

Shri D. C. Sharma: We should break up at 6.15.

Shrimati Renu Chakravartty: That is the reason, Sir, why I had objected to the change in the time table, because I knew that hon. friends like Shri Sharma would not like to sit late.

Mr. Deputy-Speaker: All right Let us have a diversion now. Shri Vittal Rao has to present some report.

17.32 hrs.

**BUSINESS ADVISORY COMMITTEE
THIRTY-SIXTH REPORT**

Shri T. B. Vittal Rao (Khammam). Sir, I beg to present the Thirty-Sixth Report of the Business Advisory Committee

17 32½ hrs.

**MOTION RE AGREEMENT FOR
MANUFACTURE OF STREPTOMY-
CIN AND DIHYDROSTREPTOMY-
CIN—contd**

Mr. Deputy-Speaker: The House may now proceed with the discussion.

Shrimati Renu Chakravartty: Sir, the reason why this discussion is very important—and I hope the Members on the other side of the House will bear with me when I say that this is as important for the people of our country as food is—because the poor people in our country are not able to get the medicines which are so essential for them. They are so despicably poor that they cannot afford to buy these very important medicines, especially anti-biotics because they are prohibitive in prices. The reason for that has been debated on many occasions in this House. It was, I remember, in this very House, when we were discussing the amendment to the Drugs Act in the First Parliament, the then Health Minister herself admitted that the profiteering goes on because of the monopoly hold of the foreign

firms by which they bring into the country all the basic chemicals and then by just making tablets or putting them into injection forms they sell them almost at 100 per cent. profit or even more. The figures quoted by my hon. friend, Shri Parulekar will show that they make huge profits.

Now, this is all the more important because at that time we were told that it is necessary, in order to bring down the prices, to have an integrated scheme in the public sector—a State scheme—for making these drugs. It was because of that the question has been coming up in this House—once or twice—as to how to do this. We were told at that time by Rajkumari Amrit Kaur that Soviet scientists were coming here and they were going to put forward their plan. All this has been going on not for just a few months, the entire question has been under discussion for the last 2½ years. We have heard the chequered career of these negotiations. We have seen how the Soviet Union had come forward, because they are the only people in the socialist sector who do not believe in patents. They believe that science has to be utilised. They do not believe in any private profit. Therefore, they are able to give the world scientific discovery without putting any restrictive clauses as are found in the case of capitalist countries about patent laws. They do not also stipulate royalties and commissions as we have seen even in this very agreement itself. They proposed at that time not only the manufacture of Streptomycin and Aureomycin, but the construction of a chemical and pharmaceutical plant, a small unit for the production of endocrines—which I believe is still there; our Minister is allowing that particular part to stand—and a large plant for production of intermediate chemicals.

Now, the question which raises doubt in our minds is, why at this very time was there this hurry to have this agreement with Mercks. It could have been understood in a background where maybe we did not get the know-

how. Naturally, under-developed countries are not able to get the know-how, because the advanced western capitalist countries do not give it to us. We have seen it in the case of the steel plants in the earlier stages and we see it again in the drug industry. But why at this stage did we rush into this agreement? Did our Ministry not have any understanding of the situation? Did they not know who Mercks was?

I was very surprised to read the report of the Pharmaceutical Enquiry Committee. In that it is categorically stated that when we are trying to set up this penicillin factory, it was decided in January, 1949 by the Government of India to set up a State-owned concern with a company form of management for the manufacture of this drug and negotiations started with a foreign firm, Messrs. Kangolajel of Sweden for technical assistance. That was a period when we did not have any know-how. Nobody was offering us the know-how and at that time our Government looked upon the Soviet Union as an arena of backward country with no scientific knowledge. The agreement was entered into with this firm in March, 1949, and it was hoped that the factory would be set up in less than two years. What happened after that?

In 1956 this Swedish firm entered into an agreement with Messrs. Merck of the United States of America to avail themselves of more advanced technical processes for the manufacture of penicillin. As soon as they entered into an agreement for collaboration with Mercks, what happened? Mercks objected to make the know-how available to the same firm for the Indian Penicillin Factory. To overcome that difficulty, the Government of India had to enter into negotiations with Messrs. Merck of the United States of America, and the Swedish firm have dropped off. It is at this time that fortunately, the WHO came forward with its assistance. Finally, the Government of India realized that if we try to come up with this agreement with this foreign firm, we shall get down and

get it at the neck, and that is why they accepted, in preference to the contract with Mercks, the WHO proposal for the setting up of an antibiotic plant in India.

There again, I would like to mention one more point before the House. As I was reading through this agreement—there are of course all the points which have been raised by my friend Shri Parulekar, and I am not mentioning them again—I find that at the last page, there is a section which says that the WHO has actually catered for the extra equipment for streptomycin already. The idea was to have streptomycin also included in this, but now, in spite of the fact that the know-how was becoming available, at that very time, we find that this new Mercks deal is brought into being. Therefore, my point is this. The history of Mercks was well known to our Government, and they knew these disadvantages of entering into this agreement. So, why this agreement? That is the question to which we would like to have an answer

Actually, the feeling which have got is, from the time this integrated State sector drug plant was mooted, from that time, the Ministry, the officials in the Ministry—I heard that even the Advisory Committee for the development of drugs or at least a portion of them—have been trying to see that this whole thing is cut up into bits and that the integrated plant does not come up. There has been this hurry.

