

so far as the question of pay is concerned. The high post that he occupies should be such that that alone should be taken into account and not merely the question of pay. If, for instance, we insist upon having an officer of a lower grade of pay, then it may be found that he may not be a suitable officer. Difficulties might arise. They are very heavy responsibilities. In these circumstances, I am afraid that the hon. Member's approach is not correct.

Mr. Speaker: I shall put amendment No. 49 to the vote of the House.

The question is:

Page 37, after line 21, add:

"Provided further that in fixing such salary or allowances or in varying them, the Government shall take into consideration the recommendations, if any, made by the Corporation in this regard."

The motion was negatived.

Mr. Speaker: The question is:

"That Clause 55 stand part of the Bill."

The motion was adopted.

Clause 55 was added to the Bill.

Clauses 56 to 58 were added to the Bill.

MOTION RE: STATEMENT BY FINANCE MINISTER ON HIS VISIT ABROAD

Mr. Speaker: There is only one more minute. We will take up the other work.

Shri M. E. Masani (Ranchi—East): Sir, before I commence, the House would like to know when the debate, which would be adjourned today, will be resumed.

Mr. Speaker: It will be resumed tomorrow as the first item after Question Hour.

Shri C. D. Pande (Naini Tal): May I also enquire if it is possible to extend the time to four hours at least instead of 2½ hours. It is a very important question. Many people who have not spoken would like to speak on this as it is a question of policy—economical as well as political. So, more time should be given.

Shri Yajnik (Ahmedabad): There are 52 persons who sent in this, Sir.

Shri C. D. Pande: There are 400 on this side.

Mr. Speaker: This ought to have been part of planning, I said. But we will take this up independently. We will consider this matter and we shall see as we proceed.

Shri M. R. Masani: Mr. Speaker, Sir, the notice of motion which stands in my name has been put before the House on behalf of the Independent Parliamentary Group and the Ganatantra Parishad Group in this Parliament, and I have great pleasure in moving this motion. I beg to move:

"That the statement by the Finance Minister on his visit to the U.S.A., Canada, the U.K., and West Germany, laid on the Table of the House on the 13th November, 1957, be taken into consideration."

The purpose of raising this debate on the statement laid on the Table by the Finance Minister is to focus attention to this country's great need for foreign capital, and to consider ways and means by which we can create in this country a climate which will attract that capital. I hope, Sir, that this debate will not be diverted from this essential purpose in the national interest into the realm of extraneous controversies.

It is not necessary, at this stage in our economic development, to stress the need for foreign capital. The immediate gap in our foreign exchange position with which we are faced has

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been officially stated to be Rs. 700 crores or 1400 million dollars. This, however, is only a flea-bite compared to our real need for foreign capital over the next few decades. This country will remain in need of foreign capital for as far as we can see, certainly for half a century.

The basic fact about our economy is that we have too many people and too little land and capital. Wealth is created by the application of human energy to tools and machines. We have in our country too many idle hands, too many mouths to feed, but too little of wealth or capital in the shape of tools and machinery. If we do not want to squeeze our people still further, if we do not want to grind them in greater poverty, if we do not want to subject them to the most cruel and brutal form of exploitation and get surplus value out of them in order to build up our capital—and I am sure nobody wants to do that—the only way in which we can restore this population-capital ratio is to supplement our own savings with capital resources imported from abroad from the savings of those more fortunately placed in other countries

Even a Communist country like China has had to resort to a great deal of dependence on foreign capital and aid. Since Professor Nicholas Kaldor has been favoured this year with legislative approval in this House at the time of the Budget, it may not be out of place to quote his experience after his recent visit in Communist China, I think it was towards the end of last year, at the invitation of the government of that country. In the report that he has made on his return, he says that they are getting technical assistance on the widest scale for designing, installations and training, there are thousands of technicians and designers—Germans, Czechs, Hungarians and, especially, Russians—and they are also

getting a vast amount of equipment. Professor Kaldor goes on to make the observation:

“I should feel relieved if United States aid to India were one-fifth as much as Russian aid to China.”

In our pursuit of foreign capital, where shall we find it? The countries where we can find surplus capital are those countries which have gone through the process of industrialisation and which enjoy a very high standard of life for their own people. Of these countries, which can be found in Western Europe and North America, the United States is undoubtedly the most obvious market from which we can import capital.

The United States' post-war export of capital has been quite phenomenal; unfortunately, it has not come to our country. We have not even scratched the surface of what United States private capital can come into this country. This is obvious from the fact that we have got less American capital invested here than that from West Germany and only one-tenth of that which we have from the United Kingdom

This is not surprising, as our awareness of the need for foreign capital is rather recent. Even now, I may be permitted to say, many of our laws and administrative attitudes are not tuned to the realisation of our basic needs.

Now, Sir, I come to the statement laid on the Table by the Finance Minister, which is the subject matter of this debate. I find that statement to be unexceptionable. It gives a fair picture of the position and the possibilities as I can understand them. It gives a picture of measured optimism which I believe to be well justified.

