THE

PARLIAMENTARY DEBATES

(Part II—Proceedings other than Questions and Answers)

OFFICIAL REPORT

Dated......20.11.2

HOUSE OF THE PEOPLE

Thursday, 13th November, 1952

The House met at a Quarter to Eleven of the Clock

[MR. SPEAKER *in the Chair*]

QUESTIONS AND ANSWERS

(See Part I)

11-51 A.M.

RESOLUTION *RE* LEVY OF EXPORT DUTY ON MERCURY—*Concld.*

Mr. Speaker: We will now resume further consideration of the following resolution moved by Shri Karmarkar on the 12th instant:

"In pursuance of sub-section (2) of section 4-A 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): Sir, I thought that the discussion on this resolution would not have been so prolonged. At the outset I must say that the system of O.G.L. has been creating some trouble all along. I think the House has not forgotten the fact that in about 1948 or 1949 due to the Open General Licence system certain articles were imported much beyond the needs of the country and we have had to overdraw quite a big amount from the sterling balances that had to be afterwards readjusted and regularised. Such things should not have occurred. I think the initial mistake was in allowing huge quantities of certain things to be imported, due to the O.G.L. When the Government put certain items in the O.G.L. they should have taken sufficient care to see that the quantity to be imported did not exceed the legitimate necessity of the country. So, I endorse all that was said yesterday by some of the previous speakers that there was something wrong in the import policy of the Government. It has been the subject of criticism in this House and in some Committees of this House. Yet, I think the system has not improved, appreciably.

Then as regards section 4-A of the Indian Tariff Act being applied to the order issued on the 8th October of this year, there also I have my own doubt. Though the language of that section is wide enough, the items mentioned in the second Schedule should be taken as an indication of the power to be exercised by the Government. Those items were definitely of a particular nature. They are all articles which are manufactured here and in which we are surplus, and which the country can export in certain quantities. But this is not an item to be included in that Schedule. This article is not produced in our country. We got an extra quantity due to some laxity in our import policy and then Government has taken shelter under this. Though I do not say that this is technically incorrect, I think, considering the spirit of the section of the Act, this procedure should not have been adopted by the Government. This House may also remember that there was an uproar raised over that clause when the amendment of the Indian Tariff Act was before the House. It was debated for a very long time and there was bitter controversy over the passing of that section and the original motion of the Government had to be modified substantially before the House could agree to pass that amending Bill, to put section 4-A in the Indian Tariff Act. Taking all these things into consideration, I think

[Shri A. C. Guha]

the Government was not justified in issuing this order. I am not saying that it is technically illegal, but if we consider the spirit of section 4-A, this course is not justified. Now that we have no other alternative, this House has to pass this resolution, but I should like to remind the hon. Minister that he should take sufficient precaution to see that when any item is placed on the O.G.L., the O.G.L. is not misused. In this particular case, the country may have benefited to a certain extent, but such laxity should not have been allowed at all.

Shri Damodara Menon (Kozhikode): Sir, I endorse the view expressed by my hon. friends that the import and export policy of this country requires tightening up. The purpose of my speaking is to put one or two questions to the hon. Minister regarding this export duty. What is the quantity that we can afford to export without considerably affecting the quantity of mercury required in this country? I know that as a result of this export duty Government will be able to mop off excess profits to the exporters, but I want to know whether Government are fixing any export quota.

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): Yes, it is 10,000 flasks.

The Minister of Commerce (Shri Karmarkar): In fact, it was the complaint of one hon. Member that we had fixed it.

Shri Damodara Menon: I am glad that an export quota has been fixed. Another thing that I want to know is this. What steps are Government taking to see that the internal price is maintained at a reasonable level? Are the Government contemplating any measure in that direction? Otherwise, as a result of this export policy, the internal prices may shoot up.

I do hope that the hon. Minister will explain these two points.

