no longer essential to

balance payments meticulously by each country with Japan.

The new Payments Agreement for 1954 departs very little from the above Agreement of 1951. In view of Japan's shortage of sterling during 1953, Japan has been permitted certain additional credit facilities in the nature of swaps of sterling for dollars. Moreover, the U.K. Government has agreed on behalf of the United Kingdom and the Colonial Governments for which she is responsible to liberalise imports from Japan so as to enable Japan to earn more sterling. This Agreement does not affect the right of the independent sterling area countries like India to determine their own trade policies *vis-a-vis* Japan.

So far as India is concerned, we have treated Japan as a soft currency country ever since the 20th October 1951, although most of the countries of the sterling area continue to treat Japan as a hard currency country. The new Trade and Payments Agreement does not, therefore, affect our trade policy with respect to Japan. In the meanwhile, a Member of Parliament—I do not know whether it has been answered or not—has put down a question addressed to the Minister of Commerce and Industry as to whether the new trade agreement signed by the United Kingdom with Japan which liberalises imports from Japan, will not affect our cotton textile exports to these areas and consequently whether the United Kingdom Government should not have consulted us before signing the Trade Agreement. Since U.K. itself is interested in cotton textile exports to the colonies, we must presume that the danger of competition from Japanese textiles has been taken into account by U.K. while entering into this particular agreement, I believe there has been some discussion on this point in the British Parliament. In any case, just as the U.K. Government does not interfere in the individual trade policies of the independent sterling area countries, India can hardly be ex-

pected to be consulted by U.K. in their bilateral trade agreements with other countries on behalf of herself and the colonies.

The other issue is the general issue of India's being a member of the sterling area. I am afraid, I shall have to take a little time over this because this is, I believe, the first comprehensive opportunity I have of explaining the implications of India's membership of the sterling area. The sterling area is the product of a long history of evolution. Prior to the First World War, sterling was the dominant international currency and London was the world's financial centre. Sterling was convertible into gold, but since it was used internationally as a medium of exchange and as a store of purchasing power, it came to be said that gold itself was on the sterling standard.

During the inter-war period, currency systems and exchange rates all over the world were subject to pressures and the old gold standard became unworkable. U.K. went back to gold bullion standard in 1925. The experiment proved short-lived; partly because of the onslaught of the world depression and, as you will recall, in 1931 the gold standard was given up and sterling became a managed currency. India continued the link with sterling because then she had very little choice and it will be remembered that several Dominion Governments and even some independent countries followed this course. Thus Australia, New Zealand, South Africa, Egypt, Iraq, Portugal, Norway, Sweden, Denmark, Iran, Japan, Argentine, Uruguay, Yugoslavia and Greece—not to mention the colonial territories—came to form what was known as the sterling bloc. This could be said to be the origin of the sterling bloc.

The decision of so many countries to get their currencies linked to sterling area was motivated by the desire to anchor themselves to a currency which on the whole still promised to remain relatively stable. Entry into

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or exit from the sterling bloc involved no formalities. No permission of the U.K. Government was necessary for either purpose and the members within the bloc would change the external value of their monetary unit as they thought best.

Now, the sterling area in its present form is the product of wartime and post-war needs. It is a smaller and somewhat tighter group. The term "Sterling Area" came to be used about 1940 when, as the report of the Bank of International Settlements puts it, 'It began to operate as a single monetary area within which with few exceptions freedom of payment was preserved while at the same time import restrictions were applied by the various members in their relations with outside countries.'

Since shortage of dollars has been the main problem in the war and post-war period, sterling area countries have been pooling their dollar reserves each drawing upon the pool according to the need and circumstance, and in conformity with the agreements with the United Kingdom which are fairly flexible. The responsibility for formulating and applying the necessary regulations and controls for conserving dollars rests on each member country but there is considerable co-ordination of these through consultations with the United Kingdom and through discussions among members at conferences like the Sydney Conference when the Commonwealth Ministers meet and discuss common problems. India, being an important member of the Commonwealth and of the sterling area, therefore participates in these conferences.

The sterling area includes at present, besides U.K. and Colonial territories, India, Pakistan, Ceylon, Burma, Australia, New Zealand, South Africa, Ireland, Iraq, Iceland, Jordan and Libya.

An Hon. Member: Not Canada?