I have heard of another very important drug which is used for the cure of tuberculosis, and that is called PAS. I think we need a much larger amount of this than is actually manufactured in this country. Now, this particular basic chemical would be manufactured by the Soviet plant. What is being now proposed by the Ministry, I believe, is to leave the processing part of it to private licensees so that even though the basic chemical is very much lower in cost, through the process used by the private concerns they could get a huge profit. In this way, we find that the Ministry has been arguing in favour of this private

[Shrimati Renu Chakravartty]

concern They are the protagonists of commercial patents I hear that the Railway Minister and one or two people in the Ministry have been opposing the abolition of patents which was recently discussed in the CSIR meeting Of course, the entire question is with Justice Ayyangar There are many important people within the Ministry who are pleading that patents should remain, which means they are pleading for private firms to continue to reap the harvest of the profits This goes against the entire policy which each one of us in this House wants to see carried out, viz., cheap antibiotics and modern medicines are made available to the people

It is in this background that I will examine one or two clauses in the agreement which have not been referred to by Shri Parulekar Clause 2 (e) says

" Without assuming any responsibility for design, construction, installation and operation of the proposed plant or for any decisions made in connection therewith, MERCK shall endeavour to ensure by selection of and instructions to the personnel that design, construction and operation of the proposed plant "

If you just compare this with the clause in the agreement with WHO, you will see how differently it is worded

"The Organisation will provide all necessary technical knowledge so as to ensure that the quality of the penicillin produced in the project is equal to the best quality anywhere produced "

One immediately sees the difference We know the trouble we have had in regards to agreements for the steel plants If you examine the report of the Estimates Committee, you will

know it The people who carry on these agreements allow these loopholes to remain, whether knowingly or unknowingly, I need not enter into that controversy now This is where the trouble really lies

Clause 2(d) says

MERCK shall indicate technical materials and equipment to be used for the construction of the company's streptomycin plant as well as information available to MERCK concerning suppliers of such materials and equipment."

After our experience in the Steel Ministry, I should say this is a very dangerous clause, because we have found that when the consultants or suppliers of technical know-how also become people who will be giving us information about the supply of materials and equipment, specially regarding materials, I would be very wary and left to myself, I would add "Provided such things are not found in India" Such a proviso should have been there I know the Minister will say, "Nothing prevents us from doing it" But we also find that nothing prevents us from giving all the contracts to those countries from which these technical people come

There is another clause which says that our technical experts will visit MERCK and they have to gain working knowledge regarding the process within six months I do not know how it will work We know that when our technical people go abroad, they are not shown everything, they are not taught everything So, it would depend on the sincerity of those people who really give them the know-how When the period is specified as six months, if they do not learn it within six months, there is nothing you can do about it

Clause 3(a) says that the company shall reimburse MERCK for its engineering and technical services on the

basis of actual cost as determined by MERCK. That is all right; let them determine it. But then it further says:

"Such expenses shall become due and payable as and when accrued, upon submission to the company of monthly itemised expense vouchers. It is estimated that such expenses shall not exceed US \$25,000."

I do not know whether this \$25,000 is per month or what it is is not clear.

Shri Manubhai Shah: It is the overall total.

Shrimati Renu Chakravarty: At a time when we are hard pressed, I would like to know what it was that weighed with our Ministry to go in for this dollar commitment, when it was possible for us to get much better terms. At least the salaries, etc., could have been paid in rupees. Why is it that we have entered into such an agreement involving so much of foreign exchange component?

There is, of course, the argument which our Minister gives regarding keeping both parties informed about improvements. He says that Merck will let us know the latest know-how and the latest improvements. So too Hindustan Antibiotics will have the benefits of their association. It works both ways. But we know that the Merck establishment will be utilising Hindustan Antibiotics and our know-how in a much bigger way than our using the benefit of their newer inventions.

Then, I will not go into the question of royalties and commissions. Those questions as well as screening have been referred to by the previous speaker, Shri Parulekar.

I will mention one thing more, and that is the background of this very company itself. I was interested to read last August a report of Reuter dated 3rd August, 1959 which refers

to this company also. Here we must remember that in a country of monopolies the Federal Trade Commission have framed charges against six companies, and this is one of them. The report reads:

"The Federal Trade Commission yesterday filed charges under anti-monopoly laws against six leading US drug companies alleging that they conspired to monopolize the multi-million-dollar wonder drug trade.

The Commission, which has just completed a two-year study of the antibiotics industry, alleged that these six drug houses had conspired to fix the prices of 'wonder drugs' at arbitrary, artificial non-competitive and rigid levels.

The companies have denied the charges. The Commission alleges that the six companies have a monopoly of the sales of tetracycline drugs, which include aureomycin, terramycin and achromycin and are by dollar volume the largest selling antibiotics.

Americans are estimated to have spent \$750 millions on 'wonder drugs' in 1957."

It will come to about Rs 358 crores. This is the company with whom our Minister has entered into an agreement and about whom he has replied that immediately after the signing of the agreement the prices have come down. I have no doubt that he has said the prices have gone down. Here I will only refer to the speech of the late Shri Gidwani, a very honoured Member of this House when he participated in the discussion on the Drugs Bill. He had taken pains to show how the drugs go up and down in price and how it is entirely within the will and within the functioning of these cartels. When these firms are capable of producing these drugs much more cheaply and much more within the purchasing power of the people, still they were charging exorbitant prices and

[Shrimati Renu Chakravartty]
yet our Ministry have entered into
such a contract with them

Mr. Deputy-Speaker: The hon
Member should conclude now

Shrimati Renu Chakravartty. To-
day morning the hon Minister of
Parliamentary Affairs was telling us
that there will be plenty of time left

Mr. Deputy-Speaker. I do not think
so Shri Parulekar had taken three-
quarters of an hour If the hon lady
Member also takes the same time,
there will be no time left

