2. Any item of business carried over from today's agenda.

3. The Delhi Municipal Corporation Bill, as reported.

4. The Delhi Development Bill, as reported.

5. Motion given notice of by Shri Masani and nine other Members to consider the statement by the Finance Minister on his visit abroad laid on the Table of the House on the 13th November, 1957.

(To be taken up at 3-30 P.M. on Wednesday, the 27th November, 1957.)

6. Discussion on the Food situation on a motion to be moved by the Minister of Food and Agriculture on Thursday, the 28th November, 1957.

7. The Opium Laws (Amendment) Bill.

8. The Indian Nursing Council (Amendment) Bill, as passed by Rajya Sabha.

9. The Cantonments (Extension of Rent Control Laws) Bill, as passed by Rajya Sabha.

10. Discussion on the Interim Report on the activities of the Life Insurance Corporation on a motion given notice of by Sarvashri S. C. Gupta and Radha Raman.

OPIUM LAWS (AMENDMENT) *BILL

The Minister of Finance (Shri T. T. Krishnamachari): Sir, I beg to move for leave to introduce a Bill further to amend the Opium Act, 1878 and the Dangerous Drugs Act, 1930.

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill further to amend the Opium Act, 1878 and the Dangerous Drugs Act, 1930."

The motion was adopted.

*Published in the Gazette of India Extraordinary Part II—Section 2, dated 22-11-57 pp. 861—863.

Shri T. T. Krishnamachari: I introduce the Bill.

BUSINESS ADVISORY COMMITTEE
TWELFTH REPORT

Sardar Hukam Singh (Bhatinda): Sir, I beg to move:

"That this House agrees with the Twelfth Report of the Business Advisory Committee presented to the House on the 21st November, 1957."

Mr. Speaker: The question is:

"That this House agrees with the Twelfth Report of the Business Advisory Committee presented to the House on the 21st November, 1957."

The motion was adopted.

RESOLUTION *RE*: RESERVE BANK OF INDIA (AMENDMENT) ORDINANCE, 1957

Mr. Speaker: Shri Naushir Bharucha.

Shri Raghunath Singh (Varanasi): Sir,....

Mr. Speaker: I have called Shri Bharucha.

Shri Bimal Ghose (Barrackpore): Sir, before he moves his resolution, I should like to know a few things....

Mr. Speaker: I have already called Shri Bharucha.

Shri Raghunath Singh *rose*—

Mr. Speaker: Shri Raghunath Singh is not Shri Bharucha.

Shri Naushir Bharucha (East Khandesh): Sir, I beg to move:

"This House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1957, (Ordinance No. 6 of 1957) promulgated by the President on the 31st October, 1957."

Shri Bimal Ghose: Sir, I rise on a point of order. I should like to know how you will regulate the two discussions, one on this Ordinance and the other on the next Bill. Rule 338 says that the same motion cannot be put twice. So, if we accept this motion the motion on the Bill is the same. What happens to that? How do you regulate the two discussions?

Mr. Speaker: I am not giving any ruling on this matter. If this is not moved, what happens? We will assume Shri Bharucha was not here, what happens? Therefore, is it that putting it in the Order Paper itself is objected to? Hon. Member must look into the rules before he raised a point of order. When once a decision is taken on a particular matter, the same matter cannot be brought up for decision again in the same session. He has merely moved a motion; possibly, he may withdraw. There is no decision. Therefore, putting it in the Order paper itself objected to.

Shri Bimal Ghose: It is not putting it in the Order Paper that is objected to, but the results that might ensue.

Mr. Speaker: I am not prepared to anticipate what might ensue and what might not ensue. Therefore, there is no point of order at this stage.

Shri Naushir Bharucha: Mr. Speaker, Sir, so far we discussed the question of internal resources in relation to the Second Plan, and it was our disappointment that we did not get any clear indication at that time. You, Sir, said that the foreign exchange question may be held over and that it should be discussed on a suitable occasion. I propose to confine myself to the foreign exchange issue, and desire to point out how the promulgation of this Ordinance is unwise and is likely to lead to disastrous results.

