

**Shri S. V. Ramaswamy:** I beg to move:

In page 1, line 32, for "an" substitute "a judgment, decree or".

**Mr. Deputy-Speaker:** The question is:

In page 1, line 32, for "an" substitute "a judgment, decree or".

The motion was adopted.

**Shri S. V. Ramaswamy:** I beg to move:

In page 1, line 33, for "an" substitute "a judgment, decree or".

**Mr. Deputy-Speaker:** The question is:

In page 1, line 33, for "an" substitute "a judgment, decree or".

The motion was adopted.

**Mr. Deputy-Speaker:** The question is:

"That clause 5, as amended, stand part of the Bill."

The motion was adopted.

Clause 5, as amended, was added to the Bill.

Clauses 6, 7 and the Schedule were added to the Bill.

Clause 1, the Title and the Enacting Formula were added to the Bill.

**Dr. Katju:** I beg to move:

"That the Bill, as amended, be passed."

**Mr. Deputy-Speaker:** The question is:

"That the Bill, as amended, be passed."

The motion was adopted.

#### RESOLUTION RE LEVY OF EXPORT DUTY ON MERCURY

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

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (XXXII of 1934), the House of the People hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry No. 35-T(1)/52, dated the 8th October, 1952, by which an export duty of Rs. 300 per flask of 75 lbs. was levied on mercury with effect from the date of the said notification."

I need not detain the House for long, as already a note has been circulated to the Members on this Resolution.

The position briefly is this. In November, 1950 the import of mercury was placed on the open general licence, and the immediate effect was large scale imports of mercury. In 1949-50 the amount of mercury imported was 1,793 flasks, in 1950-51 it jumped up to 37,660 flasks, in 1951-52 it was very much less and was 59 flasks. Our consumption is estimated to be of the order of 4,000 to 5,000 flasks only a year. Accordingly there is still a large quantity of mercury in this country for which there is no immediate use. Repeated representations were made with a view to earning some precious foreign exchange to allow exports of this large imported quantity of mercury to some reasonable extent. Now we find on a rough computation, our requirements having been properly considered, that we can easily export about 10,000 flasks at the present moment. So we announced a quota of 10,000 flasks for export; applications for the export of about 5,000 flasks have already been received, and they are being vetted at the present moment. In the meantime, the average landed price of mercury when it was imported varied from Rs. 391 to Rs. 268 per flask; whereas the latest quotation in the markets in the country is Rs. 397 per flask, the quotation, for forward delivery in the United States of America is \$ 187 or Rs. 850 per flask approximately. In the circumstances, Government thought it proper that an export duty of Rs. 300 per flask should be levied, and this has been done by means of the notification referred to above, with a view to mopping off the large difference between internal and external prices. Now in accordance with sub-section (2) of section 4A of the Indian Tariff Act, 1934, we have now come before the House for its approval of the said notification that has already been issued. I have nothing more to add, Sir.

**Mr. Deputy-Speaker:** Resolution moved:

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (XXXII of 1934), the House of the People hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry No. 35-T(1)/52, dated the 8th October, 1952, by which an export duty of Rs. 300 per flask of 75 lbs. was levied on mercury with effect from the date of the said notification."

**Shri A. C. Guha (Santipur):** May I ask for a little clarification? The hon. Minister stated that our stock is 37,000 flasks approximately, while our annual requirement is about 4,000 to 5,000 flasks, and so we could export about 10,000 flasks. The present

[Shri A. C. Guha]

stock will continue for about eight years. The hon. Minister has stated yet that only 10,000 flasks we can export. How is this?

**Shri Karmarkar:** I made a modest approach; if more is found possible, we shall consider that also.

**Shri V. B. Gandhi (Bombay City—North):** Sir, I wish to use this present instance of the levy of an export duty on the excess stocks of mercury flasks in the country as an illustration to point out to certain tendencies in our import policy as well as the tendencies in using section 4A of the Indian Tariff Act.

How has the present situation arisen? We see today in our country an excess stock of almost about 28,000 flasks. This exceptionally large excess of import has been the result of our import policy. Here we see in the year 1949-50 only 1,793 flasks were imported, whereas according to the figures supplied by Government, our annual consumption is from 4,000 to 5,000 flasks. Now I wish we had also been supplied figures of imports for the years prior to 1949-50 also. In 1949-50 only 1,793 flasks were imported. Why? They were manifestly very much below the normal requirements of the country. That was so, probably because the import policy over that period was directed towards curtailing the imports of this particular commodity. This very often happens. When the country has to go through periods of prolonged starvation for want of certain commodities, and a situation that is really acute develops, then suddenly there is a reversal of policy, and then open general licence system is started. The result is that it is only natural that the reaction of this prolonged period of starvation of certain commodities in the commercial community is to rush to import as much as they can while importing is permitted. That is the reason why in a single year we find that this country imported as much as 37,660 flasks, which is almost six to seven times the normal annual requirements. Again the reaction in the other direction followed. In the following year, the imports were only 59 flasks.