Shri Jaachim Alva (Kanara) I
want five minutes

Shrimati Renu Chakravartty: I
will conclude soon

There is one more point, and it is
an important one to consider This
is going on at a time when important
bi-products from the steel plants,
specially from the coke-oven plants,
like coal-tar and other things are
going to be produced by the public
sector I have found from the Phar-
maceutical Committee's Report—I am
not a technical expert—that coal-tar
is one of the most essential things
needed for this If that is so, and if
we are producing this bi-product in
such large quantities, why can't this
be utilized by the integrated State
sector drug industry? Because, of all
sectors, the sector of drugs and medi-
cines is the one sector that must com-
pletely eliminate profit motive so that
we are able to give to the people
cheap medicines and good medicines
That is why we believe that it is
absolutely necessary to reconsider this
entire question and order an inquiry
why Government at a time when the
question of integrated Soviet drug
plant was under discussion in such a
hurry entered into an agreement with
Messrs Merck & Company This love
for Mercks is beyond my comprehen-
sion Then what about Glaxo, about
which the auditor said that the differ-
ential in the payment of customs duty

was not taken into account and five
Per cent was calculated? But U.K.
drugs had to pay only 14 per cent
customs duty Other countries have
to pay much more. They say that
Rs 1,78,816 was paid extra on that
account whereas we could have got
it cheap What is this love for
Mercks? I think we have made out a
good enough case for an enquiry and
I hope in the interests and the good
of the millions of people who today die
because they are unable to buy drugs
at a cheap rate and within their pur-
chasing power, this House will sup-
port this enquiry

Shri Jaachim Alva: Sir, I was not
present in the House when my esteem-
ed friend, Shri Parulekar, made dis-
paraging remarks about the hon Min-
ister I would say that our hon Min-
ister is one of the ablest Ministers in
this House But he has also got to
defend this agreement However, this
agreement is indefensible The foreign
drugs companies are merchants of
death They are captains of profiteer-
ing Their record is not worth taking
into account There is Parke Davis
Parke Davis is a world-famous firm
This firm was involved in Bombay
customs cheating barely a few years
ago when Shri Krishnamachari was
then the hon Minister of Commerce
and this question was raised in the
House The cheating was alleged to
be to the tune of several lakhs of
rupees These are not fair practices of
a firm dealing with high-class drugs,
doing them out to individuals and to
nations

Glaxo has been flourishing and has
been edging everybody out of business
I admire the British nation for their
character They had a Principal
Private Secretary to a former British
Finance Minister here—Mr Keith Roy,
ICS, serving as Glaxo's representa-
tive in the offices of the Government
of India Now he is a director of
this Company and has got all the con-
cessions to elbow out all Indian com-
petition and initiative.

Bengal Chemicals started and founded by one of our great rishis, Acharya Prafulla Chandra Ray, does not figure. I do not find their name anywhere I do not find the name of this company in any one list of import licences given this or last year

About Dumex, I know nothing and I shall not say anything about any person or individual of which I know nothing But it is a big company Cibas have advertised Indian things in foreign Papers about cows and Hindus uttering defamation of our nation It has been done within the last three years Then somebody brought it to their notice and they apologised They carry away lakhs of rupees from our country They go down into the wealthiest forests of my constituency, North Kanara, find out some very valuable drugs, Sapina for the heart, put it into the market, sell it at a very costly price to people who cannot afford and then defame my land and your land in Germany and elsewhere Then somebody objects and they just get away by apologising This is the record of foreign companies

Atul Industries, inspired and started by my esteemed friend, Shri Dhirajlal Bhulabhai Desai

Mr. Deputy-Speaker: Why should he not come to the contract?

Shri Joachim Alva: I want to spotlight this agreement with a foreign company banded together with other companies. . .

Mr. Deputy-Speaker: We are not discussing all foreign companies

Shri Joachim Alva. I will finish it within my time Please do not interrupt me

Atul Industries started by my esteemed friend, Shri Dhirajlal Bhulabhai Desai, the son of Shri Bhulabhai Desai who is no more, and who was once the Leader of the Opposition—son of one of our greatest patriots—

is not to be heard anywhere Atul Industries is in the hands of Kasturbhai Lalbhai, who runs any number of mills I want to know whether it is the policy of the Government of India to make rich men richer still'

Sarabhai Chemicals are connected with important textile units They are granted big import licences Not satisfied with that, they enter the advertisement market, Shilpi Advertisements, and cut out young and capable Indians from advertising businessmen who have been trained in it abroad They cannot get business as Government gives it to these rich concerns What is the policy?

Mr Deputy-Speaker. He should now come to the contract itself

Shri Joachim Alva. What is the policy of the Government of India? Is it to make these people richer and richer with or without the help of Indians? The Government of India can manufacture every kind of drug for our people, with or without the aid of foreign firms We do not want the aid of even Indian firms because most of the Indian firms, who are in the market have had very, very valuable import licences Alembic Chemicals have been given licence worth Rs 3,40,250 for import of bulk penicillin I do not judge them They have been in the chemical trade They have been pioneers in Gujarat They are doing only that job May they prosper and flourish'

Mr Deputy-Speaker. But what about the contract? Let us come to the contract

Shri Joachim Alva I am coming to the contract

Glaxo Laboratories were given licences worth Rs 12 lakhs Dumex were given licences worth Rs 13 lakhs Sarabhai Chemicals

Mr. Deputy-Speaker: Now, we cannot discuss generally the policy of import licences or the policy about

[Mr Deputy-Speaker]

drugs That is not to be discussed I have been pointing it out to the hon Member If he has to say anything about this contract, he might say, otherwise let us hear the hon Minister

Shri Joachim Alva: I am saying that the entire picture around us is very, very gloomy Now, I am coming to this point.

Why do we have this company which is blacklisted in the United States, as the hon Member said, this company of Mercks, for the next ten years? If the Soviet Government made an offer that they would help us in the drug industry from A to Z, we should have taken their offer Mrs Roosevelt writing in the *Amrita Bazar Patrika* only last week says that 28,000 doctors came out from USSR universities in the year 1958, and from America only 6 000 doctors If a nation produces a large number of doctors that is a reflection on their state of health

Mr. Deputy-Speaker What effect has that on Merck & Co?