Shri Meghnad Saha (Calcutta—North-West): Sir, the question of export of mercury is a very important one. Mercury is a very strategic material, which is used for the manufacture of scientific instruments and chemicals. It is very essential for laboratory work. There are practically only two countries in the world which have the monopoly of mercury production, namely, Spain and Italy. It is not quite clear why the Government is allowing the export of this strategic material out of India. We were told that this mercury had been purchased at about Rs. 340 per flask and the selling price outside India at present is between Rs. 800 and Rs. 900. If the price has suddenly shot up in other countries, it is because some very big power is making a stock-pile of mercury in anticipation of future events, say, the Third World War. That being so, I think it is necessary that instead of re-exporting this strategic material—of which we have no sources in India and in fact India produces not a *chattak* of mercury—we keep it in this country and make a stock-pile of it ourselves. Otherwise if war breaks out tomorrow or six months hence, many of the important industries in this country would be deprived of this material and they will have to pay four times the present price. It may rise to Rs. 4,000 per flask. So, I am suggesting to the Government that they should not re-export mercury but should make a stock-pile of it themselves. They should keep it here and sell it at an economic price, so that Indian industries may be protected.

12 NOON

Shri Karmarkar: Sir, during the course of the discussion three principal points have been made. Firstly, the question was raised as to whether it was appropriate for us to have taken action under the law of the land. I shall not dwell on the point whether our action was proper in view of the fact that mercury had not been specifically mentioned in the Schedule, because to my mind it is not a very important point. Obviously, the Schedule referred to imported articles but then we made it applicable to export commodities also. There were two ways of drafting the particular Schedule. Either we could have incorporated a third Schedule detailing which of the articles were liable to export duty under section 4-A, or else,—as we did at that time and as this House was good enough to approve—we could leave the Schedule as it is and only say "either the articles mentioned in the Schedule or any other article" and provide that in respect of such commodities an export duty could be imposed by notification, to be brought before this House as early as possible as provided under that section.

The other point that was made was in regard to the quantum of the export duty. There, with due respect to my hon. friend Shri Gandhi, I could not appreciate his point when he appeared to plead that we should not have imposed an export duty at all

As I made it clear at the commencement, the c.i.f. price at which imports took place was far less than the price now ruling in the world market. The c.i.f. price at the time at which imports took place was somewhere between Rs. 272 in 1949-50 and Rs. 258 in 1950-51. The present price in the U.S.A. is 187 dollars per flask, *i.e.*, Rs. 850. The point for consideration is whether we should have allowed an importer who bought mercury at prices varying between Rs. 272 and Rs. 258 to make a profit of whatever is the difference between that price and the present price of Rs. 850. We thought that it would be considered reasonable by this House if we decided that a large part of this margin should go to the community rather than to individual importers.

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

Of course, we had to make an allowance for fluctuations. Even then, what would happen is that the man who sells it for Rs. 850 a flask would still make a profit, because with this duty the price comes to only Rs. 572. So, there is an ample margin even now for the person who imported this mercury. It may well be argued that such a large profit should not be allowed. If such an argument had been advanced, I would have appreciated it and Government would have considered that suggestion, but I was not at all in a position to appreciate my hon. friend Shri Gandhi's criticism that this duty should not have been imposed at all. It will run counter to all canons of administration, if I may so put it, if we do not mop up this substantial margin between the import price and export price.

Much has been said about our import and export policy. A reference has been made to "jumps" and "jerks". We have had a lot of jumps and jerks during the last five years, a large number of them due to reasons absolutely beyond our control. If at all we seek to judge our import and export or foreign trade policy, we should not do it over a period of a specified six months or a year but over a fairly long period of, say, three or four years. If we do so, I am sure that any hon. Member who makes a little closer study of our foreign trade policy during the last four years will concede that by and large our import and export control work has been satisfactory. We were confronted during the year 1948 and after with not one difficulty, but many difficulties. We had a lot of inflation; we had a lot of extra purchasing power; we had a shortage of consumer goods. Then again there were conflicting factors operating outside the country also—a rise in prices owing to the Korean War, followed by a collapse in prices this year.