Shri C. D. Deshmukh: Canada has her own dollars. She is a member of the Commonwealth but not a member of the sterling area. The sterling area covers about one-fourth of the world's population. The total trade of the sterling area countries amounts to about 25 per cent. of the world's foreign trade. Not only is the bulk of all sterling area trade financed in sterling but a proportion of the trade not belonging to the sterling area is financed from London. The sterling area countries constitute the largest group of countries within which there is a very large measure of freedom in the matter of exchange transactions. Although sterling has had its vicissitudes and the gold value of the sterling area currencies has gone down, the area has a long record of comparative monetary stability. Between 1913 and 1952 while the gold value of some of the countries in Europe like Belgium, France and Italy went down by 95 to 99 per cent., that of the British pound and associated currencies went down by 66 per cent. or so. The fact that in 1949 when sterling was devalued, several countries which accounted for two-thirds of the world's trade also followed the same course is a demonstration of the position held by the pound in the world trade, which proves conclusively that there was no *purdah* devaluation here.

Now, Sir, India's interest in the sterling area arises from the following facts. About 38 per cent. of its export trade is today with sterling area countries. Secondly, India has normally a balance of payments deficit with O.E.E.C. (European countries) and India's membership of the sterling area facilitates the financing of this deficit from the E.P.U. in sterling. Thirdly, India holds, as was pointed out by one hon. Member, sterling balances of the order of 745 crores; and the stronger the British pound, it is commonsense, that the

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better it is for us, since all our eggs are in that basket at this moment, owing to historical reasons. Then, banking and financial relations with or through London are, again for historical reasons, an important part of the mechanism of India's foreign trade. India's membership of the sterling area may thus be said to be a matter of trade and banking convenience rather than of monetary policy. Lastly, although India has a pooling arrangement in respect of dollars and we contribute our dollar earnings to the Pool, we have over the last several years drawn more from the Pool than we have contributed to it, at least so far as the post-war period is concerned. I point this out to show that whenever we need convertibility of the sterling that we hold for purposes which are essential for our development, then it is always granted to us, and we have had no difficulty in utilising the Central Dollar Pool in our interests.

Now, you would ask whether the membership of the sterling area imposes any limitations on the country's freedom to pursue its own monetary policy. The answer is "no". An independent monetary policy under the present day conditions means some fixity of exchange. It cannot be said that the British pound is an unstable currency the link with which is of no value. Even an independent currency has to have some relationship with major world currencies. What this relationship should be can under present arrangements be decided freely by each member of the sterling area. Any country can vary its exchange rate as and when it so desires, consistently with the obligations arising out of its membership of the International Monetary Fund. We all know that Pakistan was not compelled to devalue her currency in 1949. Leaving the rights or wrongs of that decision, the fact itself is significant. Australia appreciated its currency in December 1951. If one is free to vary one's exchange rates, one is correspondingly free to vary one's internal

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monetary policy. One can expand or contract domestic circulation according to need and one is free to adopt export and import controls to one's requirements. If, of late, we have not been using up sterling reserves, that is not due to any complaint arising from our membership of the sterling area. It is due to unforeseen circumstances. Principally, it is due, of course, to the improvement in our agricultural production and to a very favourable monsoon. We intended at one time to import 2.9 million tons of foodgrains and I believe, in the year that has ended—I refer to the calendar year—we imported about one million tons less. Then, we had a better cotton crop and therefore, we imported far less of American cotton than we had originally anticipated. These are factors which cannot be very well foreseen. In any case, there is no bar to our adopting corrective measures and these are being undertaken now. I have referred to them as a factor of safety in countering any potential inflation that may be there in the deficit financing which I have proposed we should resort to for the purpose of our economic development.

Now, Sir, there is one small matter, although no Member has raised it. There was a complaint that our balances in London earned too low a rate of interest. That has been rectified now because rates of interest, even for short-term money, have gone up and today we are earning a reasonable rate of interest on our sterling balances there. The Treasury rate itself is two and a half per cent. Countries which have an independent currency system have also to hold some foreign exchange reserves. They may hold them in various currencies and some of them might fluctuate a great deal. In many cases they have to evolve clearing arrangements, (as European countries have done by way of European Payments Union), and work out arrangements by which they exchange with one another mutual credit for short periods. In