Shri Joachim Alva I want to know how this agreement has been arrived at when we had another offer of assistance Today the poor man cannot afford the drugs If you go round the hospitals there are patients lying They say "This patient is lingering near death" This patient cannot afford the drugs" Even Members of Parliament cannot afford drugs, if we are removed to hospital, because the drugs are very very costly The price of drugs is Rs 10, 15, 20, 25, 30 and 35, five rupees for a drug which costs two annas It is time there is a very wide searching of the heart to find out what is wrong

As Shrimati Renu Chakravarty rightly observed, food and drugs are important Food, drugs, housing and clothing—these are very important items We are neglecting the drug

industry entirely because the captains of death, the merchants of profiting, have got hold of it and they are able, perhaps, to influence even the people at the top This process must stop. We had no business to smuggle this company into our national concern of Hindustan Antibiotics Hindustan Antibiotics is a very valuable Government concern Hindustan Antibiotics is a very valuable national channel. We bring in Mercks and they are going to screen our scientists Our scientists have gone and established a name. Shri Subba Rao had gone and laid down his life on the soil of the United States, and is one of the discoverers of medicine About this Dr Ganapathy, I really do not know anything We have no right to sack and to exploit and drive away valued talent We have not much talent, and we have to use every inch of available talent and scientific genius and utilise it for the benefit of the nation

What about the valuable foreign exchange why should we remit this money in dollars and for the next ten years? We want someone, whether they be Soviet, American, British or Chinese to come only for three years Five or ten of them can come here, set up a factory give us all the drugs from A to Z and then walk away They can ask for their price but not for the next ten years

And these employees are going to be screened And there is one more damaging clause, which, unfortunately, has not been mentioned There is one clause here which says

"Mercks agrees to protect the Indian and foreign licence partners from infringement and to prosecute infringers, but Mercks' opinion as to whether such action should be taken shall be accepted as final"

I want to know why this one-sided clause, clause 10? Why is it that we have not got the final voice? Why

is it that we have not got an equivalent voice with Merck & Co. Why is it that their voice should be final in regard to prosecutions? And, if the Government tomorrow makes up its mind to have another factory and produce something else, will Mercks have the final right to prosecute another State-aided factory started by Government? There are many clauses which are entirely faulty which should never have been put into this document, and this document is certainly not in the interests of our land

This is a vital concern, this is a matter which affects the health of every individual, in our hospitals, in our countryside, in our nation, and it is time that we accepted foreign aid when comes here for the next three years, that we did not utilise it for more than three years. The period of ten years is far too much, and we allow them to carry 2½ per cent of the net sales, to carry 5 per cent of the net profits which they have made, out of India. What valuable profits they are carrying, and in dollars too, when we cannot afford to spare even 100 dollars. This is my contention.

I wish you had given me more time. It is time the House became very alert where drugs are concerned, and put an end to all these unfortunate and unjustified agreements.

18 hrs.

Shri Manubhai Shah: I am very grateful to the hon. Member in the Opposition for having brought forward this motion here, because we in the Government were trying to seek an opportunity to clarify the entire drug policy and this agreement before the House and the country.

Shri S. A. Dange: And drug the House

Shri Manubhai Shah: As far as this agreement is concerned, we believe it to be one of the best agreements in the national interest, from all points

of view, scientific and economic, and the basic policy of the Government of India to manufacture all essential and life-saving drugs in the public sector as early as possible.

I was surprised that when my hon. friend was speaking on this motion of his, he seemed to suggest that this agreement was being entered into in the interests of some private industry. As the House is aware, in the first instance, this agreement is with the public sector project in order to produce a life-saving drug, in the public sector.

He also asked why this particular firm only was contacted and not others, when other competitive offers were with the Government of India. As I had said in my earlier answer, there were more than half a dozen firms which we contacted, among them being Squibbs, Pfizers, which he mentioned, and a few Italian and other firms. When all the competitive offers were received, we found that neither the Pfizers nor any other was seriously interested in allowing us to manufacture this under their patent formula, and most of these firms in streptomycin were the sub-patentees of the firm of Mercks, who are the pioneers in the field of streptomycin in the world.

Also, on point of terms, both of technical fee or royalty—by whichever name you may call it, ultimately the country has to pay the money, whether it is called royalty or technical fee, I would not dispute whether it is a royalty or technical fee, it is only a way of describing; they describe it as technical fee; but we do take it as a royalty, as the amount going from this country to the other country for the technical know-how—the hon. Member was mentioning a sum of Rs 10 to Rs 15 crores in ten years. I do not exactly remember what figure he mentioned.

Shri Parulekar: I said Rs. 1.50 crores

Shri Manubhai Shah: Per year?

Shri Parulekar: No, for the period of the contract

Shri Manubhai Shah: He said a figure of Rs 1.50 crores in a period of ten years. If the hon. Member calculates the total amount that will be going out per year, he will find that it will not exceed more than Rs. 3 to 3.5 lakhs, because it is only 2½ per cent. At the rate of Rs 3 to 4 lakhs per year, for ten years it will not be more than Rs 30 to 40 lakhs, because as the House is aware, 45,000 kg at a price of about Rs 250 to Rs 300 per kg will come to a sum of about Rs 1 or 1.5 crores. 2½ per cent thereof will never exceed more than Rs 3 lakhs per year; over a period of ten years, it may be Rs. 30 lakhs or at the outside Rs 45 lakhs, as far as the agreement is concerned.