In the first place, let us understand the implication of the Ordinance. As 33 of the Reserve Bank of India Act which, among other things, regulates the assets of the Issue Department. It lays down that of the total amount of assets the amount of gold coin or gold bullion and the amount of foreign securities shall not at any time be less than Rs. 115 crores and Rs. 400 crores respectively in value. In other words, the foreign securities are expected to be, under Section 33, of the tune of Rs. 400 crores. Section 37 of the Reserve Bank of India Act provides for suspension of assets requirements as to foreign securities in case of emergency. It lays down that the Bank may, subject to sanction of the Central Government, hold as assets foreign securities of less amount in value than provided under sub-section (2) of Section 33. Then it lays down: "Provided that the amount of foreign securities so held shall not at any time be less than Rs. 300 crores in value." In other words, the framers of the Reserve Bank of India Act foresaw that there might be emergencies in which case it may be desirable to permit the security holding to come down up to Rs. 300 crores, but nothing less than that.

Today the position is this, that our foreign assets have dwindled down so very rapidly that, according to the statement laid before this House by the hon. Finance Minister justifying the issue of the Ordinance, our foreign assets on 25th October, 1957 fell to as low as a little over Rs. 300 crores. It was, therefore, obvious, according to him, that unless an Ordinance was immediately promulgated the provision contained in Section 37 would be violated. Hence, he says, that is the justification of the Ordinance.

Countries of the world have lived in such an abnormal condition for such a long period of time that we have almost forgotten it that it is the right of any citizen who tenders rupee coin to obtain in exchange for it the currency of any other foreign coundering rupee coin would be entitled to foreign exchange of the type he likes but, because foreign exchange is unobtainable, various devices and limitations have been prescribed on it. We have also got the Foreign Exchange Regulation Act of 1947, at first thought to be a temporary measure but subsequently we have made it permanent.

But what is the purpose of keeping something in reserve on which you can draw for payment of adverse balance of trade, and to what extent that reserve should be maintained is a question which is of crucial moment.

Sir, let us consider this point, that when the Reserve Bank of India Act was framed the framers did foresee that there would be occasions when a foreign exchange crisis would arise, because it was no new thing for them to understand and appreciate that such difficulties do arise. But with all that they felt that if in the Issue Department a certain backing was required of foreign currency it was not only to secure the multiconvertibility of the rupee but also to see that it was acting as a backing towards the fiduciary portion of the currency. With that aim, I think, the framers of the Act very wisely said that below Rs. 300 crores our foreign securities shall not fall.

Now, what is this Ordinance? So far as the Ordinance is concerned, the operative clause reads thus: "The aggregate value of the gold coin, gold bullion and foreign securities held as assets and the aggregate value of gold coin, gold bullion so held shall not at any time be less than Rs. 200 crores and Rs. 115 crores respectively". In other words, it is permissible under the Ordinance for the foreign securities to fall to as low as Rs. 85 crores. We have to consider whether such a thing is safe in the interests of the country.

What are the factors which determine what is the extent of minimum reserve which has got to be maintained as a safe reserve, something which should be held as sacrosanct and which should not be drawn upon? It might at first sight appear that it is the discretion of the executive or, probably, the Commerce Ministry to decide that this is the quantum of foreign exchange that would be necessary and in light of that so much reserve would be sufficient. If this is not, this is not a question of subjective judgment of the Government or the Finance Department that determine the minimum of reserve that is to be kept. There are certain definite factors such as, for instance, the extent of the quantity and velocity of our active currency in circulation. That is one factor which determines what should be the minimum which should be held. Secondly, the demand of foreign exchange on account of our Second Five Year Plan is another factor which has got to be taken into consideration. Thirdly, the magnitude of our imports and the state of our exports is another factor which has got to be taken into consideration. Also, in the peculiar circumstances in which India is situated it is desirable that the peak load of foreign exchange for a given period should be taken into account. This is a very important point, as I shall presently show. Then, also, what is going to be the duration of the emergency. And, last but not least, what are the prospects of foreign aid and foreign investments.