Having been in the United States a few days after the Finance Minister's visit, I should like to confirm the wide interest and the widespread

goodwill which exist for this country. I should like also to say that everyone who met the Finance Minister or listened to him carried a very favourable impression of our country's case for foreign capital and aid and that he placed the case for this country in a manner that is consistent with the ability which we always expect from him, but also with a tact and patience with which we, unfortunately, in this House are not too closely acquainted.

I, Sir, will have no difficulty in accepting the amendment that has been tabled to my motion by Shri Frank Anthony and which he will no doubt move presently. I regret I cannot accept the two other amendments which have been moved from different quarters of the House, which seek to deprecate or disapprove of that report.

I had occasion to be in the United States a few days after the Finance Minister in response to an invitation to address the International Industrial Development Conference at San Francisco last month, the purpose of which was to foster and encourage investment of private capital in under-developed countries of the world including our own. The Birla Delegation of industrialists were present after having completed their own task with great zest, and there were about 20 or more Indian delegates present. The Conference was opened with a very statesmanlike speech by Mr. Eugene Black, President of the World Bank, who has proved to be in action a great friend of this country. The two speeches made from this country were by Shri H.V.R. Iengar, Governor of Reserve Bank, and myself I would like to say at this stage what a profound impression Shri Iengar made by a very able presentation of the Government of India's case. We tried, Sir, to put across to this very influential gathering of 200 leading American industrialists and businessmen and 400 others from the rest of the world the case why this country should provide a market for economic invest-

ment. We presented to them a picture of a sound economy of a Government which approached problems in a pragmatic manner, and the fact that in our mixed economy free enterprise still had an important and a major part to play. We explained the mainsprings of our democratic planning, and we confirmed to them our feeling that the Indian people were determined to eschew totalitarian paths.

I feel, however, that it would be unrealistic for us to expect the climate for investment in a country like ours to change by reason of brief visits or by reason of speeches, however persuasive they may be. I think the House will agree that what will make a decisive change in the climate abroad is our own policies and actions at home in our own country.

I tried during my two and a half weeks stay there to find out what it was that was coming in the way of further economic and investment aid in this country, and I propose during the rest of the time I take of this House to confine myself to sharing with the House an understanding of these difficulties or obstacles that come in the way. It is not enough to say that there are misconceptions. There are misconceptions. Visit such as those of the Finance Minister certainly go part of the way to remove them. But, apart from misconceptions, there are real difficulties, real problems, real obstacles, and I think it is to the latter that we should confine our attention this afternoon.

I would like to treat Government to Government loans separately from the investment of equity capital.

In so far as Government to Government loans or credits are concerned, there can be no doubt, as the Finance Minister's statement makes clear, about the desire of the United States Administration, the President and his Advisers, to be of help to this country. Unfortunately, that desire can only have limited application by reason of the Presidential system of Government that prevails in the United

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States. It may be difficult for some people in this country to understand why, when President Eisenhower and his Advisers want to help this country, they should not be able to give unlimited aid to India.

It is true that in our own country, if the Prime Minister and his colleagues were to decide on a certain magnitude of credit to Burma or to some other neighbouring country, they could count on ratification by this House, because we function under a parliamentary system of Government. In the United States, however, there is a division of functions and powers. And the power of the purse is very definitely within the province of the legislature which fairly consistently flouts the President's recommendations from year to year. It is not possible, therefore, for the President of the United States to be able to give the kind of economic credits that our own Prime Minister would be fortunately placed to do.

I think we must therefore appreciate the fact that, with the best will in the world, the President and the Administration of the United States, functioning under a Presidential form of Government, have rather a limited capacity to go out of their way to give credit to this or any other country. However, I think it is correct to say that a certain measure of help which is within the power of the Administration may be expected by us. If we want anything of the nature that our own Prime Minister and the Finance Minister have indicated, a 500 million or 600 million dollar line of credit, then, it is obvious that the United States Administration will have to go to Congress.

Among the people I met, there was considerable difference of opinion. There were some who held the view, both Indians and Americans, that it would be disastrous to go to Congress at this time with a request for economic aid to this country, that if

this was rejected it would have a very unfortunate effect on the relations between the countries and the impression it would make elsewhere, and that therefore such a reference by the United States President should be deprecated.

I met, on the other hand, Americans who are friendly to India, who know our problems, who have been here, who felt that this was not a fair picture, that if our Government were to put concrete projects before the United States Government in the realm of agriculture, irrigation, road development, ports, harbours and power, the Congress would be in a mood to sanction not only half a billion dollars but even one billion dollars or more in an endeavour to help India to put its plans of economic development across. In the fear of such divergence, I would hesitate to express a personal view.

One thing is clear. There are several difficulties in the way of Congress sanctioning large-scale funds for this country at this stage. The first of these is Sputnik and a very widespread desire in public opinion there to catch up with Soviet development in the sphere of capturing space with all its military implications. The second factor is the fact that 1958 is election year, a year when Congressmen in the United States are extra cautious in sanctioning funds which involve the burden of taxes at their end. A third factor is the question of priority between different countries. There are so many countries wanting aid. To which country should aid be given and how much?