Faced with all these difficulties, some vital considerations had to guide our foreign trade policy. Within the limited foreign exchange resources, we had to keep four different factors in mind. Firstly, food imports had to be given prior consideration. Whatever else is imported or not, necessary imports of food had to be made, cost what it might in foreign exchange. Last year we had to import huge quantities of food. We could not say at that time that we would stint in the matter of food and permit the import of other goods. Our second item in priority is capital goods. We are fast developing into an industrial country. We could not neglect the requirements of industry in regard to capital goods. So we gave them priority No. 2. Naturally, if we want to develop industries we have to import raw materials. Lastly came consumer goods. There it is that I regret to say that Government measures did not receive that amount of co-operation from public opinion as would be conducive to the interests of the country. Take, for instance, mercury; take, for instance, penicillin; take, for instance, art silk. Now we are forgetting in this age of controls, that the normal channel of trade is free trade. So, O.G.L. is the natural thing. Controls are unnatural things. For proper utilisation of foreign exchange, controls are necessary, but we cannot afford to forget the fact that ultimately trade prospers and is at its best with no control whatsoever. Blood has to run freely through the arteries to the different parts of the body and through the veins back to the heart. We cannot, therefore, control trade beyond a particular limit.

Therefore, I was not in a position to appreciate at all the argument—surprising enough for me—elaborated upon by my hon. friend Mr. Guha. For instance, he expressed himself against O.G.L. I should have expected him to urge for more and more O.G.L., so that ultimately we may arrive at the position when everything is on the O.G.L.

Shri A. C. Guha: If it is a general principle that is one thing. But when O.G.L. is like a loophole in a controlled system, that is another thing. That creates difficulties.

Shri Karmarkar: I appreciate that position. But with due deference to my hon. friend, I should point out that

[Shri Karmarkar]

you have to proceed from a period of control to a period of absolute freedom from control step by step. You cannot proceed from a period of control to a period of free trade all of a sudden. We have been attempting during the past two years to free as many articles as possible from control. Mercury is one of the articles for which, as has been rightly mentioned by my hon. friend the scientist Member, we have to depend on other countries. Like sulphur it is an item which we do not produce in sufficient quantities. So, we decided to place these items on the O.G.L.

I had a sort of review made regarding our policy in regard to mercury ever since 1947-48. During 1947-48 and 1948-49 because our dollar position was a little difficult we did not import anything from the dollar areas till about January to June, 1950. From the soft currency areas, during the period 1947-48 we imported, 4,352 flasks of mercury. During the years 1948-49 and 1949-50 we placed it on the O.G.L. so far as soft currency areas were concerned. We thought: it does not matter, it is not a danger to have a little more of this substance which is essential for indigenous industries and medicinal requirements. During 1949-50 we imported 1,793 flasks. Then during 1950-51 we had this huge import of 37,666 flasks.

When you keep a particular commodity on the O.G.L. there are other factors operating—it is not Government policy alone that is operating. In some sectors of our imported commodities this has happened. People having learnt a wrong lesson from the past, seeing that there was a large margin of profit in an earlier period, imported huge quantities of certain items expecting to make a huge profit. Mercury was one of the cases of that speculative kind. We cannot be saddled with responsibility for what others do. It is of course open to hon. Members to ask: "Why did you permit such a thing?". Well, no harm has resulted from it: on the other hand, some good has resulted, for if during the next two or three years price were to prevail as high as they are at present, there is all the advantage for the internal consumer in our having secured an article at half the price. In fact, I was expecting congratulations from all sides of the House for having deliberately or undeliberately imported 37,000 flasks of mercury during one year.

I was really expecting a strong plea on the lines made by my hon. friend Dr. Saha: "Why do you export this at all?" Ultimately it does not make a very great difference in terms of foreign exchange. We have, however, seen to it, that we retain within the country a quantity which would be required for the next two or three or four years. What is the use of retaining an extra surplus quantity. We made a careful computation, taking into account all the imports made during the last two or three years. After retaining what we consider to be our reasonable requirement for the next three years, we decided: "Let these 10,000 flasks go out; it does not hurt the interests of the country."

In these circumstances, I need hardly add that I am not able to appreciate the general complaint that has been made about our import-export policies. I really would beseech hon. Members who have made these observations to make a little closer study—and I am prepared to co-operate with them with all the necessary material—of the position, and I am quite sure they will agree with me that by and large Government's policy regarding imports and exports has been very satisfactory. Just at the moment, after all these fluctuations, we are able to see that we are entering somewhat of a normal period.