It may appear at first sight that the question of quantity of active money and circulation has nothing to do, because it is a larger question of foreign trade which is so much less than internal trade. But in the peculiar circumstances of our development programme we cannot neglect the fact that our foreign trade is featuring as a very big and major item particularly on our import side, and if you bear in mind the fact that at a time when our currency circulation was less at that time we maintained Rs. 400 crores as our minimum, today with the addition to our currency on account of the developmental expenditure how much more it is necessary that we should maintain a bigger reserve than Rs. 400 crores or at

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least maintain Rs. 400 crores? But, on the contrary, under the Ordinance we are prejudicing the position.

Secondly, the question of payment of foreign exchange on account of the Second Plan and the magnitude of our import and export has to be taken into consideration. When the Second Plan was framed our liabilities side was completely under-estimated. The framers of the Plan were so very optimistic that they never stopped for a moment to consider what would be the resources from which the foreign exchange gap would be filled up.

The framers of the Plan estimated that during the Plan period the average annual import would be only Rs. 870 crores out of the total of Rs. 4,340 crores. But today the position clearly shows that we have exceeded the Rs. 1,000 crore limit. And in the next 18 months the imports are likely to be of such a vast magnitude that I don't think that in the history of this country we will ever have such a record as this.

But that completely changes one aspect, namely, it increases enormously our liabilities. Our export has kept pace or perhaps exceeded the limit. The estimate which the framers put was Rs. 593 crores per annum. We have exceeded that figure. But it is an admitted fact and I don't think the Finance Minister will dispute the position that during the Plan period what is required is round about Rs. 1120 crores by way of foreign exchange; this is our gap; that was the estimate that the framers made.

But today, in the words of the hon. Finance Minister himself—I am reading from his speech which he made yesterday—

"The crucial problem at this stage is to secure the foreign exchange required for the core projects on which a considerable sum of money has already been spent. There are outstanding commitments on Government account and in respect of projects in the private sector as well, which have to be met. Altogether, our estimate is that we need external assistance of Rs. 700 crores to enable us to meet these commitments."

So, let us start with the figure of Rs. 700 crores. Today the position is that we need Rs. 700 crores. Let us see how our sterling balances have depleted. On the 31st March, 1955, that is, at the start of the last year of the First Plan, our balances stood at Rs. 746 crores. In November 1956 they came down to Rs. 543 crores. In July 1957, it was Rs. 400 crores. And on 25th October 1957, as the Finance Minister has pointed out, it is a little above Rs. 300 crores. A month has passed since then. Our resources are depleted at the rate of Rs. 8 crores per week. On that basis, I doubt if we have got today anything more than Rs. 275 crores. This is our position.

The question is not merely finding out Rs. 700 crores. If it were a question of spreading it over the remaining period of the Plan, it would be a different thing. In our particular case, the question of peak load comes. For instance, in the generation and supply of electrical energy, an equipment has to be got not only for supply the average load but the peak load at the highest point, though it may be for some minutes in the course of a day. It should be capable of supplying power at the peak load. Similarly, our exchange resources must be in a position to supply foreign exchange at the peak demand.

As the Finance Minister himself put it—I am reading his speech—

"I have already told the House the efforts that we are making in this direction. What I would like to tell the House is that there is a 'bunching' of external commitments which we require for the next eighteen months. A large part of the deficit of Rs. 700 crores I have mentioned now is expected to arise during this period of 18 months from now on. It is in view of the need meanwhile to utilize our foreign exchange resources as fully as it is consistent with prudence that we are coming up to Parliament with a Bill to amend the relevant sections of the Reserve Bank of India Act."

Therefore, we are agreed on the point that in the position, as it stands today, Rs. 700 crores is required within the 18 months. Very probably, in the course of these 18 months there will be certain peak periods. Therefore, our resources must be able to meet that peak period.

Our problems are very clear: Vast quantities of machinery are on the way. So many contracts have been entered into and they have to be fulfilled. Now the question is: Where is the foreign exchange for it? The hon. Minister, in the course of his speech, has stated the problem. But where is the answer? Today I stand here to demand an answer from him. He has very clearly stated the problem. Now let us have an answer. It is no use evading the issue.

