

SHRI H.D. DEVEGWDA: The Central Government has released Rs. 10 crores to Government of Karnataka to meet the expenditure relating to relief operations for those who suffered in the recent floods in Karnataka in general and Hassan, Mandaya and Mysore districts in particular.

The indifferent attitude of the authorities concerned has put the flood victims in further difficulties.

Compensation at the rate of Rs. 3/-, Rs. 6/-, Rs. 9/-, and Rs. 12/- to each victim has been given irrespective of the crop he has lost the value of the crop he has grown on flimsy grounds that the rules are such that the compensation cannot be given based on the actual loss of crop.

Thousands of houses have been washed away and thousands of houses damaged and officers are asking the victims to produce the approved plan from the competent authorities to make proper valuation before giving compensation and even then negligible compensation is being paid.

Hundreds of pump sets have been washed out and each farmer has spent Rs. 50,000/- to Rs. 60,000/- and no compensation is given on the plea that his income is above Rs. 6000/- per annum.

MR. DEPUTY-SPEAKER : Whatever you had given in writing and which has been approved, that part only goes on record.

SHRI H.D. DEVEGWDA: I demand that the Hon. Minister for Agriculture who has released Rs. 10 crores to the Government of Karnataka to meet the expenditure for relief operation should ask them to relax the rules if necessary to make for proper compensation commensurate with the actual loss.

REMITTANCES OF FOREIGN EXCHANGE
AND INVESTMENT IN FOREIGN EX-
CHANGE BONDS (IMMUNITIES AND
EXEMPTIONS BILL)—*CONTD.*

[*English*]

MR. DEPUTY-SPEAKER: Now we shall take up Remittances of Foreign Exchange

and Investment in Foreign Exchange Bonds (Immunities and Exemptions) Bill.

[*Translation*]

SHRI MOHAN SINGH (Deoria): Mr. Deputy Speaker, Sir, the Bill moved by the hon. Minister of Finance for consideration of the House, deserves to be outrightly condemned and criticised. It is very unfortunate that in the name of earning foreign exchange to make good the deficit in the Balance of Payment, the Government of India is prepared to go to any length or adopt any measures. In many countries like Thailand and prostitution centres are running quite openly. Will the Government stoop so low to earn foreign exchange if it is so needed? Smugglers and the persons who have deposited large sums of money earned through dubious means outside the country are being invited to buy bonds and bring that money into the country. On close examination of the Bill it will be found that all the clauses of Chapters 9 to 17 will give supremacy over laws of the land such as Anti-Corruption Act of 1988 or any other laws. This is a sad state of affairs. During emergency COFEPOSA was strictly enforced by the then Prime Minister even against the voluntary organisations who were receiving funds from abroad & obeying the dictates of foreign powers to destabilise the country. It is unfortunate that some people are being kept outside the purview of all the laws enacted so far in the country to curb black marketing and other unscrupulous methods under this Bill and on other hand several avenues for misusing foreign exchange have been opened even when the country is passing through terrible Balance of Payment crisis and all efforts are being made to earn foreign exchange.

Sir, petrol is a major source of drain of foreign exchange in the country and even then no restriction is being imposed on manufacture of private vehicles. Everyday many advertisements of financial institutions appear in the newspapers floating schemes

to purchase Maruti Cars with just spending an initial amount of Rs. 5,000. Many financial institutions are giving incentives to buy private vehicles. Recently ban on import of foreign made cars has been lifted and the Non-Resident Indians have been allowed to import cars to be given as gifts or awards and even provision for concessions in excise duty, levied on these vehicles, has been made by the Government of India. Therefore I would like to submit as to whether any efforts have been made by the Government to estimate drain of foreign exchange for importing petroleum products to provide fuel to the imported vehicles and cars which consume four times more fuel than the Maruti Cars? So the tax concessions given to attract foreign exchange will prove to be an exercise in futility, as more foreign exchange will be spent on buying fuel for these imported cars.

Sir, personal security has become very ironical in the country. In all the countries priority is given to security both of nation and of the citizens thereof but in India personal security has gained precedence over national security. For this an allocation of Rs. 4.7 crore has been made by the Ministry of Finance. This amount can be even raised if needed. Who will bear the brunt of this huge expenditure? Modern weapons and gadgets will be imported to provide security to persons. Foreign exchange will be spent on these imports. Foreign exchange will also be wasted on the import of sophisticated wireless sets. Everyday new grounds are being made to waste foreign exchange, on the other hand, a law is being enacted to give incentive to the persons who have clandestinely remitted the valuable capital of the country to foreign countries. Therefore, I vehemently criticise this Bill and request the hon. Minister of Finance to herald a new era of austerity in administration in the country and to tide over Balance of Payment crisis. The proposed measure which will provide

incentive to the dishonest persons only, should be stopped.

With these words I again criticise this Bill and request the House not to pass this Bill at the moment and instead circulate it to elicit public opinion. Now I conclude the speech and criticise the provisions of the Bill.

PROF. RASA SINGH RAWAT (Ajmer):
Mr. Deputy Speaker, Sir, on the discussion on Remittances of Foreign Exchange and Investment in Foreign Exchange Bonds (Immunities and Exemptions Bill), through you I would like to say that once India was known for its wealth and prosperity all over the world and today after 44 years of independence the economy has gone from bad to worse. India has gone with a begging bowl to IMF and other Western nations and has also succumbed to the conditions put forth by them and has agreed to open doors to attract foreign exchange and convert black money into white money to tide over the Balance of Payment crisis. Though the schemes are targeted for NRIs, but through them the foreign exchange will come from which types of foreign companies and individuals and organisations is difficult to say. I would like to quote a couplet of our national poet Maithilisharan Gupta:-

"Hum Kya the, Kya Hain Aur Kya Honge
Abhi,
Aao Milker Vicharain Desh Kee Sa-
masyain Sabhi."

