

to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1954-55

Mr. Chairman: The question is:

"That leave be granted to introduce a Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1954-55."

The motion was adopted.

Shri M. C. Shah: I introduce* the Bill and beg to move*:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1954-55, be taken into consideration."

Mr. Chairman: The question is:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1954-55, be taken into consideration."

The motion was adopted.

Mr. Chairman: The question is:

"That clauses 1 to 3, the Schedule, the Title and the Enacting Formula stand part of the Bill."

The motion was adopted.

Clauses 1 to 3, the Schedules, the Title and the Enacting Formula were added to the Bill.

Shri M. C. Shah: I beg to move:

"That the Bill be passed."

Mr. Chairman: The question is:

"That the Bill be passed."

The motion was adopted.

IMPORTS AND EXPORTS CONTROL AMENDMENT BILL

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

"That the Bill further, to amend the Imports and Exports (Control) Act, 1947, as passed by Rajya Sabha, be taken into consideration."

As hon. Members are aware, foreign exchange control became a very important factor during the prosecution of the last war and that was a time when the then Government issued an Ordinance. But the reasons for control of foreign exchange at that time and now vary. At that time it was necessary to economise the exports in view of the internal needs of the country as also to control exports with a view to conserve the foreign exchange for the prosecution of the war. That was the relevant consideration then. But after independence the control of foreign exchange has naturally assumed an important place in the economy of the country. As hon. Members will easily appreciate, the seven or eight years after 1947 have been years of difficulty and uncertainty. As you are aware, the immediate problem after the war was to meet the various scarcities. There was scarcity of food, of consumer goods, of raw material, of capital goods. Added to the initial difficulty was also the difficulty of the uncertainty of the earnings of foreign exchange. As hon. Members can see, the availability of foreign exchange varied from year to year. I might just in brief invite the attention of the House to the varied nature of our earnings of foreign exchange during the last five years.

So far as exports were concerned, because that is the bulk of the foreign exchange earned, the House will find that during 1948-49 our earnings, in round numbers to the nearest crore, were 478 crores; in 1949-50 it was 531 crores; in 1950-51 it was 662 crores; in 1951-52 it was 742 crores; in 1952-53 it was 578 crores; and during 1953-54

*Introduced and moved with the

recommendation of the President.

[Shri Karmarkar]

it was 528 crores. So hon. Members will find that our earnings varied from year to year.

Taking the invisible earnings, they also varied from year to year. But I am happy to say that the invisibles always showed a credit to our account. For instance, in 1948 our balance, so far as invisibles were concerned, was 30.60 crores; in the calendar year 1949 it was 43.3 crores; in 1950 it was 39.2 crores; in 1951 it was 55.5 crores; in 1952 it was 95.2 crores in 1953 it was 92.4 crores and in the period January to March 1954 it was 20.1 crores. So, our principal difficulty was in adjusting our quantum of imports to the extent permitted by our exports. There was the other difficulty of our food requirements. Our food requirements naturally could not be neglected whatever else we neglected. There also, we find varying requirements from year to year. For instance, in 1948-49, we had to import, again to the nearest crore, food to the tune of Rs. 102 crores, in 1954-55, Rs. 134 crores, in 1950-51, a little less than is Rs. 81 crores, then came the year in which we had to make the largest import that is 1951-52 Rs. 230 crores, 1952-53 Rs. 163 crores and in the current year, that is the year that has passed 1953-54, it was only about Rs. 64 crores. Here again, the House will see that we had to incur expenditure of foreign exchange on food to a varying degree, which varied from Rs. 64 crores during the current year to Rs. 230 crores during 1951-52. The House will easily agree that whatever else we neglected, we cannot neglect the food requirements of the country. When there was scarcity of raw materials, we had to import raw materials for our growing industries. There was a third item, capital goods which we could not neglect. Whatever remained, we had to utilise for the requirements of consumer goods. Our import policy had to adjust itself according to the availability of foreign exchange. I shall not tire the patience of the House

by any long observations on the various periods. But, I think it will serve a useful purpose if I indicate briefly how the availability of foreign exchange has enabled us to be liberal when possible and to be restrictive when to become restrictive was absolutely necessary.