I am explaining this even though it is a minor point, because crores have been flung. I have read papers where it is said that it is Rs 1½ crores per year. Now, it is said that it is Rs 1½ crores for ten years. It is neither Rs. 1½ crores per year nor Rs 1½ crores for ten years, it is only Rs. 3 lakhs or so per year, for a period of ten years, it comes to Rs 30 lakhs or Rs 40 lakhs at the outside.

Then, it was asked why when the Merck's streptomycin agreement was entered into, aureomycin, terramycin, and other antibiotics and tetracyclins were excluded out of it. The reason was this. As far as this particular approach to the different firms was concerned, it was only with respect to streptomycin, because for the other projects that we were contemplating, the Hindustan Antibiotics with some help and guidance of the National Chemical Laboratory of India had the privilege of evolving a new process, entirely indigenous process, entirely Indian process; and we wanted to back up the labour of the Indian scientist, so that we can implement it in the Hindustan Antibiotics.

The House would be glad to know that they have already finalised the process, and we are very shortly starting the manufacture of both Tetracyclins aureomycin and Terramycin on a pilot scale in the Hindustan Antibiotics as a result of the research work of the Indian scientist. Even then, I am constrained to say that in respect of tetracyclin which my hon. friend was so fond of, with the Soviet project, a hundred tons of tetracyclins and new types of antibiotics have been included as one of the integral parts of the entire manufacturing programme. In spite of the fact that the current consumption of tetracyclin in this country does not exceed more than five to seven or ten tons, we have provided for one hundred tons of tetracyclins and other antibiotics thus including the very fond drug, to which the hon. Member has made repeated reference, namely aureomycin and terramycin in the Soviet drug project. I, therefore, do not want to say any word when such a delicate project for which we have been so extremely keen to tie with the Soviet Union is going on in the final stages, lest I may be misunderstood at all, because we are very keen that this project with the Soviet Union must come forward forthwith without any delay and without any type of feeling on their part that we value their approach to us, collaboration with us any less than we value any collaboration throughout the world. We have welcomed them and we have sent our highest officers there. And, we expect that very soon the entire agreement will be through and the project will be coming up.

Then, the question came up whether we had contravened the international agreement with WHO or UNICEF. I had the opportunity to tell the House several times that the UNICEF and the UNTAA people themselves told us that it is not possible to get any open patent for streptomycin etc.—penicillin had been an exhausted patent which has become open research throughout the world.

because as the House knows the researches are becoming open after a period of ten to fourteen years and it becomes an open process and the technical know-how is an open door process to everybody. When they could not get it from anybody, one of the technical experts of the UNTAA told us that there are only a few parties in the world—and Merck is one of the best as far as streptomycin is concerned. And, it was as a result of one of his advices—it was not wholly due to him—but one of his advices was that we better contact somebody else because we most manufacture all the essential drugs in this country as early as possible so that the country becomes self-sufficient....

Shrimati Renu Chakravarty: Are we to take it that you approached the WHO for the technical know-how and they refused?

Shri Manubhai Shah: We had approached every body including the WHO and the UNICEF. They could not procure any process which can be considered an open process—that is research will be open to be looked into by any country of the world—they can come here and take away that process. There was only the process as far as penicillin was concerned and the WHO, the UNTTA and the UNICEF had no process with them for streptomycin which they could give us as they did give for penicillin.

It is a misnomer to believe that the Soviet Union for whom we have got so high a regard or any other country will allow their researches to be exploited by us, utilised by us to our choice and make it an open process for all.

As the House is aware, in the recent Ranchi and various other industrial projects for which we have entered into an agreement with the Soviet Union themselves—without meaning any less respect or regard for these agreements—because nobody wants to

see that his process or technical know-how is utilised by persons other than the patentee or the party to whom they give the benefit thereof without their permission or just without any consideration or consultation with them—even when these do not require any specialised technical know-how as in the case of heavy machinery building etc. and where there are no cultures to be made, where there are no prototypes to be made, even there, the Soviet Union....

Shri Parulekar: May I interrupt the hon. Minister for a minute? Did not Government know that so far as the drug industry is concerned, the Soviet Union has offered to make the know-how an open thing—information available to all and an open....

Shri Manubhai Shah: I will come to all his points. I can assure him that we have looked into all the aspects of this problem. Even for a process—leave alone drugs—even for a process which has no technical know-how of the nature but which will involve heavy machinery like the Heavy Machinery Plant at Ranchi, the Coal Mining Equipment, the Durgapur and other industrial projects, they have very clearly indicated that we will have no right to divulge these to anybody without their permission. I will just read two paragraphs.

"In pursuance of the Co-operation mentioned in the Article I, the Soviet Organisation shall hand over to the corresponding Indian authorities, in volumes and on dates to be mutually agreed upon, drawings and technological processes for equipment and items to be produced at the industrial enterprises provided that the licences and technical documents handed over to the Indian authorities be used exclusively at the enterprises in India and be not transferred to any other country. Deviation from this provision may be admitted with the consent of the Soviet party in each separate case."

An Hon. Member: What is wrong about it?

Shri S. A. Dange: Does it stop you?

Shri Manubhai Shah: This is very clear, Sir. Even this Merck's agreement applies to us that we could utilise it but we cannot divulge it to anybody else. This is normal rule that in commercial transactions whether it is with the Soviet Union or it is with a German Firm or with an American firm, that normally the patent or the technical know-how or the process cannot be divulged to any party without the consent or prior approval. This, as I mentioned, is a very broad fact of life and a broad fact of economic agreements with everybody in the world.