We all are worried about economic crisis our country has been going through. But we must have the capacity to generate appropriate resources for economic development of the country. It is said that:

[English]

India is a country of plenty but still its people are poor.

[Prof. Rasa Singh Rawat]

[*Translation*]

India is prosperous but its people are poor. Even today, there is lack of neither money nor natural resources. The need is to make proper utilization of those resources and also to create the sense of frugality in the citizens of India. Mr. Deputy Speaker, Sir, through you, I would like to ask the Government as to who is responsible for the crisis of foreign exchange. How much foreign exchange we had when we attained independence and how much it has increased during the last years? Why our country has become bankrupt due to foreign exchange crisis? Gold, in our country is considered to be an asset and even the poor people keep it in their safe custody; and mortgage small articles of gold only when they are completely helpless. But Indian gold had to be mortgaged not once but several times to foreign countries. But that did not help to overcome the economic crisis. Ultimately the Government invited NRIs to invest their money in India without any fear of giving the details of the money. Sir, in this manner, the Government would fail to assess the black money that is following in into our country. There is a saying - Ill got, ill spend.

I recall late Shri Lal Bahadur Shastri. When the country was undergoing crisis, America refused to give wheat under PL 480. He was the person who said that we do not want wheat from America. We would survive on our own resources; we would even starve but not spread our hands before the foreigners. Sir, he gave the slogan 'Jai Jawan Jai Kisan' at that time and encouraged people to grow foodgrains on vacant space available even in banglows. It was only when such efforts were made that we become self-reliant in foodgrains. But the present Government have been adopting liberal attitude in every respect. They are providing all the facilities to the NRIs to

invest their money in the country only to earn foreign exchange. But if the Government do not impose restrictions on the capital invested by NRIs, the black-money would prove dangerous to our country. If foreign capitalists invest money in our country, they would have complete hold over big industries in private sector. When the Government cannot inquire about the money being invested, the agencies like CIA and KGB would get opportunity to bring huge black money leading our country to ruination. Therefore, through you, I would submit to the Government that capitalists in the country already have huge amount of black-money. The Government should take measures first to unearth that black-money first and only then foreign investment should be invested if required. What is the need to arrange for money from foreign sources if we can fulfil our requirements through our own sources? I would like to quote a line of a famous Indian poet:

"Rahiman vey nar mar chuke jo kahin mangan jayen."

It is a matter of utter shame for this country of self-respect to approach foreign countries of IMF for foreign exchange to overcome the financial crisis and to accept conditions laid down by them and to surrender before them.

Sir, it would provide more opportunities to those who are already engaged in bringing foreign exchange through various sources. A number of scandals have been unravelled in the House, what was the need to unravel those incidents? In this manner black-money will continue to come to our country in one form or the other. But if it does not come as per the limit stipulated in the Bill then the Government will have to extend the time limit and provide more facilities also to bind themselves in the conditions laid by the NRIs which is certainly not a matter of dignity for any nation. Indians settled in foreign

countries like Kuwait, Iran, America and other countries will bring foreign exchange in the country but what is the guarantee that they do not bring those things which are not allowed to be brought here. Such things would certainly be brought and they would ruin our economy thus establishing complete hold of black-money and promoting luxury. Therefore, I would request the Government to be careful in this regard.

Our Manusmriti says:

"Anyanyoparijitam dravinam dasvarsh-anitu tishtati

Prapte cha ekadashe varsh, samoclam cha vinashyati."

The money earned through wrong means or injustice lasts only for 10 years and then in the 11th year, it is destroyed completely. Lest the black-money in the form of foreign exchange invested by the NRIs should destroy the self-sufficiency of the country and dependence on others should become the arch enemy of our country-

"Sarvam aatmvasham sukham
Sarvam parvasham dukham."

Fulfilling our needs through our own resources is best and depending on the resources or capital of others never prove fruitful. With these words, I oppose this Bill. Though the country, at present is passing through financial crisis and we are ready to cooperate with the Government in this regard but the measures to be taken to overcome this crisis should maintain the self-respect of the country.

[English]

SHRI HANNAN MOLLAH (Udubera):
Sir, we are discussing on a piece of proposed legislation which will inject immorality in our economic life. Through this Bill, the Government intends to mobilise the foreign

exchange to tide over the Balance of Payment crisis, to some extent. They want to encourage remittance of foreign exchange in the form of drafts etc. and it says that anybody - note that 'anybody' - can take the advantage of the immunity from direct taxes and from enquiry about the sources of the money if he brings it in foreign exchange. He need not disclose the nature and source of remittance of such amount.

Sir, anybody can send money to anybody in India. The intention of getting foreign exchange for the country may be good. But, I will say with all the force at my command, that the method being adopted is not only bad but it is immoral, improper and disastrous to our honesty.

Who will be encouraged by this Act? This Bill, if passed, would be the source of pollution of our economic life. It will also pollute our Statute Book. This will not only encourage the dishonest people but we will also be rewarding them for their dishonesty. With the help of this Bill we will be giving a red carpet welcome to those who, for years, have cheated the Government by violating economic laws and looted the country and amassed blackmoney by all dishonest means and have siphoned off that amount to foreign countries and kept it in foreign banks. They will come back with what they have siphoned away. They will bring it back. I think the Government also does not disagree that this will happen. They know. Knowingly they are doing. Those people, who were born in the country, are violating the economic laws and they will be rewarded by the passage of this Bill.