As I said earlier, our utilisation of foreign exchange naturally follows almost the trend of our balance of payments. Of course, incidentally, we have also to see to it that we take note of the fact that our foreign exchange resources were never much too ample. Therefore, we found it possible to give protection to our nascent industries. If I may take the House through the various vicissitudes of our import policy during the last 5 years I may say, during the latter half of the year 1949, import policy was sufficiently restrictive since the balance of trade position had shown sufficient signs of deterioration with heavier imports and falling exports during the last two quarters of 1949. This trend continued during the year 1949 also. During the year 1950, although the same measures of strictness in the import policy continued, sympathetic considerations had to be shown for revision or readjustment towards relieving the stringent restrictions where, in the larger interests of the country, it was considered necessary to do so.

Coming to 1951, during the first half of the year, the balance of trade position showed considerable improvement and India began to have export surpluses. Import control could now be sufficiently liberalised. In fact, the problem in that year was not of restricting imports but of securing supplies from overseas markets in which these supplies were crying up. That was an abnormal year. The year 1951 was thus a period of liberalised import policy in the context of the export surpluses and our earnings on invisible account together with the sterling releases which were made available to us by the Government of the United Kingdom.

During the year 1952, two important economic facts came to notice. Firstly, there was a large gap in the dollar earnings and expenditure of the sterling area. Secondly, as a result of the Korean peace talks, there developed a sort of world resistance for goods and prices began to sag. On the domestic front, it was noticed that over-stocking of certain imported goods had taken place and prices began to fall in several sectors. The balance of trade position was also not favourable and the adverse balance of trade by sea and air alone during the first quarter was running as high as Rs. 95 crores. However, the position should not really be considered as having been alarming, as the deficit that we incurred was described by the Finance Minister at that time as 'planned deficit' in the balance of payments while delivering his Budget speech for the year. We had to plan our import policy for that year accordingly.

During the year 1953, a large number of items were thrown open to newcomers and the minimum value of quota licences was also raised. That was possible on account of the direction of the balance of payment position. During the course of the year 1954, the foreign exchange position eased further and in view of the expanding economy under the impact of the Five Year Plan, emphasis was laid in the direction of achievement of higher levels of imports as well as exports. The import policy announced by the Government during the two half years of 1954 was directed towards further liberalisation of imports and relaxation of unnecessary restrictions which were considered no longer necessary under the changed circumstances of the country. I may also tell the House that the broad guiding principles in the formulation of policy during the year were the following:

(a) liberal provision for raw materials to remove shortages and to maintain stocks at satisfactory levels;

(b) liberal provision for the import of capital goods having due regard to indigenous production;

(c) increased provision for the import of essential consumer goods, because we could not neglect that sector;

(d) continuance of the scheme of token imports to set a standard for indigenous production; and

(e) moderate increases in the import of articles (luxury and semi-luxury goods) it still forms a very small portion of the total foreign exchange available—the import duty on which was raised with the approval of the G.A.T.T. organisation.

Thus during January-June 1954, import quotas of 22 items including betelnuts, safety razor blades, etc. were liberalised. As many as 17 new items were thrown open to newcomers.

During the latter half of 1954, the import policy was further liberalised in the context of improved foreign exchange position and in the experience gained during the preceding licensing periods. The list of items which were under the token quota scheme was considerably expanded. I shall not tease the house by any more details.

During the first half of the present year, that is 1955, for which the import policy was announced on 30th December, 1954, the Government reviewed the needs of the country's economy and found it possible to take further steps in the direction of liberalisation of the import trade. The liberal licensing scheme was extended to cover a number of important items. Quotas have been increased for certain items where shortages were being experienced. For a few items which were hitherto in the banned list, token quotas were prescribed. Further relaxations have also been made in so far as imports of goods from the dollar area are concerned, including metal working tools and machinery. That was the tendency of the policy for the first half of this year.