I think it is clear, and I was given this feeling by all I met, that our foreign policy of non-alignment does not come in the way nor does our socialist pattern of society come in the way of a sanction of credits of the nature that we need. The United States Congress sanctioned funds quite cheerfully to Britain under a

Socialist Government and up to now it has sanctioned funds, both economic and military, to the Communist dictatorship in Yugoslavia. It is not likely, therefore, to worry about our policies so long as we are within the broad stream of democratic advance.

But I would be unfair to the House if I were to stop there or to suppress a fact which stands out to anyone who visits the United States. That is this. Sometimes, needless irritation and offence is given by some of those who may speak in our name. Our able and charming Ambassador has been known by everyone to be grappling with this difficult situation with the greatest tact and patience over the last four or five years. But I do not feel the same can be said of all those who speak for our country there. Here and I must say with great regret and reluctance and in pursuit of an unpleasant duty, that the provocative utterances and postures of our Defence Minister, in his capacity as UN representative, of which we had recent experience on November 18, are a heavy liability that this country carries in its effort to create a climate of friendliness in the United States.

On this, there is unanimity, and among the many friends of India whom I met in the world of business, journalism and teaching, there was not one who did not express regret that this country of Gandhi, that a people with traditions and qualities of humility, gentleness, tolerance, wisdom, dignity and detachment, could not be represented in the world's councils by someone who was a more representative embodiment of these qualities.

Now, I have finished with the Government-to-Government loans. I turn to equity capital. Here, I agree with the Finance Minister's statement that the long-term prospects are good. There is increasing understanding among American industrialists and financiers that this country,

with its economic plans, provides a great potential market for investment. When our plans go further there will be greater purchasing power and new markets for machinery and capital goods.

On the other hand, businessmen will judge each proposition on business grounds and not on grounds of politics. Here, one is faced by the fact that money is scarce today, that bank rates are rising all over and we have many rivals for capital. So, undoubtedly comparisons are made between our conditions and those that prevail in other parts of the world.

Here, I think the House should be aware that there are several difficulties that the prospective foreign investor feels in coming to our country, and there is a great deal that this House and the Government can do in putting them right. The first of these is that our concept of what is a reasonable profit or a rate of return is not in tune with that which prevails internationally. Our concept of a reasonable profit in this country has been statistically proved to be lower than that which is available in North America, Latin America or Western Europe.

I shall give an example from the rate of royalty fees that we are permitting for the use of patented processes of foreign manufacturers. I understand that we have set a maximum of five per cent on the net sales of the product as a royalty to be paid to the foreign party. This is found to be well below what other countries encourage. On the other hand, our tax on the royalties paid to non-residents is the other way. It is much too high. In Japan, Canada, France and Belgium, the tax on royalties is between 10 and 20 per cent of the sales. In Brazil, Germany, Italy, the United Kingdom and the United States, it is between 25 and 40 per cent. In our case the tax on these royalties to foreign parties is no less than 62 per cent. This is one element of how we do not offer equally

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advantageous opportunities in this country for investment as other countries are keen to do.

Another factor is the sense of insecurity and the risks. Here, there has been the feeling, and that has been cured partly by the recent statement of Government and the visits of the Finance Minister and others, that there is a Damocles' sword of nationalisation hanging over the heads of foreign investors in this country. The recent treaty of Commerce that we signed was unfortunately only a partial one. We did not find it possible to give the guarantee against expropriations that 33 other countries of the world have already given and this in turn has stopped the U.S. Government from guaranteeing the investment of its own nationals.

Then again, the treatment of the Indian investor himself becomes part of the picture. There is a very direct link between foreign investment and domestic investment, and unless the domestic investor is treated in a manner that inspires confidence, it shakes the confidence of foreign investors also.

Then there is the question of taxation. Our tax on companies, Mr. Speaker, is the highest in the world, and this year, in order to make things still more difficult, we went and added a wealth-tax on companies. Abroad, potential investors take exception to the provision that we have made for the compulsory deposit of reserves. They do not appreciate the tax on bonus shares. They say we have not entered into a treaty against double taxation with the United States. They point out that the concessions that we make by way of tax are restricted to foreign technicians but do not extend to foreign managers or others in a supervisory capacity.

Finally, there is the question of procedures. I am subject to correction from the Finance Minister, but I have understood from those who have tried to invest in this country

and who hope to, that an applicant, to establish a factory in our country, has to go through a multiplicity of authorities. There is the application authority, there is the Development and Regulations Department, there is the Controller of Capital Issues and, finally, the Exchange Control Department of the Reserve Bank of India. I leave it to the imagination of the hon. Members, who deal with this Department or that Department of Government to consider how long people must have to wait, how many visits they have to do, how long they must have to dally in Delhi in order to get the approval of these five or six authorities. This is not necessary. Other countries have faced this situation and put this matter right and I hope we also will do the same.