As far as screening is concerned, why is the word 'screening' coming in this agreement, because that is not a feature which develops in all the other patents. Here this process is not merely a technical know-how. Here are packets of specimen, packets of certain types of cultures and strains which can be carried away and the entire secret of that process and the production value depends upon this. All such highly technical, chemical and pharmaceutical processes therefore sometimes stipulates this over and above the patent not being transferable without the permission of the patentee—that being a clause that only reliable people should be entrusted with this; therefore there is the clause on screening. Screening does not mean that we are going to screen everybody every time. It is only selecting some individuals who can be relied upon not to divulge away the process and the cultures. This is just like the fidelity bond which normally an accountant has to pledge with the management of a bank that he would not disclose the accounts to some other parties.

Shrimati Renu Chakravarty: It is not in your hand. The Mercks will say that.

Shri Manubhai Shah: No; that is the point. The agreement says that it will be to the satisfaction of the Mercks. They will not screen.... (Interruptions). I may be allowed to go into the whole aspect and then they can always say what they like. The bond will be such that it will satisfy the Mercks people that it is adequate in order to protect their cultures and their specimens.... (Interruptions).

Shrimati Renu Chakravarty: It should give satisfaction to the Mercks; it is here in the agreement.

Shri Manubhai Shah: I am saying this. Satisfaction to the Mercks means that whatever agreement or whatever we specify in the way of bond must be such that it does not become unacceptable to Mercks because they must be satisfied that the process will be reasonably guarded at the enterprise.

Then the question came up in Shri Parulekar's observation. When the dihydro-streptomycin is on the decline, why is streptomycin restricted to 20 per cent? I can assure him that this point had been gone into thoroughly by our technical experts. We have a clear written agreement with them on this. This is only a standard formula. If you want to vary it to any proportion, if you want only 100 per cent. streptomycin, it will be allowed. (Interruptions) I am only explaining that the agreement is based on certain technical expert advice but that is not the final word. We contemplated it according to the present advice in the Health Ministry and elsewhere and we drew their attention to that. But we have also taken care to see that in case we want to modify the ratio or want 50 per cent. dihydro-streptomycin and 50 per cent. streptomycin, it will be left to us entirely to manufacture and use in whatever proportion we may want to manufacture and use them to the best advantage of the patients in this country. This is a very minor point.

and I touched on it because he made it look like a big thing (Interruptions) It is not in that agreement but there have been exchange of letters and we explained that point 20:80 was the ratio which our experts advised We were told that it was better to have a larger quantity of dihydro streptomycin rather than streptomycin But we have got complete freedom to change or reverse the ratio as we choose This is only a small indication to show that the fullest freedom to change the ratio rests with us

I am really coming to the more important point and that is what my hon friend Shri Joachim Alva mentioned We believe that the drugs policy of this country must be such that the drugs must be manufactured from the basic raw materials available in this country My hon lady friend, Shrimati Renu Chakravartty, mentioned that the coal tar and its derivatives must be considered highly important and must be produced in the country That is precisely the approach of the Government for the last three or four years Therefore, we have made it compulsory on every new licensee, whether in the public the basic pillar of the policy of drugs sector or private sector that firstly, will be that all drugs in this country will be manufactured from the primary raw materials of this country and should not be imported at all Each one has been stipulated a phased programme over a period of three to four years They must make the entire drug from the primary products and not intermediates In order to help the intermediate stage, we are negotiating another agreement with the internationally known firm of Bayers who are considered to be one of the best firms in the intermediate stages If I may, I will say in passing that even in the Soviet Union some of their processes and other chemically well-known firms' processes are being implemented to produce some of these and other

chemicals Therefore, the whole integrated picture is like this We have 120 firms in pharmaceuticals in this country in the large-scale sector

We have 2000 small-scale industries in the pharmaceutical sector. Hindustan Antibiotics in the public sector is one among the large scale units We are in future going to add another five units with the Soviet assistance We are adding one more unit with German assistance to complete the range of intermediates Therefore, it is our endeavour to see that the drugs are made primarily from the raw materials available in the country, that the highest quality drugs must be produced and made available at the minimum possible price

Here in passing, I may mention that this particular production with the American firm is, if I may not forecast too early, going to be much cheaper than any similar proposition on this production that we had, including combinations with the Soviet Union

Shri Joachim Alva: Will the German firm Bayers scheme be integrated with the Government of India's productive effort and not with any private firm?

Shri Manubhai Shah: Government effort

Shri Joachim Alva: Very good, congratulations

Shri Manubhai Shah: I am glad that you appreciate that This particular production by Mercks, Streptomycin, per kilogramme, it is going to be cheaper than in any known agreement or project, with us which has been worked out by their own experts I can assure the House that this is going to be, therefore, comparatively cheaper than various other proposals with us for the same.

[Shri Manubhai Shah]

The second question, as I said, is of price and quality. On the question of price and quality also the agreement with Mercks satisfies those requirements. Then, my hon friend read out something about anti-cartel law in the United States. This is the law which tries to prevent, even in the country of great monopolies, any combination which may affect the various projects. Several times the Judicial Commission there have been issuing notices—just as our Tariff Commission and other bodies the various industries and try to see that no excessive prices are charged here—whenever they find that a combination is trying to charge excessive prices. As far as our information goes only five firms have been charge-sheeted or asked to explain. It may be, perhaps that even Mercks have been charge-sheeted or asked to explain. But that has nothing to do with the public sector agreement to be implemented by us in this country. That has nothing to do with the price. We are the sole masters to determine the price for Streptomycin, Penicillin or any other drug. That will be produced either with Soviet collaboration or any other collaboration in this country.

The third pillar of our drug policy—first I mentioned was the production from primary raw materials to be started and the second was the highest quality and the lowest possible price—was that all the firms whether Indian, foreign or having a foreign partnership, will have to train Indian technicians from A to Z. The House knows that we had the privilege of placing before the House how Indianisation of foreign firms is going on at a fast rate. Recently we issued a Press Note wherein we had said that the percentage at one stage was 80 per cent of foreigners above a particular salary. Now more than 60 per cent have been Indianised and that process is continuing. That is one of the conditions that we are stipulating in all

the projects including the basic drug which could have been the raining projects.