You know that a lot of allegations were made in the past. You have seen how the blackmoney is being mobilised by business people and by politicians and by a section of bureaucrats and some other people through under-invoicing and over-invoicing and through the method of commissions or kick-

[Sh. Hannan Mollah]

backs. These things have rocked our country again and again. Furious debates and quarrels were there. But what is happening through this Bill? The Government is giving those people a free hand. I have come across some reports sponsored by IMF and the study made by one M^{rs}. Sauraz. They show that the Indian businessmen, politicians, bureaucrats and other people have siphoned off about 28 million Dollars only by under-invoicing or over-invoicing in trade. I would like the hon. Minister to state whether this is true— 28 Billion Dollars siphoned off from 1981 to 1989. Such a huge amount of money has been siphoned off from this country and that is kept there. Now, this Government wants to give them a chance to bring back that money. But why did those people take away that money? They have no confidence in our economic system. They thought what would happen to this country's economy in the future, what would happen to the political situation in the country. They wanted a safer life abroad and wanted to keep their money physically somewhere, and this is their investment. For this, they took the money from this country. Secondly, if they keep their money in foreign countries it is quite safe. Our money value here is continuously declining. So, they have kept the money in dollars and they will bring it back now and they get more money here. By this they will be benefited. That is the purpose of siphoning away the money. Now the Government is encouraging them to bring back a part of that money. But I don't think they will bring back the full amount because they want to keep the money there for use when they need it there. They have some other motive for it because they are not patriots, they are the betrayers of the nation. They have taken the money because of certain purpose. They will not bring the whole money. Maybe a certain portion may come.

Your intention is to bring NRI money to

help the sagging economy to recover, but those NRIs who are the citizens of other countries and governed by their laws will not be sending their money to India much. Only our native NRIs— I coin that word "native NRIs", who are staying here and doing all economic crimes, amassing black money. They will have a chance to bring a part of their black money already siphoned off from this country abroad. So, the native NRIs by bringing it in the form of gifts or in any other form will be benefited by the passage of this Bill. This is to regularise that black money.

You know, Sir, the hawala system operating in our country and generating all black money. Even some Members of Parliament are elected with the financial help of hawalalas to represent their interest in the House. Unfortunately this happens in our country. So, those hawalalas and those black-marketeters will be benefited by this because their black money will be regularised by the passing of this Bill. They will doubly gain. In one way they will bring back that black money and in the other way they will be exempted from direct taxes on that, they will get immunity. By getting immunity they are gaining and at the same time by bringing back that black money and in the other way they will be exempted from direct taxes on that, they will get immunity. By getting immunity they are gaining and at the same time by bringing back that money they are also gaining. So, those dishonest people are rewarded by this Bill. You know, in 1982, the then Finance Minister, Shri Pranab Mukherjee started opening the door to some 14-15 fake companies who remitted the black money. Now, we are going to regularise them by this Act. Because of that, I am just tempted to say that there is a Government for the dishonest and there is a Government of the dishonest, but I hesitate to say 'by the dishonest' because my esteemed friend, Shri Manmohan Singh is piloting this Bill. But it is definitely a Government of the dishonest people and for the dishonest people. What will happen now?

By passing this Bill, I am sorry to say that unfortunately our esteemed friend has become an instrument in helping those dishonest people. Anyway, I want to pose one question to the hon. Minister. Do you think that the NRI money will come to this country by passing this Bill? Who are the NRIs? Who are going to invest their money in this country? Who are those people? Have you got any cooperation with some section of them? Have they agreed to bring their money back to this country? I do not know about it. What is your assumption? What is your estimate? How much money will you get from them? I do not know the basis on which you are making your calculation. But the only point is that you are only going to reward those people who are the economic criminals. It is meant to reward to economic crimes. Because of that fact, we cannot associate ourselves with this ill-thought method that you are going to apply.

Secondly, I want to ask the hon. Minister one thing. Will it not be a disincentive to the honest tax-payers? What did they do? What is their wrong? It is because they do not cheat you, they do not evade tax and they do not amass blackmoney. They do not siphon-off their money. So, they have no chance to bring their money back to this country. They will think why they should be honest. They may feel it is a foolish act to be honest; they may feel honesty is foolishness. So, they may just amass blackmoney; send it in the form of NRI investment and take it back. So far they probably did not think that some prophet would come in the guise of Shri Manmohan Singh to rescue them from the wrong things they have committed. This is a serious situation. Actually, the honest tax-payers will be just discouraged. They will be provoked to take the wrong path to generate blackmoney.

Regarding capital flight also, I do not know about the details. I have already asked about it. I want to know what is your assess-

ment regarding the capital flight. We do not know the basis on which the hon. Minister has made his calculation. Also, there is the question of foreign exchange bonds. That is also there. Now, the Government's economic position is so bad. This is the creation of their own economic policy which they pursued for the last forty years, which has created this mess. Now, they want to create another mess and destroy all the economic moralities and honesty in our economic life. You want this foreign investment because you cannot get foreign exchange. I think once the Government purchased some mini-bonds for temporary economic relief like the Samurai bonds. So many such bonds were floated. But you have no capacity to do that now. What is happening today? All the middlemen will come. They will use their blackmoney. They will purchase the foreign exchange bonds and in turn re-sell those bonds to our Government which will be used here. They will get the benefit of the so-called exemption or immunity.

MR. DEPUTY-SPEAKER: Please be brief. There are many Members who want to participate in this debate.