In Holland, for instance, in order to meet this difficulty of a diversity of licensing authorities, the Dutch Government have created a Directorate-General for Industrialisation which is the one authority to whom foreign investor has to go and this Directorate-General consults the various departments of Government and then gives one answer to the investor. This is found to be a great help for investment in the Netherlands, and in recent years no less than 94 United States companies have established factories and plants in this small country of Holland.

Israel provides another example of what a country can do to attract foreign capital. The State of Israel has passed a special law for the encouragement of foreign capital, and it has a Socialist Government. It has given ten years' exemption from property tax on buildings, five years waiver of income-tax, accelerated depreciation at double the normal rate for five years, deferred payment of company and land legislation fees, exemption from import duties and purchase tax when certified by the

Investment Centre, 10 years' exemption from income-tax of undistributed corporate profits, and personal income-tax restricted for foreign technicians, to 25 per cent for three years.

This is how other countries express their needs and their desire for foreign capital. I would like the House to consider whether we cannot be a little more realistic, if we really want massive capital investment in this country in order to rectify that imbalance of population and resources from which this country suffers and will continue to suffer for several decades longer.

I, therefore, welcome the heightened awareness that has been shown by our Government, as embodied in the visit of the Finance Minister to the United States, Great Britain, West Germany and other countries, and I think this House should encourage the Government to pursue further these measures and to adopt more realistic tax and other policies and I do hope that no captious criticism in this House will undo the important work that Government is seeking to do.

Mr. Speaker: Motion moved:

"That the Statement by the Finance Minister on his visit to the U.S.A., Canada, the U.K. and West Germany, laid on the Table of the House on the 13th November, 1957, be taken into consideration".

There are some substitute motions by way of amendments. I would like to know which of the hon. Members are here, who would like to move their motions.

Shri T. K. Chaudhuri (Berhampur): I want to move my motion.

Shri T. B. Vittal Rao (Khammam): I want to move my motion.

Shri Frank Anthony (Nominated-Anglo-Indians): I also want to move my motion.

Mr. Speaker: They can move their motions now

Shri T. K. Chaudhuri: I beg to move:

That for the original motion, the following be substituted, namely:—

"This House having considered the statement by the Finance Minister on his visit to the USA, Canada, the U.K. and West Germany laid on the Table of the House on the 13th November, 1957, records its strong disapproval of the manner in which he sought to interpret the basic approach and political perspectives of India's economic policies among the Governments and the banking and business communities of the countries he visited."

Shri T. B. Vittal Rao: I beg to move:

That for the original motion, the following be substituted, namely:—

"This House having considered the statement by the Finance Minister on his visit to the USA, Canada, the UK and West Germany laid on the Table of the House on the 13th November, 1957, records its dissatisfaction with the contents thereof."

Shri Frank Anthony: I beg to move:

That for the original motion, the following be substituted, namely:—

"This House having considered the statement by the Finance Minister on his visit to the USA, Canada, the UK and West Germany laid on the Table of the House on the 13th November, 1957, records its approval of the contents thereof."

Mr. Speaker: These substitute motions are also before the House.

Shri H. N. Mukerjee (Calcutta-Central): **Mr. Speaker,** my hon. friend **Shri Masani** has set a tone to

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the debate, which I fear I might somewhat upset, and that is for the very valid reason that we, on this side of the House, are not happy, either with the matter contained in the statement of the Finance Minister, or with the manner in which he has proceeded during his mission abroad in search of money for our Plan.

It is not very often that we get an opportunity of discussing issues of such importance as have been raised by the Finance Minister's statement, the manner of his approach to certain countries and their response, so far as can be predicted and the tasks which our country must undertake if those sorrows, which have come in battalions, to attack our Plan, can be overcome.

The Finance Minister has said elsewhere, or at least that was the report which might conceivably be contradicted, that he went abroad without any particular expectations and came back without disappointments. I should say that that is a rhetorical way of trying to cover up a failure, which need not have been a failure in the way it apparently has been. There is no denying that there was understandably a certain amount of fanfare before he went out on his mission, and there is no denying also that frustration is today very much in the air. I might, perhaps, at the risk of being trite, say that the Finance Minister's mission started with a bang and ended with a whimper.

While the country grieves at the prospect of the Plan being pruned by those people who till the other day persisted that on no account was the Plan going to be pruned, the Finance Minister, however, finds himself rehabilitated in the eyes of those whom he irked by his budget proposals, and today we see a phenomenon which is by no means surprising, a pat in the back which the Finance Minister gets from my hon. friend Shri Masani. But that is a very small recompense for the damage after the damage has been caused to the interests of the country.

The two chief objects with which the Finance Minister went abroad were, according to his own statement, to assess the prospects of assistance from the USA, UK, Canada and West Germany and to create greater understanding of India's requirements and policies and aspirations. My submission is that on both grounds he has failed, and failed perhaps even egregiously.