[Shri Karmarkar]

It may be stated that the present pattern of our import policy might be appropriately described as 'selective liberalisation'. We select the items where liberalisation is justified. While ample provision is made in the import policy for capital goods and raw materials of industry, as well as consumer goods, a distinct shift in our import policy is noticeable in the recent past. This shift has been dictated not necessarily by considerations of foreign exchange alone because we cannot say that even under the foreign exchange position in view of later possible requirements for developmental purposes; these requirements will be heavy—but by considerations of an economy which is fast developing. As indigenous industry progresses and new commodities are manufactured by us in sufficient quantities and of good quality, the items in question are either restricted or totally banned. One of the ways to achieve this objective is, as hon. Members are already aware, to liberalise imports while raising the import duty thereon, so that it not only gives the largest quantity that we require, but, at the same time, it acts as a healthy restriction on foreign exchange expenditure. In the future also, the pattern of import trade is bound to change. But, it should not be concluded from this that imports will take place on a lower level. With the development in the consumption of the population of this country, with the increase in the national income and social welfare, with the evolution, in short, of the socialistic pattern of society, which implies a higher standard of living and more consumption and more production, the need to import will be larger; but the need to export will also be greater. Imports and exports will, in the long run, attain higher levels than ever before.

That is our objective. I have invited the attention of the House to these considerations connected with import control, namely selection of items as also the necessity to use foreign exchange, because many a time in the

past, whenever we have taken action to restrict particular items or liberalise particular items, we have been faced with the criticism that we were too restrictive when we restricted and too liberal when we were liberalising. All that I wanted to invite the attention of the House to was to the fact that we have to have a double objective before us. One is not to exceed the foreign exchange availability so as to run a huge deficit; the other is at the same time to see to it that the foreign exchange available is spent in a proper manner. As I said a moment ago, our policies have always been dictated by the prime considerations, firstly of the necessity of food imports to the extent to which they were necessary in the past, secondly of the advisability of not stinting industry for its development either in the nature of capital goods or raw materials, and thirdly of so adjusting our expenditure of foreign exchange in respect of consumer goods as not to make the population stint in respect of the necessities. Actually, what might be considered as luxury or semi-luxury articles amount even in our liberal scheme to about Rs. 14 crores, in a budget of Rs. 550 crores; so, it comes to about Rs. 2 or 3 crores, for every Rs. 100 crores. So, that is the method by which we have been able to regulate import control. And I am quite sure that the House will appreciate the fact that as a result of all the various actions taken, sometimes stinting, sometimes liberalising, but, always going according to the requirements dictated by foreign exchange availabilities, our sterling balances are still there, so that they might be helpful to us in the few years of intense development that will follow, when we will require not only what is available of the sterling balances, we shall also have to keep a necessary minimum by way of reserves—but something more.

•Regarding exports, during the time of the war, it was a question of controlling exports. Now, it would be really wrong to describe the measures that we take for exports as export

controls. In fact, it is export promotion. It is import control on the one hand, while it is export promotion on the other as a correlative. In fact, about 90 per cent of our commodities are subjected to free licensing, so far as exports are concerned. There again, the particular sector has to be taken into consideration, and we have to see whether the internal requirements of the country make it absolutely difficult for us to have free licensing in the matter of exports. Take oil, for instance, i.e. the case of edible oils. There, we have always to see that the country is not stinted of its requirements. In items like that, we can say that we do exercise a measure of export control, and that export control is a measure of control which we exercise always subject to the internal requirements of the country. I hope the House entirely agrees with me that it is not a good policy to stint our countrymen in respect of their necessities.