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the alternative, they have to run an elaborate system of exchange controls with multiple exchange rates and similar complications and restraints originating. Argentina, for instance, has a number of official rates and the kerb rates are higher and fluctuating. Brazil also has kerb rates which vary significantly from the official rates. Our membership of the sterling area has not prevented new lines of trade developing or new alignments in exports and imports taking place. Before the war, our trade with the United States of America and Canada, for instance, was only eight to ten per cent. of the total, while now it is about twenty per cent., not including in this the exceptional levels of food imports in 1951-52. One hon. Member referred to the components of our trade and complained that it has not changed. Here are some of the figures which I think would be found revealing. Our imports of food, drink and tobacco were, 14 per cent. of the imports in 1938, 28 per cent. in 1951 and 31 per cent. in 1952. Our imports of raw materials were, 24 per cent. in 1938, 29 per cent. in 1951 and 30 per cent. in 1952. Our imports of manufactured goods were, 62 per cent. in 1938, 43 per cent. in 1951 and 39 per cent. in 1952. Now in regard to exports, food, drink and tobacco etc. were 24 per cent. in 1938, 22 per cent. in 1951 and 25 per cent. in 1952. That has been more or less steady, our raw materials exports, on the other hand, have declined from 46 per cent. in 1938 to 22 per cent. in 1951 and 24 per cent. in 1952. Correspondingly our exports of manufactured goods have gone up from 30 per cent. in 1938 to 56 per cent. in 1951 and 51 per cent. in 1952. Therefore, there has been a very real change in the composition of our trade.

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We continue to make use of London's financial connections and it is true that a large part of our foreign trade is financed by Exchange Banks. This

is because most of these banks have international connections. Over a period we should try, and we are trying, to develop similar connections; but this naturally takes time. Indian banks have of late been opening branches in countries where there is an Indian community, for instance, in Burma, Singapore, Hong Kong, Indonesia and East Africa. But, we have to continue to use the services of London's highly developed financial institutions if our foreign trade relations are not to suffer a serious jolt or break.

I come to the problem of convertibility. The main handicap...

Some Hon. Members: Do we sit and finish? It is already seven o'clock.

Mr. Deputy-Speaker: Is the hon. Minister likely to finish in half an hour or ten minutes?

Shri C. D. Deshmukh: I should think so; ten minutes.

Some Hon. Members: Let us finish.

Shri C. D. Deshmukh: The main handicap of the sterling at present is that it is not convertible. The position of the sterling is much better than it was a year or 18 months ago. The gold and dollar reserves have improved to a level of 2,500 million dollars although the present level, it is recognised, is not quite sufficient to warrant a dash to convertibility like the unfortunate thing in 1947. To bring convertibility nearer, every member country has to follow sound internal policies in its own interests, and promote development which would strengthen its own and the sterling area's balance of payments position. There is no clash here between the interests of the individual countries and those of the Commonwealth or the sterling area as a whole. To support convertibility in the early stages, there is need for external support from the International Monetary Fund, from the Federal Reserve system or from the United States Government. The possibilities in this direction are being explored. Of course, no

one can forget that the present handicap of the sterling is convertibility. There are certain handicaps in the situation—that is why no major decisions were taken in Sydney—like the further course of recession in U.S.A. and its effect on the sterling area earnings and reserves, and the trade policy that they decide to adopt, not to speak of possible support that one can get from the International Monetary Fund, not to speak of the attitude that would be taken by the O.E.E.C. countries. Although advance towards convertibility in some form or other occupied the stage a very great deal in the Prime Ministers' Economic Conference in December 1952, in Sydney, all that took place was a review of the events and, so to speak, a consolidation of the position. The major factors of uncertainty still remain, namely, the attitude of the United States Government, their trade policy, the kind of support that could be expected from the International Monetary Fund and the possibilities of collaboration from the O.E.E.C. countries. So far as it lay in my power, I tried to indicate to the House all that happened in Sydney, and that there was no conscious suppression of any decisions taken that would affect the fortunes of this country.

There has been a reference made here to imperial preference, but I challenge the hon. Members to produce a single reference to imperial preference in the communique or any of the literature officially published. They have not been able to do so for the simple reason that this subject was not discussed in Sydney.

Shri Bansal: Permit me to say, Sir, that although there was no reference made to it in the official communique, there was constant reference to it in a number of statements appearing in the press from Sydney.