I am not surprised that as Shri Masani referred to the Finance Minister, it produced a very pleasant personal impression. In this House, *impersonally speaking*, we have found ourselves sometimes opposing each other very vehemently. But I have always found him personally a charming individual. But that is neither here nor there. When our country's interest, when our country's self-respect, our country's honour is concerned, I am not so very particularly concerned about sending out a Finance Minister, who was a charming person; but I expect him to behave abroad as an effective champion of his country's interests with full consciousness of the seriousness which the position warrants.

Shri C. D. Pande: He has done that.

Shri H. N. Mukerjee: It remains to be seen how far the Finance Minister's expeditions regarding coaxing money-bags of the United States and elsewhere can be fulfilled. But he claims, in the meantime, to have "successfully removed such misunderstanding as existed in the American mind regarding our basic policies and principles and the approach." These are his words. That is to say, he claims that we have corrected the impression previously produced there by the Prime Minister during his last visit or by others; I do not know. Possibly, to take the cue from my hon. friend Shri Masani, the work of our Defence Minister, Shri Krishna Menon, was sought to be counteracted in some measure by a certain performance by the Finance Minister. I have had

occasion to say in this House before that I am not personally a particularly fervent admirer of Shri Krishna Menon. But, when he has done a grand job of work in the United Nations, I say, it is not political cricket to hit him in the way Shri Masani has tried to do and I hope the Finance Minister, when he replies, will say that he did not try to correct the misapprehensions produced by the work of such people like the Prime Minister and the Defence Minister of our country.

16 hrs.

I fear I have to refer at this stage to something which, in spite of the hope expressed by the Prime Minister during the Question hour, has not been cleared up. I mean the questions which were asked in regard to a certain interview. I do find from the transcript of the proceedings this morning that the whole proceeding is somewhat equivocal and it is very necessary that the Finance Minister explains the position more cogently than has been done before the House and before the country. The Prime Minister said that the Leader of our party in this House has been mentioned by the Finance Minister in the course of his interview. The Finance Minister said in the course of further elucidation, how far lucid, I do not know, that there were border troubles in Burma and in that case, some friends in India are likely to take advantage of that trouble. Either all this is sheer abracadabra or the Finance Minister was trying to drive at something. I am so sorry I have to put it in this way. But, it is really remarkable that even the Eastern Economist, which has been hallelujhing the Finance Minister for some time now, had to say that the Finance Minister had erred in having given the interview that he did. What transpired there, the devil knows what is in the mind of man. But, we want a definite elucidation that nothing was said or done by the Finance Minister which militated against the basic policies of our country either in the realm of external affairs or of economics.

I fear that in his enthusiasm in wooing the ruling clique in Washington and London, who are constantly inciting Pakistan and Portugal against India, who are indulging in what the Prime Minister, not so very long ago, described as international gangsterism, in order to woo those people exactly he indulged in provocation not only against us Communists who are in this House not by the grace of the Finance Minister, but because of our own popular right, because of the sanction which the people have given to us, but he has tried to muddy the waters as far as the friendly relations of our country with China and the Soviet Union are concerned. This has been done, which the public feel very strongly, when talks were going on for large-scale Soviet assistance to India, assistance which has happily since materialised in the shape of a Rs. 60 crore loan, repayable at 2½ per cent interest, the first payment to begin in 1961, terms which neither can be approached nor even imagined by the Finance Minister's friends in the United States and West Germany.

The Finance Minister must not be permitted to forget that the independent foreign policy of India is not a subject of horse trading. We shall not barter it for all the assistance in the world whether it comes from the west or from the east. That is an axiom which the foreign policy of this country must always follow. As a country we have malice towards none and we are friendly towards all. But, just as we resist encroachment on our territorial and political integrity by Pakistan or by any other State, similarly we cannot but resist any inroad present or potential upon our economic policies and programmes which have been adopted after a great deal of conscious deliberation and thought.

This country is committed to the objective of a socialist society. It is not too remote an objective, for, here and now, Government is committed to the control of the strategic heights

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being in the hands of the public sector. We cannot and we do not wish away the private sector, because, after all, it is there. But, we fear that seconded worthily by Mr. Birla's industrial delegation, the Finance Minister went too far in reassuring foreign capitalist interests and the report circulated in this country, which I want the Finance Minister categorically to deny in the House, that there would be no more nationalisation in India. The Industrial policy resolution already adopted by the country cannot be airily transformed just because the foreign exchange hurdle seems to be very difficult. This is a matter on which the clearest assurances must be forthcoming and Government must not forget that very much more important than removing misapprehensions and doubts in the minds of financiers abroad is the mobilisation of the will of our people to succeed in the Plan whatever the odds.