He has been saying that the difficulties will be for 18 months. I say that the difficulties will be for more than three years; up to the end of the Plan; that is very nearly till 1961. Then the deferred credits will be there. One does not know when one will be out of the woods. The fact remains that we are in a very bad positions.

Now let us examine what is the way out. We have not got any more foreign assets. We have got only Rs. 275 crores—it may be a few crores more or less this way or that way. Where are we going to fill up this gap from. The hon. Minister, in the course of his statement, which he laid on the Table of the House, on his visit to foreign countries, instead of clarifying the position as to what foreign aid he expects, what has he told us? He told us that he had gone there to assess the prospects of obtaining means in order to create greater understanding of India's economic problem. And the conclusion that he comes to is "I came across great sympathy" as if we can honour our foreign obligations by payment of sympathy! He further stated:

> "I expect that we will get sizable assistance from U.S.A., West Germany and the International Bank."

In today's paper it is stated that the assistance that we might get immediately would be 150 million dollars or 75 crores. Our requirements are Rs. 700 crores. Immediately we are going to get Rs. 75 crores.

Shri Tyagi (Dehra Dun): Beggars are not choosers.

Shri Naushir Bharucha: Yes, beggars can't be choosers. But I am saying that we are not only beggars we have become bankrupts. I am just trying to sound the alarm. That is what the resolution intends to do.

The point is this. The greatest hope that we built up was on the United States. And this is the loan that we are getting from the United States. Maybe, we might get something from West Germany by way of adjustment, in the form of deferred credit.

That reminds me of a cartoon that appeared in a paper on the return of the Finance Minister after his visit to foreign countries. On his return, in the customs office he turned his trouser pocket inside out. He had nothing to declare. From his suit case a mouse dropped with a lebel saying "West German adjustment". Today that clearly sums up our position. The position is very comic but for the fact that there is behind it a tragedy of the whole country becoming bankrupt.

This means that our problem in the matter of foreign exchange which we dreaded at one time, has now become a certain ugly fact. Now what are the reasons, rather the excuses, for promulgating the Ordinance? So far as the statement of the Finance Minister is concerned, it states: we have no money and so we are doing this.

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withdrawals were at the rate of Rs. 8 crores. Therefore, unless we promulgate the Ordinance, section 33 will have to be violated. That is what he states.

Now, how did Government get into this muddle and who is responsible for it? It is no use saying that in the present situation we have to promulgate the Ordinance. The question is: why did you allow the country to drift? Why did you so manage the foreign exchange that today you find in this position where there is no way out except by promulgating the Ordinance? He says that our resources are intended to be drawn in emergencies. Otherwise, what is the use of keeping resources? I agree. We may draw upon it in case of emergency, but if your emergency is going to be a prolonged and continuous one, then you cannot say it is an emergency, and that you are going to draw on minimum reserves for developmental expenditure. It is said we are going to have many Five Years Plans. So, it is not an emergency. It is a normal developmental expenditure and that is my objection.

I do not desire to take more time of the House. The point is this. Under the Oridnance as it is today you can go down as low as Rs. 85 crores. At the time when our active currency circulation is so vast on account of various developmental expenditure, at a time when development programme demands so much, when there is bunching and peak drain on our foreign exchange demands, from Rs. 400 crores we are reducing our minimum to Rs. 85 crores.

The Finance Minister has repeatedly said that our foreign exchange position is not serious. It is not serious; it is alarming and the purport of the Resolution is to sound that alarm and to awaken the nation to the sense of gravity, to the position of bankruptcy to which we are reduced.

Yesterday the hon. Finance Minister cracked jokes. He could not reply to the figures which we placed before him. I appeal to him that the time for jokes is gone. Now, answer seriously the question I am putting. Where are the resources of foreign exchange of Rs. 700 crores which he admits must be found within eighteen months? If we have not got them, what is he going to do? To that the Finance Minister must give a reply; otherwise the Ordinance must stand condemned. He is taking the country below the safe limit of prudence of economy, beyond which the country dare not go. The minimum prescribed in the law is not for fun. It is for sounding an alarm. Why is it that the Finance Minister has to come to this House with a Bill? Because the House must get an opportunity to consider it.