Shri C. D. Deshmukh: All those references were wrong and misconceived, because there was no discussion, and Parliament has to take my

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word for it that we did not discuss the subject.

Dr. Lanka Sundaram: I am prepared to take the word of the hon. Minister. What I said was that in the documents that were circulated to us, not a word was mentioned about imperial preference, but that Mr. Butler made a number of references to it.

Shri C. D. Deshmukh: I am not responsible for what the Chancellor has said. The Chancellor referred to preferential trade which is quite a different matter. He had at the back of his mind previous discussions that have off and on taken place in regard to imperial preference at GATT and other meetings that were referred to by one hon. Member. It is generally known what our attitude in regard to imperial preference is. We have not had an opportunity of having a full-dress debate on imperial preference, but we have studied the question very carefully and at the appropriate moment I have no doubt my colleague, the Minister for Commerce and Industry, will take the opportunity of telling the House what the thinking of the Government in this matter is. As far as we can discover today, there is no imperial preference which is hurting us, and it is possible to establish that on the whole we are deriving advantage from the present system of imperial preferences which is now restricted by the agreements arrived at at the GATT. And all that happened was that there was a reference possibly to preliminary consultation sometime—maybe in June, July or September—in order to ascertain the attitude of the Commonwealth countries in regard to the renewal of GATT which are the general agreements on trade and tariffs. That kind of discussion takes place before every GATT meeting in London. The Commonwealth countries or their representatives, when they gather together, discuss this. Beyond that the matter was not even mentioned. The only other reference made to GATT is where it is said that together with

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the rules and regulations of the International Monetary Fund there might be some representation that the rules of the GATT also may be changed. In that respect also, our attitude is well known, that generally we are not in favour of giving freedom to any country or to countries to create new imperial preferences. I did not go into that matter because, as I said, this matter was not discussed in Sydney at all.

Shri Joachim Alva: There is one doubt in my mind. How does the hon. Minister praise or exaggerate the role of the foreign exchange banks in this country which have strangled our economy? Why was permission given to a British Bank from the Middle East to take the place of a Dutch Bank?

Shri C. D. Deshmukh: Do you expect me, Sir, to answer this irrelevant interruption? I have only a few minutes more.

Mr. Deputy-Speaker: Does the hon. Member suggest that it was part of the Sydney talks?

Shri Joachim Alva: No, Sir. The hon. Minister praised the role of the foreign exchange banks which have strangled and still continue to strangle the economy of our country. That question has never been satisfactorily answered.

Shri C. D. Deshmukh: The hon. Member is welcome to have his own view, and I am not answerable to him for my view. I stated what I thought about the matter from the historical and other points of view as part of the sterling area agreement.

Shrimati Renu Chakravartty (Basirhat): He is also a Member of the House.

Shri C. D. Deshmukh: He may be a Member of the House, but I do not owe any responsibility individually to the Members of the House. (*Interruption*).

Mr. Deputy-Speaker: The hon. Member may feel that all the foreign banks have not played very rightly with us. The hon. Finance Minister does not say that every one of those banks have been exceedingly good towards us and that is his general opinion regarding these banks.

Shri C. D. Deshmukh: I expressed no opinion about the merits of their working. I have referred to their position in this country today, and if hon. Members wish to elicit any information, it is open to them to ask questions.

Shri K. K. Basu: We want to know Government's view.

Shri C. D. Deshmukh: We are not concerned with that matter here, in the limited time at my disposal. That is all the submission I am making.

There was some reference to commodity agreements. That is the point which hon. Member Shri Bansal, I think, had in mind—not preferential tariffs but commodity agreements by which it might be possible for the Commonwealth countries to buy each other's produce at certain stated and stabilised prices. It was only in that connection that there was some reference made to preferential trade agreements, but no imperial preferences, which term has a special connotation.