**Shri Bansal (Jhajjar-Rewari):** But there is no ban on it.

**Shri V. B. Gandhi:** That is a very important point. Now consider the imports in the three consecutive years. In 1949-50 it was only 1,793 flasks, almost one-third of our normal requirements. In 1950-51, it was 37,660 flasks, almost seven times of our normal requirements; in the following year it was only 59 flasks. I am sure that imports

have now completely stopped, although as my hon. friend Mr. Bansal has pointed out that there is no restriction on imports. The restriction that now operates on imports is two-fold: one is that we have an excess of stock in the country and the other is that the external price of mercury has risen phenomenally. Now in this particular development, Sir, my feeling is that in the first place, a certain portion of the blame must be laid at the doors of the department that is responsible for the import policy. As I said in the very beginning, I propose to use this particular instance as an illustration. I have an unforgettable impression of what happened in the case of imports of penicillin just about two years ago and what a mess the Government of Bombay did in stepping in and issuing an Ordinance to control the price of penicillin.

Now, Sir, it has been the general impression and also the experience of many that our import policy has been working—I do not know how exactly to express it, but for want of a better expression I will say that our import policy has been operating by jerks, instead of there being a real long-term thought being given to the policy as far as it is possible under the present uncertain and abnormal world conditions. There should be a definite attempt to smoothen the ups and downs, the sharp ups and downs, as far as possible. Now, Sir, I am not quite sure whether the Government is really justified in levying this export duty. I have my own doubts, Sir, whether we are right.....

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** Morally?

**Shri V. B. Gandhi:** Well, I will come to some of these aspects, Sir. I have my own doubts whether we are right in using section 4A of the Indian Tariff Act for the purpose of levying this duty on a commodity like mercury. My reason is that section 4A of the Indian Tariff Act was intended for quite a different purpose. Now in Schedule II attached to the Indian Tariff Act, there are only nine items included. And what are those items? The items in Schedule II of the Act are like this: raw jute, jute manufactures, raw cotton, rice, tea, cloth—certain kinds of cotton cloth, manganese ore, oilseeds and vegetable oils. Now, Sir, all these items are items of products which are either the produce of this country or are the manufacture of this country.

Mercury, in the present instance, is neither of this kind. We do not produce mercury in our country; nor can it be considered as forming any one of the regular items of our export trade. And section 4A of the Tariff Act, therefore, can be applied only in a very far-fetched sense for a levy of this kind on a product like mercury.

Now, there is also, in my opinion, no analogy between the situation as it exists in respect of mercury...

**Shri T. T. Krishnamachari:** May I point out that section 4A reads thus: "Where in respect of any article, whether included in the second Schedule or not....."

**Shri V. B. Gandhi:** Thank you. I see that, but as I have said, it is my own feeling. From the general trend of this section and the nature of the items included in that Schedule as they are, I have my own misgivings whether we are really right. Anyway I am coming to the other point. That is, there is really no analogy between the situation that existed in respect of jute and groundnuts and the situation that now prevails in respect of mercury. After all, Sir, there the Government was not only right in stepping in to mop up the windfall profits that were then arising in trade in jute and groundnuts, but if Government had not intervened, I think Government would have failed in its duty. In respect of jute and groundnuts in those days the situation was that first there was that devaluation which created a situation which threw enormous windfall profits into the laps of exporters for nothing that they had done. There was the Korean War. That created an abnormally keen demand for these products and in that particular case again, the exporter was paying the indigenous producer a low price, in comparison to what he was getting for his exports for all these extraneous reasons. Now, what is the situation in respect of mercury? Of course, there is no Indian producer in the case of mercury, but there is an Indian consumer. Is the Indian consumer suffering in any sense? No. According to the information given to us in the note, the present price in India is just about Rs. 397, whereas the cost of importers ranges from Rs. 391 to Rs. 258. Now, that is a very perfectly fair deal that the consumer is getting in India. Under this situation I cannot really understand how Government would be justified in stepping in and trying to levy this export duty with the avowed object as is stated in the note, of mopping up 301 PSD

large differences between the internal and external prices.

**Mr. Deputy-Speaker:** Was the purchase price during any of the previous years much higher than the price at which mercury is sold now?

**Shri T. T. Krishnamachari:** No. This is about the peak price.

**Mr. Deputy-Speaker:** Therefore, the purchasers cannot complain that they have been waiting for long and now when there is some windfall that is being mopped up by the Government. There is no chance.....

**Shri Karmarkar:** We feel sorry about it, but there is no complaint.

**Shri T. T. Krishnamachari:** They feel sorry about it, but there is no complaint.

**Shri V. B. Gandhi:** The landed cost of imports ranges from Rs. 391 to Rs. 258 and the present internal price is about Rs. 397. So, so far as the dealers are concerned, they are not making any very large profits. The situation in respect of world prices of mercury has changed and today the New York price for forward delivery of mercury is Rs. 850. And that is exactly what is—in a way unexpected—going to help us out of a very bad situation into which our import policy has led the commercial community.