SHRI HANNAN MOLLAI: Finally I would like to say that the Government is suffering from financial problem and the balance of payments problem. I do not know what is their intention. The intention is not to tide-over the economic crisis but it is an intention to help those dishonest people. I will ask the Government: Why are they not going in for a gold bond? Why are they not encouraging the people to deposit their gold with the Government? Why are they not doing that. If they go in for gold-bonds, they can get gold and on the basis of that-with the help of security also - they can get some foreign exchange. They can convert that also. They can unearth the blackmoney in different ways. But I feel that the method they have applied is totally to help those dishonest people. It is only meant to encourage the economic crisis

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in our country. So, I oppose this Bill because of those reasons. I am afraid Shri Manmohan Singh will be remembered in history by those dishonest and black-moneyed people and not by the honest citizens of India. I feel sorry for it. It will be a tragedy for him as far as our history is concerned.

SHRI K.V.R. CHOWDARY (Rajahmundry): Mr. Speaker, Sir, I appreciate the stand taken by our Finance Minister to tide over the crisis. But in the same way, I regret to say that the measures are not up to our expectations.

The tax relief is given for NRIs who are wanting to have a real estate in India. The scheme under which the hard currency remittances will not be subject to gift tax and will be free from scrutiny by the authorities is a bad thing.

Again the scheme for allowing remittances with no questions asked is not defensible on either moral or economic grounds. Morally the scheme is reprehensible since it is capable of legitimising black incomes and rewarding those who have been cheating the nation at a time of grave economic crisis.

Our financial position may be a very bad one. Recently, NRIs are withdrawing the amount from their accounts of FDNRA and NRER. But there are several measures to conserve our foreign exchange. Why not the Government take some measures, like, by taking Japanese technology or Korean technology we can as well export iron instead of iron ore by getting more of foreign exchange for constructing big factories. There are no facilities for export of vegetables, meat, fruits or milk products. We are lagging behind in this.

Likewise, we are having in the Prakasam District of Andhra Pradesh, huge deposits of

granite. But the mining leases are given to those who are the family friends of the political leaders ignoring that if we can call global tenders, we can as well accumulate thousands of crores of rupees. The estimated amount is around Rs. 2,500 crores. But for the paltry sum, lease is given to the relatives of the political bosses there.

In Singareni Collieries also, if we adopt indigenous technology, it will cost about Rs. 250 crores. But we are going for the German Technology costing about Rs. 550 crores. Thus, we are wasting money in foreign exchange. Likewise, now in Andhra Pradesh, we have got a big Vishakhapatnam Steel Plant. We are losing several crores of rupees in this. Last year, there was a loss of about Rs. 550 crores. They say, in ten years time, this will become a sick unit because sufficient funds are not given to the factory. If we go on doing like this, it will not be good. When they wanted Rs. 1500 crores this year, they were allotted only Rs. 350 crores. That way, it will become a sick unit. There is no doubt about it. Then again the balance of payments position will become worse and worse in future. Likewise, we can save the foreign exchange being incurred on the import of oils etc. by taking some economic measures. That is why, we request the hon. Finance Minister not to allow the cheaters of the country to siphon the black money into our nation by way of immunity.

SHRI E. AHAMED (Manjeri): I rise to support this Bill. It is a right step in the right direction, for the mobilisation of the foreign exchange. It was already mentioned in the Bill that this was intended to attract the inflow of foreign exchange from the Non-Resident Indians.

The Non-Resident Indians have become a subject matter of national importance in the country. The Non-Resident Indians have also got their rights, responsibilities and commitment towards their motherland - India.

It is also the duty of the Government to consider, as to how their savings could be made use of for the benefit of the country. It was high time for the Government to formulate a policy - a national policy. Even now, I say, there is no national policy for the NRIs. Whatever the legislation which the hon. Minister seeks to be passed in this House, may I say Sir, that it is only a tip of an iceberg. So far as the NRIs problems are concerned, in our national interest, it may be taken into consideration. It is a colossal problem, whereas what this Bill envisages is only a microscopic part, of it.

Many of our Indians who are living in other countries have occupied strategic positions both in public and private sectors. Many of them are also working in the Governments of other countries. It was estimated that, subject to correction, there are 10 to 12 million Indians, spread over in 150 countries and it was also estimated, subject to correction, that they are saving about one hundred billion Us dollars. Then, why not we try to attract the savings, whatever they have, for the sake of our country? What is wrong in it?

There are two types of Non-Resident Indians. One type according to me is those who are in US., U.K., and other European countries and the other set of people living in the Far-East and the Middle East, mainly in the gulf countries. I may also say that the priorities of the Indians settled in the Western countries and that of the Gulf and the Far-East are distinct and different.

In USA and European countries, most of them have settled there and also got citizenship of that country. Whereas in the Middle-East and the Far-East, the NRIs are still holding the Indian citizenship and they may return any moment, to settle down here. Therefore, in the formulation of the policy, the Government should also keep in view, the appropriate mix of fiscal incentives and

also to stipulate the minimum simple procedure to attract the foreign exchange. The NRIs living in the Gulf and the Middle East are to be understood in the right spirit. Their problems are quite different from the NRIs in the Western countries. Whatever I submit here is keeping the NRIs in the Gulf and Eastern countries in view - those who are expected to return to India sooner or later. Gulf Indians are looking for social security measures in India. They want to invest their savings for their children and family. They also want good educational facilities for their children. Therefore, the Government should formulate a policy, keeping these views in mind.

On the other hand we have only a legislation so as to attract the foreign exchange from our people who are living abroad. If we just go into the *Economic Survey* it will be seen that Foreign Currency Non-Residents Deposit (FCND) has fallen very much low. For example, the net flow of foreign currency deposit during 1990-91 is Rs. 255 crores whereas in the previous year it was Rs. 2179 crores. Therefore, we have to view these things seriously. The objection raised by my friends in the opposition - of course, they may have their own view - I don't think holds water in the circumstance that the country is placed.