Then I must deal with this charge of not giving information to the House. As I said earlier, I have given a gist of all that happened. The only thing that I have not given, and I could not give is the gist of statements made by other countries in regard to their internal policies. That was one, and the other was the figures furnished by other member countries, in regard to their balance of payments, deficits or otherwise. Those figures are their own property. They were willing to discuss them in a common meeting, in order to arrive at some sort of estimate of the trends for the future for the sterling area.

as a whole. Even those figures cannot obviously be given, because there can always be differences of opinion as to what the future shows will be adequate or not. Once these kinds of views are taken, then all kinds of currents start in international trade, and make the position much more difficult. Therefore, it is the practice of every country not to give out any forecast in regard to its balance of payments for the next six months, or the next year, or whatever it is. Apart from the fact that these forecasts are proverbially unreliable, one has never been able to make very accurate estimates of what the balance of payments is going to be. That is another reason why it is not safe to make any forecast in regard to the future. Therefore, all the published material refers to the progress of the central gold and dollar pool, so far as the past is concerned. We get figures, I think, every quarter, and those figures are published, perhaps, with the lapse of a certain quarter or some period; in other words, some interval elapses before those figures are made public. One must be prepared to draw conclusions from the published figures, and one must trust one's own representative in regard to the participation in those discussions in regard to the future of the common currency.

As I said in Sydney, this matter of convertibility was not also mentioned even, obviously for the reason that it was recognised that there were various uncertain factors which had first to become stabilised, before any decision could be taken. That decision would fall to be taken only by the United Kingdom, because, after all, sterling is their currency, and we are using it for our convenience, and we have no right to ask them when they are going to take any definitive step in this matter. This is how I view this matter.

Apart from this, there are no figures or no information that I have withheld generally from the House. The trend of discussions and the categories 23 P.S.D.

of subjects discussed have been given in the official communiqué, the language of which I am not interested to defend, as well as in the other statements that I have made. Whether hon. Members find it satisfying or not cannot be really my concern. All I am concerned with is to tell them as best as I can what happened at Sydney, and that I have done.

Various questions have been raised in regard to our trade deficits and our sterling balances. I have not quite grasped what hon. Members' point of criticism is. I have already said that it is our intention to establish an import surplus, in order to be able to use our sterling balances, rather than leave them unutilised as short-term loans in London. I can only regard as bizarre a suggestion made by one hon. Member that because I cannot utilise them, I have not been able to utilise them for over one year. I should promote some industries abroad or start some development projects abroad. I see that that hon. Member is not in his seat.

Shri M. S. Gurupadaswamy: I am here.

Shri C. D. Deshmukh: I am sorry.

Shri S. S. More: He is too thin to be noticed.

Shri C. D. Deshmukh: I hope the hon. Member will take note that we need it very badly and we hope to be able to utilise it for the implementation of our plans.

Then the same hon. Member enquired why it is necessary that we should repurchase our rupees on the International Monetary Fund. I do not know whether he has referred to the provisions of the International Monetary Fund. The charges amount to 4 per cent. They rise year by year and they amount to 4 per cent. The article says:

"Whenever the Fund's holdings of a member's currency are such that the charge applicable to any

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bracket for any period has reached the rate of four per cent. per annum, the Fund and the member shall consider means by which the Fund's holdings of the currency can be reduced. Thereafter, the charges shall rise in accordance with the provisions of (c) above."

i.e. they go even beyond 4 per cent.—

"until they reach 5 per cent. and failing agreement, the Fund may then impose such charges as it seems appropriate."

Here, this is essentially a short-term debt given for ironing out the inequalities in the year-to-year trade, and every member country is supposed to repurchase its currency within a reasonable period. If it fails to do so, it expose itself to the liability to pay an indefinitely high rate of interest. Therefore, it is, Sir, that I say that it was very necessary for us to get rid of this incubus.

Then, reference has been made to our floating a loan in the London market. Now, all that happened was that the Chancellor of the Exchequer was able to announce that this year the London market might be able to find some surplus sterling for the

development of the Commonwealth countries. He indicated the various channels through which this money could be made available, as for instance, a direct loan on the London market or through their new Development Corporation or through a fund which they have only for the development of colonial territories. I said that since we have unutilised sterling balances to the extent of Rs. 250 crores, we were not standing in the queue, because we saw no point in borrowing money in London at 4 per cent. or 4½ per cent. and keeping our own money at a much lower rate of interest in London in the short-term market. That is why we have said there that so far as India is concerned, there is no intention of going to the London market. Therefore, all the criticism that was levelled at this by the hon. Member is perhaps under a misunderstanding of what happened and is really beside the point.

I think I have covered most of the important points that have been raised, unless hon. Members feel that any point that they have raised has not been answered. Sir, I cannot find any other point which calls for an answer.

The House then adjourned till Two of the Clock on Tuesday, the 16th March, 1954.