I shall certainly listen very carefully to the Finance Minister's further exposition of what happened in the United States and elsewhere during his mission. But, there have been disquieting reports which the country wishes the House to discuss. A most excellent officer of Government,—I am very willing to pay him the tribute which he deserves—Shri H. V. R. Iengar, Governor of the Reserve Bank, was reported in the Time magazine of the United States of 28th October, 1957, to have made a speech, which was thunderously acclaimed according to the report, purporting that India aims not at a socialist society but at Shri M. R. Masani's patent of the mixed economy. This is referred to in the Eastern Economist. This is a matter perhaps which is the result of misreporting. But we want a clear elucidation. Such a very excellent officer, on whom we can rely for an honest application of the principles adopted by Parliament, was so misled by the atmosphere created by the gestures made by the Finance Minister that he supported the idea of

mixed economy of Shri M. R. Masani's thinking rather than of a socialist society.

The Finance Minister's statement refers also in complimentary terms to the helpful attitude of the British Government in regard to our difficulties. I must not be interpreted to mean that I would have wished our Finance Minister to call the U.K. Government a lot of names. But, certain objective facts require to be faced. We all know, for example, that the economy of the United Kingdom is in some distress. But, the mutual professions of friendship between the U.K. and ourselves should have produced some concrete evidence, for, a friend in need is a friend indeed. The increase in the U.K. Bank rate is going in spite of some facetious answer given in the House the other day by the Deputy Finance Minister. This is going to affect us adversely, there is no doubt about it. A large proportion of our sterling balances are held in the form of U.K. Government securities. At the rate at which we are drawing upon them, we would be forced to liquidate these securities at a considerable loss which might amount to nearly Rs. 25 crores. A very large proportion of export bills in India are drawn in sterling and the Reserve Bank is not permitted to re-discount bills drawn in foreign currency. The exporters in India will have to suffer on account of adverse changes in the interest rate in the London money market. There are other factors which need also to be reckoned. But, the point is that our loss on account of bank rate rise is bound to be substantial. Obviously, the Finance Minister has secured no helpful assurances in that regard from Mr. Thorneycraft and his advisers in Great Britain. Nor is Britain at all willing to help us as many socialist countries, financially incomparably poorer than Britain. They are willing to help us in regard to deferred payment and acceptance of rupee transactions. Indeed that paladin of British liberalism, the Manchester Guardian

commented editorially on the 14th of November,

"At best, the financing of the plan was a gamble and the gamble has failed."

This is not any of us speaking on this side of the House, but the Manchester *Guardian*.

"Not all the causes of failure were within India's control. World conditions which worked in favour of the First Plan are against the Second."

Then it says: "We in Britain should certainly feel responsible towards the success of the Plan". This is the very definition of hypocrisy. Then it goes on to say: "We are unlikely to have much to spare for India". This is what they say. They tell us: "You gambled with your finances, that is why you are failing". This is what a very liberal journal of Britain says, and this is what the Finance Minister has brought back with him in his pocket.

If I turn to West Germany, he had, he tells us, very cheerful conferences, but the proof of the pudding will be in the eating. Like the United States of America, perhaps in mood of superior bargaining, it has so far shown a sort of allergy in regard to assistance at the State level, and at the same time, perhaps like the United States it is trying to tempt us with baits of assistance if we behave properly, that is according to their standards; if we allow the private sector to flourish in the way they wish to flourish in spite of our professions of a socialist pattern of society. Here, it will not perhaps be amiss, because the Prime Minister is here, to recall that West Germany lately broke off diplomatic relations with Yugoslavia because Yugoslavia had diplomatic and other relations with socialist East Germany. We in this country have cordial links with East Germany, and economically we have some

contacts, but we have not yet got proper, full-fledged diplomatic relations with that country.

The whole attitude of West Germany has something wrong about it, and we ought to make our position very clear. West Germany's attitude seems to be contingent on our being on good behaviour, which means that we must allow the private sector to have the run of our country. That is something, however, which the Finance Minister will not be able to make the country stomach. If in sack cloth and ashes we confess defeat of our socialist hopes and endeavours, it is a different matter. Shri Masani and his friends, jubilating after a lengthening period of gloom, are avidly awaiting that to happen. The Finance Minister, I aver, has approached big moneyed interests abroad and in this country in fear and trembling lest they paralyse our socialist aspirations, lest they penalise us for our socialist presumptions. He had no warrant, he had no business to do so, but if Government upholds him, the country requires an explanation from it.

Towards the close of his statement here, the Finance Minister sounds a note which to me seems rather sanctimonious. "We shall have", he says, "to continue to exercise the greatest vigilance in regard to new commitments for imports". Well and good, but it comes rather ill from one who has over the years bungled and mismanaged this aspect of our economy. Appeals for the greatest effort on our part to economise on imports and to promote exports come ill from the leading economic spokesman of Government.