Some of my friends have mentioned about the remittances. The position about remittance has been made very much specific in this Bill, that is, it must be in the form of draft, traveller's cheque, cheques drawn on banks situated outside India, telegraphic transfer, mail transfer, money order, by way of transfer from non-resident external account, Foreign Currency Non-Resident account or foreign currency special deposit account maintained in India under the rules made under the Foreign Exchange Regulations Act 1973. Therefore, it is not the remittance by Some third party or by some unauthorised dealers. Whatever the money

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they have in the foreign countries, they are just remitting it to India through the proper channel. How this money they have acquired there is another matter to be looked into. The only right under the FERA is to question them as to how they got the money. Any non-resident Indian can send the money here. But they are not sending. Why are they not sending? Because they don't have any incentive. They also don't have the confidence in the economic situation of the country. Those who are working in the Gulf and other countries are, instead of depositing their money here in India, depositing their money somewhere else because they have a fear in their minds whether they will be able to secure their money sometime later.

About the issuing of the bond, I am given to understand, subject to correction, that even for Narmada project there are proposals to issue a bond. Those conditionalities are also like that of the many conditionalities prevailing here.

I find one lacuna in the Bill. I hope the hon. Finance Minister will explain it. In Clause 3, sub-clause (1) (c) it is said that they are exempted from the purview of the income tax. Whereas Clause 4 sub-clause (1) (a) Explanation says that they have been subjected to the income tax provisions. So, they are not exempted from the purview of the income tax; but I just would like to know whether these two provisions - one in Clause 4 and another in Clause 3 - are complementary or contradictory. That may have to be gone into. That is what I would like to say.

MR. DEPUTY-SPEAKER: Please conclude. There are many other people to participate.

SHRIE. AHAMED: I am coming to close.

Kerala is one State which, according to the estimate available with me, has 27.6 per cent of the total deposits from the NRIs. Keralites have now a request to the Government of India for the mobilisation of the foreign exchange. 150,000 of the people - mostly from Kerala - had to return from Kuwait on the event of the Gulf War. It is reported that a sub-committee of the United Nations has decided that all the Asians, who had to leave Kuwait on the event of the Gulf War, will be paid US\$. 2,500 per head as compensation. I am also given to understand from those, who have come from Kuwait that the countries like Philippines, Bangladesh and Pakistan, have opposed it and submitted to the UN that not less than US\$ 10,000 will be acceptable to them as minimum compensation to every national of those countries who fled from Kuwait.

In our country, it is being dealt with by the Ministry of External Affairs. Therefore, the Finance Minister may not be knowing all the details of it. But what I should say is that if we calculate at the rate of US\$ 10,000 for 150,000, India has every right to get not less than US\$ 1.5. billion by way of compensation to our people. That will be the best inflow of foreign exchange to our country. Therefore, I would avail of this occasion to urge upon the Finance Minister that this matter may be taken up with the appropriate authorities and to see whether there is the compensation to be given to our people by the United Nations. If it is so, what would be the quantum of compensation, whether that compensation will be US\$ 2,500, as reported by the UN circle and whether other countries, like India, Philippines, Bangladesh, Pakistan - Asian countries - are accepting that quantum or whether they are also insisting for the enhancement? You please also see that compensation is given to India which will definitely help the Government of India to have foreign exchange to have sound balance of payment.

14.07 hrs.

[Translation]

[SHRI SHARAD DIGHE *in the Chair*]

This is only an ad hoc legislation, I should say. Only till the Government will decide to have the bond and such other schemes in full, they will be given exemption from some of the provisions - FERA and such other Acts. There is no exemption from IPC. They are not exempted from the purview of the IPC at all. They are not exempted from some other provision—TADA. They are not exempted from such draconian statutory provision but only from FERA and Income-Tax Act to a limited period and also with a limited purpose. Therefore, in view of the present foreign exchange situation that the country is facing and also to attract whatever the savings that the Indians in foreign countries have had there in our country, it will be only a right direction if all of us pass this legislation unanimously.

SHRI DILEEP BHAI SANGHANI (Amreli): Sir, there is no quorum in the House. The Bell is being rung. Now there is quorum. Shri George Fernandes may speak now.

[Translation]

SHRI GEORGE FERNANDES (Muzaffarpur): Mr. Chairman, Sir, when this Bill was introduced, I had opposed it and at that time I had cited those Articles of the Constitution, which this Bill is violative. I would like to start with the Preamble while introducing the Bill, the hon. Finance has used the same expression as used in the statement of objects and reasons.

[English]

"Whereas the position relating to balance of payments has become difficult and it is necessary to attract large inflow of foreign exchange".

Now, first of all, I would like to raise the issue, as to how this balance of payment position become difficult, since when and why? Who is responsible for it. Our Balance and Payment position is pretty bad. Now, I wonder, where the proposed cure is going to take the country. It is my belief that the deterioration in the Balance of Payment position in the last ten years is due to the extravagant and luxurious lifestyle of a miniscule 3% of our population. They are largely responsible for this situation. Soon after assuming office, the first topic the hon. Minister of Finance took up for discussion was the serious foreign exchange crunch facing the country. At that time, we had thought that he would come up with some concrete proposals, aimed at solving forever, the foreign exchange problem. Unfortunately, the hon. Finance Minister is moving in a totally opposite direction. In my opinion, the various steps being taken by him and the various legislations being brought forward by him are not going to improve the country's financial position. Rather, I feel that all his proposals will further deteriorate the existing situation. We are very much disappointed with his performance. He has reiterated his views on the country's economic set up, its economic development, not only in the submission he made, soon after assuming office, but also on many earlier occasions.