The fourth point was 'built-in-research'. We do not want to remain the hewers of wood and drawers of water for all life time. If the economic independence of this country only means that we borrow the processes from outside, as Shri Alva rightly pointed out, then there is no point in having an economic emancipation of the country following political emancipation. Therefore, we are determined to see that researches will be built in every factory in the country including the public sector. Here, if I may say so, several things are coming out. Vitamin C has been produced recently by the National Chemical Laboratory in Poona. Two tetracyclines have been worked by the Hindustan Antibiotics Factory. I hope the day will come very soon, sooner than later when Indian scientists will produce drugs and various types of other commodities in the country through the patents and processes of the Indian people. That has been our basic ideal.

One last point which I would like to mention, because my hon friend Shri Joachim Alva mentioned about it, and that is about the total capital investment in this country in the entire drug industry. It ranges between Rs 40 crores to Rs 50 crores. Somebody even puts it that the capital employed is Rs 60 crores of which only Rs 10 crores to Rs 11 crores is foreign capital. Sometimes when names are publicised and we read Vitamin A, Glaxo, Dumex and so on, a wrong impression is sought to be created that foreign firms or foreign capital is far too much than Indian capital. Even with the historical background of a dependent country till 1947, today the foreign capital is much less than 15 to 20 per cent of the entire capital investment in the country.

Shri Joachim Alva: Will the hon. Minister be able to tell us whether Indians are associated with every kind of productive activity in Glaxo?

Shri Manubhai Shah: I would not just now like to say anything about a particular firm. Even in the Glaxo, we have insisted and we are going to insist that all the posts will be Indianized as early as possible.

Shri Joachim Alva: What about stage of association by Indians with production?

Shri Manubhai Shah: All the technical officers, the managers, the managing directors and the scientists in all our factories including the factory which the hon. Member has referred to.

I will give the House a few economic benefits that have accrued really from this agreement. As I mentioned before the House, it was not a question of 25,000 dollars going out from this country, and that sum, I think, is completely no sum at all for such a big project, for all the designing and the drawings that Mercks is supplying us and the advantages they are giving us, because, the overall ceiling is 25,000 dollars, which means Rs. 1,25,000, because of that agreement to purchase the streptomycin at five per cent lower price than the lowest in the world tender. Initially we had agreed to 80:20, that is, 80 per cent of the order will be placed with Mercks and 20 per cent with the rest, if the lowest quotation and five per cent less than that will be supplied by Mercks. Then we felt that when we tender for 80 per cent, almost the other people are feeling nervous that one company is going to take away 80 per cent of the order,—why should we quote. Therefore, we went again to Mercks and said that we find that 80 per cent should be reduced. I am happy to inform the House that it has been reduced to 50 per cent in order to enable the rest of the people to com-

pete. That is why in the second purchase during the licensing period, as I mentioned last time before the House, Rs. 72 lakhs have been saved in one period, and Rs. 25 lakhs in the other period. In all, Rs. 97 lakhs of valuable foreign exchange to this country have been saved as a result of the purchase agreement which was part of this agreement for the purchase of streptomycin.

Shrimati Renu Chakravartty: What about Glaxo?

Shri Manubhai Shah: Because Glaxo quoted a lower price, under the agreement we had to buy 80 per cent at that time from Mercks and balance from Glaxo. Now, we have to buy 50 per cent from Mercks and the rest of the orders gets distributed with the others. But the net effect of this competition of a healthy nature, where it is stipulated that Mercks will be under duty bound to supply—

Shrimati Renu Chakravartty rose—

Shri Manubhai Shah: If the hon. Member wants to get agitated, I cannot help it.

Shrimati Renu Chakravartty: From the audit report he can see that. He is trying to balance it up with 50 per cent and get away.

Shri Manubhai Shah: That is not the question.

Mr Deputy-Speaker: If he is able to compare the position becomes clear.

Shri Manubhai Shah: I do not want to go into all the details nor do I possess everything in my brain. I am stating this, namely, as a result of our purchase policy through entering into this agreement, we have been able to purchase from various sources including Mercks, Glaxo and others, streptomycin at a price which has saved this country Rs. 97 lakhs. If the hon. lady Member wants to have any particular infor-

[Shri Manubhai Shah]

mation she can always ask me and I will supply her everything. This is not the occasion when I can go into every aspect of the matter. I am broadly saying that as a result of this agreement, we have saved Rs. 97 lakhs in the very first year, and in another year perhaps we may save some more amount by this agreement. Before this agreement streptomycin was imported into this country at Rs 400 a kilogram. Because of its competitiveness in the first tender it went down to Rs 250 a kilogram. In the second tender it went down again to Rs. 160 a kilogram. This agreement has brought such a great reduction in price which otherwise would never have taken place, and I can assure you of that.

Finally, I want merely to urge that we have been taking great care to see that the equipment will be made in this country. I was all at one with Shrimati Renu Chakravarty when she said that we should not import anything and that is why out of the total project cost of Rs 1,70,00,000 in this agreement we are going to spend Rs 85 lakhs to 90 lakhs for fabrication of equipment etc. within this country and only the minimum which is today not possible to be manufactured in this country will be allowed to be imported. Therefore, we did not allow them to become purchasers on our behalf. I know the feelings in this House that we should not allow—they do not like it—the same firm who can give us collaboration to have the monopoly of supplying machinery to us. We only want to choose and take their technical assistance because they are knowledgeable people in this particular line. But our authority and our choice will be final. We will purchase part of the plant from abroad and the rest will be manufactured here. We are grateful that this company has agreed for the plant being manufactured here and that they will render free of charge the service of seeing that as much of the plant and equipment

are locally manufactured according to requirements. These are the broad issues—

Shri Dasappa: What about the first casualty of the agreement?