Our export promotion, I am happy to say, is bearing slow fruit. Hon. Members will find on a study that during the last five years, our pattern of foreign trade has been slowly changing. In the pre-war period, we were largely exporters of raw materials. Now, the swing has turned; and we have turned appreciably, to a better extent than before, to be exporters of finished products. Some of us do suffer from a sort of inferiority complex, which leads us to believe that our products are necessarily inferior to the products of foreign countries. Hon. Members will have read in a news item this morning—and it is a fact—that for our diesel engines, for instance, there has come a small order—may be a token order—from an advanced country like Germany. So, we need not have any sense or feeling of an inferiority complex, so far as our products are concerned. We are a growing country, we are a slowly developing country, and there is no need for our countrymen to lack, so far as intelligence is concerned. We may not have got the technical know-how in some sectors, but we are trying to replenish

that in the best manner possible. And I think that during the last few years, industry has achieved results that are really a credit to the country. I do not want to generalise this to every sector, and to every item of the industry; things do require improvement, but it is a healthy sign that foreigners are showing a keen interest in our goods.

I think there is very little else to say. As for the mechanism of import control also, we are learning by experience, and I am quite sure that we have made a few mistakes at the commencement. When it comes to a question of issuing lakhs and lakhs of licences, it is rather difficult. We tried an experiment three years back by keeping our licences open to newcomers. Then, we were flooded with a large number of applications for licence—I forget the exact figure—during that half year. I think the number of applications came to about a lakh and a little more, and we found ourselves in great trouble. Often, the question was asked, and the criticism was made that we were partial to established importers. Supposing, we make it open to everybody to ask for import or export licence, then it will lead to chaos. So, in the mechanism of import and export control.....

Shri A. M. Thomas (Ernakulam): Why do you not decentralise the machinery?

Shri Karmarkar: We are trying to decentralise the machinery.

Shri S. S. More (Sholapur): Chaos or corruption?

Shri Karmarkar: Corruption, so far as the hon. Member's ideas are concerned, and chaos also following corruption. But as far as we are concerned, we are coming back from darkness into light. Perhaps, the hon. Member's progress is in the reverse direction. However, that is another matter, and that is for him to decide for himself. I wish my hon. friend is a little more serious, because ultimately I have such a regard for his intelligence that sometimes that regard feels

[Shri Karmarkar]

some shock at these unmeant but careless remarks—careless is a fully parliamentary word.

Shri S. S. More: May I make a submission? As far as this licensing department is concerned, it is a matter of public scandal, and I can quote from so many Government documents to show that that sort of thing is going on. So, it is only a question of whether it is chaos or corruption. That is the only alternative.

Shri Karmarkar: So far as my hon. friend is concerned, perhaps that is the only alternative, and he can choose either of them, either corruption or chaos.

Shri S. S. More: I would rather choose chaos.

Shri Karmarkar: But that is not our alternative. As I said earlier, when the thing was new, many people took advantage of the vagueness of so many things. I can just mention one small example, where we have had a lot of difficulties. We, in our commonsense, sitting in our office, believe that what we have said will cover a particular thing, but in practice, it may not. For instance, recently, an instance occurred, which I mentioned at some other places also, where in order to give protection to the indigenous industry in a particular sector, namely pencils, we said that pencils which cost less than Rs. 16 per gross should not be imported into the country. But we did find that one consignment came in, where the price was Rs. 45 per gross; so, our Customs Collector could not hold it up. But the difficulty was that each pencil being 9" long, each pencil was 36" long; and we had not defined a pencil as being a writing instrument 9" long. This is what has happened. Now, we have taken care to define, but that is another matter. So, these are all the 'bye-difficulties', which the import control department has to meet. I wish my hon. friend—I am prepared to assist him—to carefully study the position, both with regard to the work of the utilisation of foreign

exchange as also with regard to the licensing system. I am quite sure that if the studies the question with me carefully, with perfect detachment, forgetting the fact that his study comes along with a friend,—who, according to my hon. friend, has the misfortune to sit on this side of the House,—he will entirely agree with me in my statement—when we get out of the room after the study—that those times about which my hon. friend referred to just now, belonging to the last century, have almost disappeared. I do not say that any system of import control or export control that we have evolved is hundred per cent perfect; that is absolutely impossible, when we are dealing with applications of the order of lakhs. But then I am happy to tell the House that as the industry and trade themselves have acknowledged—apart from what a few friends, (or I should say, almost a solitary friend, so far as I can see) have stated, apart from what people like my hon friend say, despite that study, sometimes, not always.....