Mr. Chairman, Sir, I have got with me a report by name 'Challenge to the South' brought out by the South-South Commission, a powerful and influential organisation of third world countries. The hon. Minister of Finance Shri Manmohan Singh was not only the Secretary of the said organisation, but also the Chief architect of this report, and if any person has contributed most towards giving a new direction to third world economics, it is our hon. Finance Minister—even though many other people too had a hand in the preparation of this report. He also would

[Sh. George Fernandes]

[English]

not deny the fact that we are very well aware of the answers to the questions, that we ask. Anyway, in this particular report, he says that:

[English]

"There is also a need, we believe, for more open discussion on the extent of corruption and its detrimental effects on development and on society. This must be the base for vigorous efforts to curb this growing evil. The measures that will greatly help these efforts include the restoration of democratic process and press freedom where they are impaired and avoidance of bureaucratisation and over-regulation, firm action on narcotic trafficking, curbing militancy and improving accountability and control in areas such as public employment and private and public finance."

[Translation]

In that report, he has nowhere suggested that efforts should be made to launder black money, accumulated by corrupt means. What's more, he has suggested nowhere in the report that third world countries numbering around 125 should pass such legislation, find out ways and means that would encourage people to accumulate black money and facilitate its conversion into white money. Rather, he has suggested stringent measures to deal with this problem. I donot want to read out those portions and waste the precious time of the Home.

Mr. Chairman, Sir, we are unhappy, because we know that it is not possible to translate the proposals made in this Bill, into reality. In this Bill you have suggested ways and means to accelerate the inflow of foreign exchange into the country. In Clause 6 of Chapter 3 of the Bill, it is mentioned.

"Non-resident Indians or overseas corporate body who or which owns the Foreign Exchange Bonds or any person resident in India to whom a gift of such Bonds has been made"

[Translation]

We have had a bitter experience in the past with regard to these Bonds, which can be purchased by non-resident Indians.

In 1981 also, the Government issued bearer bonds and succeeded in collecting some money, but the hon. Finance Minister himself would agree that instead of eliminating black money, those bearer bonds become a major source of generating black money, during the last ten years. Thus, we have seen how these bearer bonds have come to be misused, both officially and unofficially to generate more black money. Moreover, the hon. Minister of Finance cannot deny that valuable foreign exchange worth millions and billions of dollars have been siphoned off to foreign countries by hook and crook including over-invoicing and under-invoicing. On the basis of these experiences, I would like to know from the hon. Finance Minister, the basis on which he says that this legislation would help in solving the problems?

My second objection to this Bill is that the Bill makes it clear to the world at large that those Non-resident Indians who have made money through honest means, would not be given protection. The Minister of Finance is nodding his head. As such we would certainly listen to his view point when he gives reply. Here I quote from Section 6 Sub-clause (2):

[English]

"Nothing in sub-section (1) shall apply

to foreign exchange which is required to be brought into India under any of the provisions of-

- (i) the Foreign Exchange Regulation Act, 1973: or
- (ii) the Income-Tax Act, 1961, read with the Foreign Exchange Regulation Act, 1973,

if the period within which such foreign exchange is to be brought into India has not expired or where such period has been extended, in any manner, by the Central Government or the Reserve Bank of India or any other authority, such extended period has not expired on the date of commencement of this Act."

[Translation]

As such those who earn something by toiling hard, such as when a person goes to United Nations or United States of America for studies and is told that he shall not be given any sort of protection for whatever he earned there and he will have to bring his money within the prescribed period only. The laws are being made for dishonest people with a view to convert their black money into white money. We are not making laws to convert hard earned money with black money or to take maximum advantage of your money. The laws are being framed to convert black money into white money and to accord them respectability. The Minister of Finance has ensured the inclusion of this provision in this Bill.

Mr. Chairman, Sir, as I have stated before you that this Bill shall help converting black money into white money and that is not the end of it; Mr. Chairmen, Sir, I want to quote two or three examples before you as to how the money taken out from this country by certain corrupt people of this country shall be brought back under the cover of this Bill

and how those few people will gain control over the economy of this country. Four days ago in this august House, a controversy arose on the issue of Pepsi Cola and a half an hour discussion was held. At that time we had raised a point as to how Pepsi Cola company under the name of a company which exists only for the name sake had sent machinery in India and while accounting for its value the price quoted was more than double or triple of its price. Today I want to quote that company's name. By over invoicing of imported machinery, Pepsi Cola company has been able to take away enormous money out of this country.

[English]

- (1) Potato cleaning and removing machine,
Manufacturer - Van Mark U.S.A.

[Translation]

One machine is imported and its FOB value at the time of import is mentioned as 41695 dollars. It was imported in 1988 and value was recorded as 41695 dollars. In 1990 the matter was enquired into in America and this machine was brought to India. The value of this machine in America in 1990 was 22220. In other words Pepsi Cola Company cheated this country of \$ 19475. Approximately 4 lakh rupees has been sent to America.

[English]

- (2) Potato peeler with inspection table,
Manufacturer - Van Mark, U.S.A

[Translation]

Its price in 1988 was quoted \$ 84933, whereas the cost of this Machine in America in 1990 was \$ 25640. As such the country was deprived of \$ 59293. Mr. Chairman, Sir,

[Sh. George Fernandes]

the third machine was a potato slicer with Flat and V cut and its manufacturer was Urshell, U.S.A. It was brought in India at \$ 97587 and its price in America in the year 1990 was \$ 37276 only. Thus we were again duped of \$ 60311 and fourth machine was-

[English]

Potato Slicer washer with Air Sweep Automatic Vegetable fryer, Seasoning loop with volumetric feeder;

Manufacturer-Heat and Control, U.S.A.