Today we are reducing the limit to Rs. 85 crores. During the next three months or four, I do not see any hope of getting any sizeable foreign assistance. I ask him: how is he going to pull this country out of bankruptcy. If we do not move this resolution at this stage, people would say that when the time was there for sounding the alarm, and awakening the nation, we failed in our duty. I hope, Sir, we at least on this side will have done our duty.

Mr. Speaker: I place the Resolution before the House. The discussion will start now.

Resolution Moved

"This House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1957. (Ordinance No. 6 of 1957) promulgated by the President, on the 31st October, 1957".

I shall allow fifteen minutes to hon. Members.

Dr. .. Krishnaswami (Chingleput): The same matter is there in the Bill also. When is the Minister going to reply? Some of us would like to speak after he has spoken.

Mr. Speaker: The time allotted for this Resolution is only two hours.

Dr. Krishnaswami: Two hours have been allotted for the Bill. Therefore I would like to know as to when he is going to reply, because many of our speeches would depend upon the type of arguments he advances.

Mr. Speaker: Is he expected to reply in advance? I am not able to follow this.

Dr. Krishnaswami: There is a Resolution; there is a Bill. They seem to overlap.

Mr. Speaker: What I consider is this. If this Resolution is adopted, the Bill possibly won't be taken up. This is a matter which will have to be decided by the House itself. If the House does not accept the Resolution, the Bill will be taken up. Therefore, those hon. Members to whom I give an opportunity to participate in the discussion on this Resolution, I will not call on the Bill.

So far as this Resolution is concerned, it will have to be put to the vote of the House, unless the House agrees that the decision on the Resolution may be put off, until a decision on the consideration motion of the Bill, one way or the other, is taken. In that case we may put the Resolution and also the consideration Motion of the Bill one after the other. Then we can proceed to the clause-by-clause consideration of the Bill.

The Minister of Finance (Shri T. T. Krishnamachari): But the motion for consideration of the Bill has to be made.

Shri Bimal Ghose: That was the issue I was trying to raise

Mr. Speaker: What I intend doing is this. If the Resolution is accepted, there is no question of the Bill at all. Hon. Members who practice law know what is meant by *res judicata*. If the Resolution is disapproved and the consideration motion is adopted then we will proceed with the clause-by-clause consideration.

However, to avoid all complications I will carry on with this Resolution and stop there, allow the Bill to be moved and then have the Resolution and the Consideration motion put to the vote of the House. There may be one reply by the Minister or two replies, one for the Resolution and one for the Consideration motion of the Bill.

Shri Bimal Ghose: Consideration motion might cover both the items, so that there may be one reply by the Minister.

Mr. Speaker: That was what I said.

So, if the House is agreeable, discussion on the resolution and consideration motion of the Bill, both, may continue. I will ask the hon. Minister to move the Bill.

Shri T. T. Krishnamachari: I do not think it will be proper, Sir. If the House approves of this Resolution the Bill could not be taken up. The two things have to be kept separate. A negative motion of this nature cannot be coupled with a positive Bill.

In my humble opinion that will be very difficult.

Mr. Speaker: What I said is: if this motion is accepted by the House another similar motion cannot be made

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Shri T. T. Krishnamachari: If the House says that it disapproves of the action of Government, we cannot go with the Bill. With that I agree. If the House really disapproves of the Ordinance, I cannot move the Bill.

Mr. Speaker: If the House approves, or carries the Resolution, it is disapproval of the Ordinance. Then the Bill automatically falls through. If, on the other hand, the resolution falls through, under Rule 338 no motion shall be placed before the House with respect to which substantially, the House has given an opinion.

Shri T. T. Krishnamachari: Then the motion is inadmissible.

Mr. Speaker: The rule says:

> "A motion shall not raise a question substantially identical with the one on which the House has given a decision in the same session."