Today we have a deficit in our trade with the United States. Our exports fall, our imports rise and we go on; we have been going on, I do not know if we have changed our methods drastically enough, but we have been going on spending money at a rate in a manner which is really scandalous. I know the Finance Minister once said that we talk in terms of crores

[Shri H. N. Mukerjee]

when lakhs are concerned, but here are figures supplied by the Ministry of Commerce and Industry in the Annual Administration Report of the Import and Export Trade Control Organisation for 1956, I shall only mention three items Condensed milk or preserved milk we imported in 1955 of the value of Rs. 604 lakhs. In 1956 we got condensed milk and preserved milk, for God knows whom, to the extent of Rs. 651 lakhs. We got artificial silk yarn in 1955 to the extent of, in money value, Rs. 1,432 lakhs; in 1956 it was Rs. 1,740 lakhs. On provisions and oilman's stores excluding condensed milk or preserved milk—wonderful item it is!—we spent in 1955 Rs. 567 lakhs; in 1956 we spent Rs. 830 lakhs.

The other day we got an answer on September 13th in regard to the open general licences and statistics of imports. In six months in 1953-54 we imported to the extent or value of Rs. 22 crores. In 1954-55 it was Rs. 86 crores; in 1955-56 Rs. 86 crores; in 1956-57 by which time in Second Plan had come into operation, Rs. 98 crores. And the figures would show that some of the import items have been made surreptitiously, and we have got even machinery imported surreptitiously, machinery for the production of consumer goods rather than producer goods when the priority demanded that the producer goods should have been brought in very much earlier. Even today the OGL figures are not properly available as far as this House is concerned.

I do not refer to these instances in any carping spirit. We are ready at any time to sit along with the Finance Minister or other members of Government in order to discuss our foreign exchange and other difficulties, but we are not going to listen patiently to sanctimonious utterances about the desirability of our being

very careful in regard to imports and all that sort of thing because for at least two or three years now a policy has been pursued which certainly is undesirable, which has brought a great deal of trouble to the country.

I know I must close now, I know that there are many in this House who do not still hesitate to trust the Finance Minister with the finances of the country. Personally speaking, in spite of personally having great respect for him as an individual, as far as his position in the Government is concerned I have my doubts on that score. The Prime Minister may not like to change his pack horses in mid stream, but if they are wayward enough to become dangerous, they at least should be given the order of the lash, and when to the rejoicing of a microscopic section of our people the Plan is very much in jeopardy, I can only adjure the House that much more than money which is badly needed, we need also a rallying of the people's heart, of the people's spirit, an assertion of their honour, their independence and self-respect, that performances like that of the Finance Minister abroad can only bring shame, and futility. For, after the Finance Minister's recent tour abroad I can not imagine how we can trust him with either the economy of the country or with the honour of our India.

Acharya Kripalani (Sitamarhi): After the tone of the eloquent speeches what I have to say may be very unimpressive. From the very beginning I have felt that the Finance Minister should not have gone and made it appear that he had been on a begging mission. I was not present at the last session, but I heard that the Finance Minister had repudiated the idea that he was going for the purpose of negotiating any loans. That was good. But when he went there, his speech, after speech indicated to the world and to this country that that was the

main purpose of his visit to the United States of America. I submit that this has not only given us a bad name in the international world, but has depressed the country.

The Prime Minister has always said that we must rely upon ourselves and it is our efforts that will save the Plan. But the way in which our Finance Minister went about his business clearly showed to the world that we could not carry on the Five Year Plan unless we were helped by this country or that country. I say that was not a very dignified position to take for our country. It was also not dignified for a Minister of this Government, and I say it was not dignified for an organisation which has held such great reputation in the world that it should have sent a Minister for this purpose.

Even ordinary loans, when they are negotiated, are negotiated not by the parties concerned but through banks and bankers, and through go-betweens. The principal parties go to meet each other when everything is decided. I think our best plan would have been to go through our representatives who do their work silently and quietly, and through them we should have felt whether there was any atmosphere for getting loans from America or from any other country. But I am afraid that the position we assign to our diplomats is very sorry indeed. Everything is done from here. Either they are able people or they are useless people. If they are able people, everything must be done through them.

In international politics also, we are not satisfied with what our diplomats do, but we send from here a super-diplomat, who does not consult them on anything, and who goes to countries without even our representatives being informed. He directly writes to the Government concerned, and he interviews this person or that person in the political field, and the diplomats know nothing. This is so in the political field.

So far as the economic field is concerned, I know our representative in the USA comes from a great commercial family. He comes from a place where every child knows what commerce is, and yet he is not trusted, and it was necessary for the Finance Minister to go and negotiate loans in America or at least to make it appear that he was negotiating loans in America. Then, he went to England, and then he went to Germany. Is there any end to this begging expedition on which our Finance Minister went? I ask you: Does it add to our dignity? I say that many Congress people feel, as I feel, degraded that this should have been done.

And to whom does he go? He goes to America. If you want to have a loan, at least you must know that you must go to a friend. When has India considered, whether in the matter of Kashmir or in the matter of Goa, the USA to be favourably inclined to India politically? Then comes England. The whole of the Kashmir episode took place at a time when an Englishman, an eminent Englishman, an eminent diplomat was the Governor-General of India. Nothing was done without his being consulted, and in those days, he was in such a position that he could have vetoed anything. Everything was done under him. Yet, England is a country which misunderstands us the most, and stands in the way of any peaceful settlement, so far as the Kashmir question is concerned.