Shri Manubhai Shah: I can say with all the emphasis at my command that Mr. Ganapathy's retirement and this thing, it was a news to all of us that these two things are connected. It is neither the screening process nor the question of any type of agreement with these people. Even if this agreement had not come forward, knowing the credentials of Mr. Ganapathy and the confidential records available to the Hindustan Antibiotics, I can assure the House that he would have been reverted. Since his departure, the House knows that in the month of January, the Hindustan Antibiotics produced 2.9 to 3 million mega units, which is a record production of Hindustan Antibiotics.

Shrimati Renu Chakravarty: May I give you the figures of how many.

Shri Manubhai Shah: I did not want to get into that, because the matter of Mr. Ganapathy or of any employee is the discretion of the Board of Directors of Hindustan Antibiotics. The scientific officer will remain a scientific officer. I wish him all good luck on my behalf and on behalf of the Government of India that in the Haffkine Institute or wherever he is posted by the Bombay Government, his valuable services will be retained there. As far as the production unit is concerned, we have the finest scientists in the Hindustan Antibiotics. Mr. Thirumalachar is one of the best mycologists and these are many more. We hope many more Ganapathys, Thirumalachars and eminent scientists will be produced in the country and will be used at the appropriate places. A man may be very good at one place, but he may not pull on well at another place.

Shri Joachim Alva: May I know whether by sending away men like Mr Ganapathy we start with the American process of witch-hunting of scientists?

Shri Manubhai Shah: No, I can assure the House that we shall resist anybody's pressure from anywhere to send out any Indian from any post because any foreign collaborator wants it. We are not going to tolerate it. However good a process may be, we will reject that process if a single Indian is to be discriminated against by any foreign agency.

If I may be excused, I would not like to take the time of the House by going into individual cases. All I can say is Mr Ganapathy has gone back and we wish him all well there. His term of deputation had expired. When we found that in a particular context of things he cannot pull on so well with the others we could not help accepting the Board's recommendation. It was the decision of the Board of Directors of Hindustan Antibiotics and not of Government as such. We have to abide by that decision and so we have reversed him.

I know Mr Parulekar and Mr. Renu Chakravarty very well. They are always open minded friends and they try to see the best part of the thing. As far as the Soviet projects are concerned, they are as dear or dearer to us than to my friends opposite.

With these words, I conclude.

Shrimati Renu Chakravarty: Will he place on the Table of the House, for us to judge ourselves whether any other agreement would have yielded better results, the original project report of the Russians for the integrated steel plant and also the revised and modified plan?

Shri Manubhai Shah: There is no project report as such from the

Russians, what is there is a general report.

Shrimati Renu Chakravarty: If we are told that there was no report from the Soviets, when we need not discuss it.

Shri Manubhai Shah: There is a general report and not a project report. Project reports are technical reports in which all details are worked out. When finally it is signed, everything will be laid on the Table of the House as to what will be the quantity to be manufactured, in what manner, what will be foreign component and so on.

18.29 hrs.

[MR SPEAKER IN THE CHAIR]

Shri Parulekar: The point which I had made has pointedly remained unanswered. In the end he said in order to show that we are in favour of the Soviet proposal because it comes from the Soviets and to disabuse our minds, that he is also keen about it. We are arguing in favour of it not just because it is a Soviet proposal, but because it is a proposal in the interests of the country on merits. It is economical and that is why we say it is in the interests of the country. The two points which I made were that the proposal which was made by the Soviets did not charge any royalty. He has not replied to that.

Shri Manubhai Shah: I have said that this is more economic than the others, including the Soviet proposal.

Shri Parulekar: The second point which I have made was that the Soviet team did not observe secrecy in matters of drug production. The hon Minister must have in possession the report which was submitted by General Sokhey and Dr Shirshet when they returned from a tour of the Soviet land and when they prepared a separate detailed report of the drug industry and submitted it to

[Shri Parulekar]

the Government. May I ask him whether it is not a fact that in the Soviet Union they do not observe secrecy in the drug industry? They treat it as a pure science. But here is an agreement which provides for secrecy I know that secrecy is observed in the rest of the capitalist world. Even in respect of drug they observe secrecy because that is necessary for extracting the maximum profit, for fleecing people. So, in the capitalist world secrecy is one of the norms of the agreement. Here was a proposal before the Government of India in which it was stated clearly that there would be no secrecy, the training will be there, information is freely available to all the technicians to develop. That question remains unanswered

The third thing is, as he has raised it—I could not raise it because it cannot be discussed in a short while—he has already blown up the establishment of an integrated drug industry in the State sector. Of course, separate parts will come. But I know it has been blown up. Within the time at my disposal I can only casually mention it. I may mention negotiations with Bayers, a West German firm, are proceeding for manufacture of intermediate chemicals. I have not the time to go into the merits,

but I will only mention this. The cost of that plant will be Rs. 18 crores whereas the cost of a similar plant offered by the Soviet team was only Rs. 11 crores.

Sir, I need not take the time of the House, because, as usual, he has not replied to the questions which we have raised but given some other replies. As is usual with him, for straight questions he has given irrelevant replies.

Mr. Speaker: The question is:

"That this House expresses its concern at the agreement entered into by the Government of India with M's Merck & Co. of Rahway, New Jersey, for the manufacture of Streptomycin and Dihydro-streptomycin at the Hindustan Antibiotics (Private) Ltd., and calls upon the Government to clarify the issue that the said agreement is in the best interests of the country"

The motion was negatived

12.34 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, March 6, 1959/ Phalgun 15, 1880 (Saka)