Our export-import policy, as I have already observed, has to be judged on four counts: Have we satisfactorily imported food in sufficient quantity? Have we supplied our industries with capital goods? Have we supplied them with sufficient raw materials? Lastly, have we been able to establish today a market, so far as it is possible, normal in respect of supply of consumer goods? To all these four questions, I am sure that the answer will be in the affirmative. I do not wish to dilate on it much longer. But since that issue was raised, I thought it proper to take up the time of the House to reply to it.

Sir, I commend the resolution to the acceptance of the House.

Shri Meghnad Saha: What about my suggestion—that you should not allow a single drop of mercury to be exported, but stock-pile it for future use, because mercury is needed for defence and for scientific purposes? It is a key material. Therefore, instead of allowing it to be exported, it should be stock-piled in the country.

Shri Karmarkar: We have stock-piled to the extent that we consider to be reasonable and in future we shall consider the point mentioned by the hon. Member. In fact, that point has been in our mind always.

Pandit Thakur Das Bhargava (Gurgaon): May I know what are the special reasons for the increase in the price of mercury in foreign countries? The previous price was somewhere about Rs. 275; while the ruling price abroad is said to be Rs. 850?

Shri Karmarkar: I think, Sir, that is much too broad a question to ask. That will require a thorough study, as the hon. Member will appreciate, of the foreign trade conditions in that country. We have not been instrumental in raising the price. It may be due to cornering of stocks, stockpiling, speculation and so many other reasons. But I shall study that point and convey my impressions to my hon. friend.

Mr. Deputy-Speaker: The hon. Member (Dr. Saha) evidently wants to be a little guarded. If any particular material is necessary in the interests of our defence etc. and if that material is taken away, ultimately we may discover that we have lost so much of the material. It is for that purpose that he wants to know the position.

Shri Karmarkar: Sir, we have made the best possible calculations in that regard and taken all possible precautions. The material (a little part of it) is required for Defence purposes, part of it for drugs and medicines and part of it for laboratory purposes. We have made a fair study of these requirements and we have provided sufficient for the next three years. It is not as if these requirements will all of a sudden leap, and in our opinion the arrangements are fairly satisfactory.

Shri T. T. Krishnamachari: Sir, the point to be taken into consideration is the capacity of these people who have now got them to hold on to them. There is an enormous amount of stock, anything between 28 to 30 thousand flasks—we have not got the correct picture, but that is our estimate—and the capacity of these people to hold on to their stock is not infinite. Therefore there is a certain amount of speculation, the price comes down and it is being played about in the market. We therefore felt that we were quite within the limits of safety in permitting the export of 10,000 flasks, which will leave roughly 16 or 17 thousand flasks and which, according to the most optimistic estimate, will last for more than three and a half years. I think my hon. friend Prof. Saha will grant that the provision for three to four years is quite reasonable and I do not think we need project our minds beyond a period of four years.

Mr. Deputy-Speaker: The question is:

> "In pursuance of sub-section (2) of section 4-A 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."

The motion was adopted.

INDIAN TARIFF (FOURTH AMENDMENT) BILL

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

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

Sir, this is one of a series of measures which the House will be called upon to consider from time to time. I know the keen interest which the House takes in matters generally relating to tariff protection. As hon. Members will have observed from the Statement of Objects and Reasons, the object of this Bill is to continue the period of protection which is due to expire shortly in respect of twenty-nine industries. Out of these twenty-nine industries the period of protection for twenty-six industries will expire on the 31st December, 1952 and that for one industry, namely the cotton textile machinery industry, on the 31st March, 1953. Sir, notes, fairly exhaustive, have been circulated to Members of Parliament and detailed particulars about these twenty-nine industries will be found therein.

As regards the duration of protection now sought, it works to nine months for the cotton textile machinery industry, one year for twenty-six industries, two years for the photographic chemicals industry, and three years for the motor vehicle battery industry. Hon. Members might like to know why protection is being extended for such a short period, that is to say up to the 31st December, 1953 in respect of twenty-seven industries. To this my answer is that the new Tariff Commission, which has replaced the old Tariff Board, was established on the 21st January, 1952, and this Commission inherited from the latter a