It is ABC today for the Finance Minister to know that finances are intimately connected with politics, that finance is not a separate department, so far as nations are concerned, from the political stand they take. If we want to be independent in our policy, we shall have to be independent so far as finances also are concerned.

Shri M. R. Masani said that he assured the American people that the Plan was a sound Plan, not only that the Plan was a sound Plan but that our economy was sound.

Shri M. R. Masani: That was not what I said. I said our economy was sound, not the Plan.

Acharya Kripalani: I am sorry. May I ask Shri M. R. Masani whether the way in which our Finance Minister went about would give an idea to a foreign country that our economy was sound? Rather, I am afraid, he gave the impression that our economy was cracking. Even if I did not believe what some newspaper has reported yet there is sufficient in his utterances to show that if America did not help, our economy may fail, not the Five Year Plan, because Government have identified our economy with this present Plan; and when you say the present Plan fails, you say our economy fails. This is not a very good proposition. How does all this happen?

May I submit that being a country that does not want to align itself with any power bloc and being a country that wants to follow an independent foreign policy, we are in the habit of speaking too much? For a neutral in this troubled world, for a people who want to follow an independent policy, I think the least said, the least will be the harm done.

I remember—excuse me for saying this—in my college days, I used to be a very dull student. In my school-days, I used to occupy the last seat on the last bench. Then, how did I pass my examinations?

An Hon. Member: By copying.

Acharya Kripalani: I had discovered a secret. I used to take one hour and a half to answer my examination questions. I said, fool as I am, the more I write, the more the folly I shall commit. And I tell you, I passed the examination because I committed less mistakes.

So, when people are not quite confident about things about which they are talking, when they have not the

knowledge about the departments which they are heading, the less they talk, the less will be the mistakes that they will commit. Though Shri M. R. Masani has given compliments to our Finance Minister—and I know he is a very amiable gentleman—

Shri M. R. Masani: Who?

Acharya Kripalani: The hon. Member Shri M. R. Masani too. When he gives misplaced compliments, he too is an amiable person, and we are all amiable persons here until we are rubbed the wrong way.

I believe our Finance Minister is an orphan. * * * He is surprised that I should be allergic to him. May I tell him that most of the Congress people here are allergic to him? I say that I have often been allergic to persons. I have been allergic to persons who are supercilious, who claim more than they can perform

I entirely agree with my Communist colleague that when the Finance Minister was only Commerce and Industry Minister, he did give permits freely. And I again say that he did tell me what I have said in this House, and I say that he said what he said to me about these import licences. I can face him if he likes, with a member of his own Cabinet before whom he told me.

It is not good to deny things like that. I am not in the habit of saying things which I have not heard. I am not in the habit of exaggerating matters. He told me that he did believe that anybody and everybody in India had the right to purchase from where he liked and from whom he liked.

I say this is against all the policy for which the Congress has stood for so many years. I say that this country came to economic ruin, to this condition because it abandoned the

great principle of Swadeshi kept before us by our leaders and by Mahatma Gandhi, the Father of the Nation. I say all our troubles are there because we have repudiated the policies that we believed in when we were not in power and we are following contrary policies. I say even today, it may not be this Five Year Plan but our economy can be revived, strength can be put into it if we do not wander about for capital but we consider our men as our capital. We neglect our men and we run about in this country and that country. I am sure my Communist friends would want help from Russia and our non-Communist friends, or whatever I may call them, the capitalist friends would want help from America.

We know what is the meaning of getting help from other countries. We know what is the meaning of investment. I may tell Shri M. R. Masani that we know what is the meaning of investment of foreign capital. 75 per cent of our tea trade in the hands of the English people, in the hands of the foreigners. Almost the entire trade in coffee is in foreign hands even today, ten years after independence, and our whole oil industry, the petroleum industry, is in the hands of the foreigners, and we dare not touch them. Why dare we not touch them? Even a Nasser in the * * * land of Egypt could touch foreign interests. But we dare not, because we go with a begging bowl and always want them to come and establish factories here

and have partnerships and exploit the poor combined with Indian capital. We send a mission of big capitalists to find out partners in foreign lands to establish themselves here. We fritter away our wealth. We frittered away our reserves—everything we frittered away. But we think that we will prosper as other nations will prosper.

I say we will not prosper like that. If we have to plan, we must plan according to our circumstances. We must plan according to our population. We must plan knowing that in this poor country, it is very difficult to make capital, to amass capital and put it in industry. We must do little things, necessary things, and in our little way, in our humble way. We must not think that this India can become America in five years' time or ten years' time. The Father of our Nation taught us all these humble things. We have forgotten these. Why have we forgotten these?

Mr. Speaker: Is the hon. Member likely to take long?

An Hon. Member: He may continue tomorrow.

Mr. Speaker: Then he may continue tomorrow.

Acharya Kripalani: I won't be here tomorrow to face him.

16.34 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, the 28th November, 1957.