[Translation]

The price paid was \$ 464288 where as after two years its price in America was \$ 31340 and this has been proved also. Thus we were again cheated of \$ 162918. Such a large amount of money has been sent out from our country by this Pepsi Cola company. In other words this Pepsi Cola company has sent \$ 301997 out of this country on a deal of just four machines. The Finance Minister should get the matter investigated and submit the facts before this august House. This Pepsi Cola Company was given a loan of Rs. 43 crores by the Industrial Finance Corporation of India. When Pepsi Cola Company was given the contract to set up a factory, it was stated by its officials that the entire factory would be set up at a cost of Rs. 22 crores only. When they established the factory within two years, they accounted for an expenditure of Rs. 75 crores and in this way they took loan worth Rs. 43 crores from Industrial Finance Corporation. Today I can say with full responsibility that the loan taken by it from I.F.C.I. has not been invested by this company in the construction of this factory, rather they have taken this money out of the country. In this way, the hon. Minister of Finance is now doing the job of bringing back the money of the people of India to the

country and converting that black money into white. Much of the evidence has been collected from this company. Mr. Deputy Speaker, Sir, so far the Minister of Finance brings it back to India is fine but it is just an example. Now I would like to give the example of the much talked about company called Reliance. They have sought time to meet us. We have given our consent. Much of the evidence has been collected from this company but I will give two or three examples so that we may come to know as to how the foreign exchange crisis of which the Minister of Finance has made a mention, arises, and who are the people who are further aggravating this crisis. I would like to substantiate it. There are 41 companies, out of which only one is channelised and it is registered in Panama. All these firms are bogus. Ninety nine percent capital of these firms is in the name of such a person who is an Indian but is a British Pass Port holder. His name is Shri G.V. Ishwar. The 41 companies were set up by that person. Their names are worth nothing for example Rishakesh incorporated, Veda cut incorporated, Vigneshwar Corporation, Parmeshwar incorporated, Parmathman incorporated, Vigna Raj incorporated, etc. all of them are Indian (Interruptions) Lambodhar Incorporated, Mannipathi incorporated, Sundri Kutty incorporated etc. there are in all 41 companies. These companies bought some shares in Reliance. Each company bought shares worth Rs. 10 lakh dollars and invested Rs. 4 crores 10 lakhs in Reliance. The Finance Minister must be aware that 75 percent of this money was given by Bank of Baroda to these 41 companies. But 75 percent that is Rs. 3 crores has been paid by Bank of Baroda to bogus companies is a different issue. A debate on that can be held next Saturday or can further continue in this House. What sort of relationship is there between these people and the bank is a different issue for a debate. All that I want to highlight is how the foreign exchange goes out of India Shri Ishwar has established 41 bogus

companies. The industrialists in India with whom he has intimate relationship and for whom he acts as a broker and in whose firms he has bought shares by taking foreign exchange from Bank of Baroda. Whereas 75 percent in foreign exchange is being given by Bank of Baroda still 25 per cent investment must have been made by the companies, which means about Rs. 1 crore has been paid to those 41 bogus companies which will never be recovered. As such we are extremely worried that this Bill would be utilized to convert black money of such people into white money. Nothing more would be derived out of this Bill. No one should think that we are talking of eight lakh dollars or one crore dollars.

With an other example, I would like to tell you about the practice of first diverting money to foreign countries through exports and imports by under-invoice and over-invoicing and then bringing back that money to this country for enhancing their industrial power. I am talking about the same company. I am putting forth the names of those 11 companies through which Reliance industries have diverted money to foreign countries.

[English]

MR. CHAIRMAN: You are discussing the details of these companies. This Bill has nothing to do with them.

[Translation]

SHRIGEORGE FERNANDES: This Bill contains nothing except the provision of bringing back that ill-earned money in the country, which was diverted earlier to the foreign countries. (*Interruptions*)

[English]

MR. CHAIRMAN: It is unfair because

the subject is not here and they cannot be defended by anybody here.

SHRI GEORGE FERNANDES: I am prepared to lay these papers on the Table of the House. These are Government Papers. I am not using information that is not from Government sources.

[Translation]

SHRI GEORGE FERNANDES: The hon. Minister of Finance can deny. He can assure us that he will make inquiry of this. I am even ready to lay that document on the table of the House. That is a Government document. I can take the names of those 11 companies here. Each of the 10 companies out of those 11 deposited Rs. 2 crores 8 lakhs to 2 crores 34 lakhs in foreign exchange in Reliance Company. Where are they registered? 41 companies are in Panama. I can give their addresses to the hon. Minister if he wishes so.

[English]

Avenida Federico Boyd, NO. 33, Panama Republic of Panama. Administrative Office, P.O. Box. 1961, Dubai, USE. All correspondence should be with the administrative office only.

[Translation]

I am ready to give that also. I am giving their names, a long with their addresses.

[English]

Gainford Investment Limited, Tower Street Centre, Ramsey, Isle of Man.

[Translation]

The Isle of Man is the biggest centre of all the 3-4 centres in the world, where black money from India is deposited and is

[Sh. George Fernandes]

despatched back to India for converting it into white money. Camon Island is another such centre, besides Panama. There is one Gain Ford Investment Limited which has purchased much of the shares. This company has total capital of 200 pounds.

AN HON. MEMEBR: They are below poverty line, Sir.

SHRI GEORGE FERNANDES: That is much below the poverty line. Smt. Dinkey Shah, an Indian, has a share of 120 pounds in the said company which has a capital of only 200 pounds. There is one Shri T.R. Donilee, a British citizen, who has got 40 per cent shares in it. They have purchased shares worth Rs. 2 crores and 8 lakhs from the Reliance. Wherefrom they got the money?

[English]

Thornton Investments limited, Tower Street Centre, Ramsey, Isle of Man. Shri Proful Amrutlal Shah, Indian and Mr. J.T.G. Donally. £80 that is 40 per cent.