On these considerations, Sir, I have a feeling that we really are not justified in this. Under sub-section (2) of section 4A of the Tariff Act, this House has the power to modify the notification or direct that the notification should cease to have effect. I do not suggest any of these things. I only wish to draw pointed attention to the fact that the present situation has arisen chiefly as a result of these quick-changing import policies, and that there is no fair analogy between this and the situation in respect of jute and groundnut that existed a few years ago. I would maintain that we shall not be right in using section 4A of the Indian Tariff Act for the purpose of this levy.

**Shri Bansal:** Sir, I am sorry I have to join issue on this particular resolution with my friend Mr. Gandhi, because he is a very good friend of mine, and I generally do not want to differ from him on these matters.

**Mr. Deputy-Speaker:** It is the Government alone that is the hon. Member's enemy.

**Shri A. C. Guha:** No, he is supporting the Government, Sir.

**Shri Bansal:** I have just the same type of complaint against the Government, as my friend Mr. Gandhi has, on their import policy. But this is a very wrong instance which my friend has chosen because in this particular instance, in my opinion, the Government have done just the right thing. The course impliedly suggested by my friend would be for Government to put a ban on the import of mercury in the year 1951-52. That would have led to speculation, which in fact was rife in this particular trade and all the stocks would have gone underground and the internal prices would have definitely risen, as really they did to some extent. But when Government announced that they were not going to take away this item from the O.G.L., although they took it out of the general O. G. L. to the soft currency O.G.L., the market was taken by surprise and it is for this reason that imports in the year 1951-52 were so small.

Now, Sir, if the stocks are so high in the country, what is the Government supposed to do? If Government do not allow them to be exported, the money will be lying locked here. Exports are eminently desirable in this case particularly when we imported this quantity from the soft currency area while the demand is partly also from hard currency area. We are exporting mercury today not only to England, Denmark and Japan but also to U.S.A. Therefore we are likely to earn good hard currency. Now, Sir, who should take advantage of the huge difference in the prices? I am sure it should not go to anybody else but to Government. There is one matter, however, which does not redound to the credit of Government. Government while announcing their policy also announced that they will allow the export of mercury flasks to the extent of 10,000. That, in my opinion, was a mistake, because no good businessman tells the buyer that he has so much quantity to sell as that at once brings down the prices and that is actually what happened. I may tell, Sir, from some enquiries that were made by me that after the announcement of our policy, the prices have gone down in U.S.A.; they had gone down by about Rs. 100 per flask. If that is so, our policy was patently mistaken inasmuch as an announcement was made of the quantity to be exported. This also had another effect. The internal prices have slightly risen. Sir, these are, in my opinion, the concomitants of a policy of this type and I do not think much blame goes to Government. But if, after some time, the

Government finds that the prices that the Indian exporters are likely to get in the foreign market are lower than what they get at present then I am sure they will have to reduce this export duty and I would suggest to the hon. Minister that he should keep an open mind on this subject and not hesitate to reduce the duty if the circumstances so require.

5 P.M.

I have one other point to make in this connection and that is about the Information Department both within our country and in foreign countries. Our Information Department, although they are very good in giving out information, I understand, are not so good in supplying information to the Government of India in time, with the result that more often than not we are late in taking the requisite and desired action. This happened on a number of occasions in the past. I refer to the lamentable history of our jute exports. Some enlightened businessmen and organisations were suggesting to the Government for quite a long time past that the time had come when they should impose an export duty on hessian and jute goods. But the Government took months to come to a decision on that question with the result that crores of rupees went away from the hands of Government. A similar thing happened but not exactly on the same line, in regard to the imports of silk piece-goods. Sir, there was a time when imports of silk piece-goods were allowed freely with the result that huge quantities of silk piece-goods were imported. Later on, the merchants who had imported them began to clamour that the quantity in the country was out of all proportion to the local requirements and Government put a ban on the import of silk piece-goods. This kind of vacillating import policy to which a reference was made by my hon. friend is one to which everybody would object and I am sure the Government of India are now beginning to realise that they should have a more stable import policy. My concrete suggestion is that once a commodity is placed on the O.G.L., it should never be placed on the restricted list again because after all the demand and supply position inside the country will make the merchants wary, and they will not import that commodity in quantities which will no longer be required in the country. After all the inducement for the importer to import these commodities is the belief that when the O.G.L. is in operation he may import huge quantities and later on Government may be persuaded to place those commodities

on the restricted list again and that enables the speculators to speculate on the commodities involved. Unfortunately, Government in their recent announcement of the import policy have taken a decision in regard to certain commodities which would not be very helpful towards this policy. I would suggest to the hon. Minister that in future our import policy should be more stable and it should not be jerky

and "jumpy" as it has been in the past.

In the end, Sir, I am informed that the procedure followed by Government in allowing export licences is somewhat defective and I am sure the hon. Minister would look into this matter also.

*The House then adjourned till a Quarter to Eleven of the Clock on Thursday, the 13th November, 1952.*