Shri S. S. More: Is it the privilege of Ministers to speak without study?

Shri Karmarkar: Unhappily, it has been a constant habit with me that I study before I speak. For my hon. friend, it might be otherwise. That is another matter. I do not quarrel with his practice, because the way in which he rises at a moment's notice exactly shows him out. But I am very considerate to him, and I have put it at the minimum possible, and I am very courteous to him. I would not like to make my hon. friend the subject of my observations this evening any more.

Shri S. S. More: I shall return the compliment.

Shri Karmarkar: Certainly. When I am making these observations, I am speaking about what my hon. friend's practice is; I hope, however, that he will make it a practice to study before he speaks. If he could do that, then I

am prepared to meet the worst from him. I wish that between the period between today and tomorrow, he would be able to go into something positive and definite and make a healthy contribution to the debate.

Shri U. M. Trivedi (Chitto): On a point of order. Is it a private conversation between the hon. Minister and Shri S. S. More that should go on here?

Shri Karmarkar: One interruption is bad enough by itself; to have another at this stage is worse.

I would not deal with these interruptions any more, but I would just invite the attention of the House to one important fact, and that is this. Thanks to the advice which industry and trade and Members of Parliament have given us, and the guidance which public opinion has given us, we are in a position to say that we have a mechanism of import and export control which has met with satisfaction on all sides concerned. I do not say this in a mood of complacency; there is always room to improve, but I think it is unfair to the House not to post it with facts as they are.

These are the brief observations that I should like to make in introducing this measure in regard to import and export control. Naturally, the subjects of import and export control are subjects over which hon. Members here are bound to take a deep interest.

5 P.M.

Before I sit down, I would like to repeat that we on this side are not complacent about the good results that we have been able to achieve, 'we' including all those who are in charge of management of the import and export control departments. I sincerely welcome all constructive suggestions from hon. Members on the other side. In fact, the real reason why I was at pains to give to the House figures and all that was to invite the attention of the House to these facts and to invite their comments, because ultimately we do expect to benefit by the

discussion that takes places on this Bill. We do not want to rush this Bill through as if there is nothing about this Bill. It is with that intention that I would like to say respectfully that I welcome all constructive suggestions. In any case, I am expecting my hon. friend, Shri S. S. More, to give those constructive suggestions tomorrow.

Shri S. S. More: There is no debate on it tomorrow.

Shri Karmarkar: The next day. My friend is a capable lawyer, and I am a past lawyer. So for me, tomorrow means the next day on which the discussion takes place; for him, tomorrow means tomorrow, irrespective of what comes tomorrow.

With these few observations, I beg to move that this Bill be taken into consideration.

Mr. Chairman: Motion moved:

"That the Bill further to amend the Imports and Exports (Control) Act, 1947, as passed by the Rajya Sabha, be taken into consideration."

Shri U. M. Trivedi: I have a constitutional objection to this Bill being placed before the House. This is a Money Bill.....

Shri Bogawat (Ahmednagar South): The time is over.

Shri U. M. Trivedi I will speak again.

Shri A. M. Thomas: Let the point of order be raised.

Shri U. M. Trivedi: Section 4A of the Act provides that fees will be charged on applications also. Unless fees are charged for services rendered, they become a tax, and if it is a tax, under a very recent ruling of the Supreme Court, this, being a tax, becomes a Money Bill. This has been wrongly introduced in the Rajya Sabha and it does not bear the certificate or the recommendation of the President. Therefore, this Bill cannot be introduced at this stage I therefore oppose

[Shri U. M. Trivedi]

11. Unless the certificate is attached, this cannot be introduced.

Shri S. S. More: This is a matter for the Speaker's ruling.

Mr. Chairman: Order, order. The debate will continue on the next day allotted for this Bill.

The Lok Sabha then adjourned till Eleven of the Clock on Wednesday the 2nd March, 1955.