[Translation]

They have purchased shares worth Rs. 2 crores and 8 lakhs.

[English]

MR. CHAIRMAN: You should not mention the names of those who cannot be defended here. It is not fair.

SHRI GEORGE FERNANDES: There is nothing to be defended. I am prepared to lay these papers on the Table of the House.

MR. CHAIRMAN: Follow the rules and lay them according to the rules. But under the guise of giving examples I think you cannot mention them.

[Translation]

SHRI GEORGE FERNANDES: I would not mention any more name. There is another company, victor Investment Limited which also has capital of 200 pounds. They too purchased the shares of Rs. 2 crore 8 lakhs. The Roman Investment Limited having the same address also possesses the capital of 200 pounds. They too have purchased the shares of Rs. 2 crore 21 lakhs. On the same address, there is Bainford Investment Limited which has also capital of 200 pounds. That company is under the same Director also. There is then Roxide Investment Limited at the same address, which has capital of 200 pounds. They have purchased shares of Rs. 2 crore 27 lakhs and 50 thousands. The Ayotya Investment Limited, having a capital of Rs. 200 pounds. has purchased shares worth Rs. 2 crores 27 lakhs and 50 thousands.

[English]

Asiatic Multigrowth Investments Limited (Formerly known as Crocodile Ltd.

[Translation]

You should remember that that had been much discussed earlier. They too, having the same capital of 200 pounds have purchased shares worth Rs. 2 crores and 34 lakhs. At the same address, there is one Caurvin Investment Limited, having the same capital of cc 200 pounds, has purchased the shares of Rs. 2 crores and 8 lakhs.

[English]

Asian Investment Limited, Fiasco Investments are also there.

[Translation]

Those are also very talked about names. Those too, having a capital of 200 pounds

have purchased shares of Rs. 2 crores, 34 lakhs. The last one is the Tricut Investment Limited at another address, i.e. 15, Voltoon Street, London-W-I. Having a capital of Rs. 2 crores they have purchased shares of Rs. 42 lakhs 50 thousands. My submission is that you have raised objection, but I have only one complaint.

[English]

SHRI E. AHAMED (Manjeri): Sir, I would like to ask Shri George Fernandes if these companies have taken share in a particular Indian company in violation of the existing foreign exchange rule. (Interruptions)

MR. CHAIRMAN: There is no procedure for asking question like this.

[Translation]

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, his question is quite genuine.

[English]

SHRI E. AHAMED: I want to elicit more information. (Interruptions)

MR. CHAIRMAN: Whatever information you want, you can see him afterwards. He is addressing the Chair on a Bill. You cannot put question like this. Please do not waste the time of the House.

SHRI E. AHAMED: If the hon. Member submits it, the Minister will give him the reply.

MR. CHAIRMAN: After having told you, do not ask, why do you continue like this?

(Interruptions)

[Translation]

SHRI RAM NAIK (Bombay-North): You

have understood the question. Now please answer it (Interruptions)

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, we can understand their difficulties well. They say that there is nothing wrong in bringing back that money to India. You had opened the door for Non-Resident Indians to purchase equity shares of the Indian companies and had fixed certain limits. I do not remember the exact limit. But thereafter, the Government of India suddenly took a decision, which I would not like to discuss here due to scarcity of time. I will confine myself only to one point i.e. the Government has opened all its doors for them to bring back their money, dishonestly and illegally earned money, to this country, which they had sent earlier to the foreign countries. Earlier, they could bring their money through the back door only. But now the Government has legalised the whole process and one is now free to bring any amount of black money to this country and may easily dictate the economic structure of this country.

Mr. Chairman, Sir, day before yesterday, Shri Lal K. Advani, the Leader of the Opposition here, spoke in the Annual Session of FICCI. He rightly said that the black-money worth Rs. 60 thousand crores is generated every year in the country. The same thing was also said by Shri Vasant Sathe a former Member of this House and a former Minister also. He had proved all these statistics in a book written by him. Black-money worth Rs. 50 thousand to Rs. 60 thousand crore is generated on an average in India. It was calculated 7-8 years ago. I think rupees one lakh crore is being generated now. Shri Advaniji has said that black money worth rupees sixty thousand crore is generated in India. That money is remitted to foreign countries through 'Hawala' The case of B.C.C.I. is also one of them. Money is remitted through 'Hawala' and we think that no other person in the House has as much

[Sh. George Fernandes]

information as the hon. Finance Minister has about the way the 'Hawala' market is flourishing in Bombay and in metropolitan cities of India. I am perturbed over it. The hon. Finance Minister should not allow those to go scot free who are responsible for remitting Indian money to foreign countries by unfair means by liberalising foreign investment in the country merely to have a control on the economy of the country. Mr. Chairman, Sir, Bofors issue has appeared in newspapers today. We don't want to discuss it. But one thing in the newspapers has perturbed us very much. The name of a big murderer, a rioter of India whose name has been registered in F.I.R. in connection with Bofors issue. You will not allow me to mention his name. He filled a case in Delhi High Court yesterday. I want to place here one point of the case as I feel ashamed of it.

[English]

"The petitioner apprehended that it would be construed as contempt of the House if the CBI reopened the entire matter again after the Joint Parliamentary Committee had adjudicated over the issue of payment of any commission in the purchase of the guns."

[Translation]

Mr. Speaker, Sir, you should understand the meaning of it. The man who is not coming to India and is afraid of coming in the country and who lives in Dubai and does not accept any summons sent from here, is escaping from the provisions of the law of the country. He, through his advocate, gets one document filed in Delhi High Court. To save his skin, he says in the petition that it would be construed as contempt of the House. It is surprising that the smugglers of international notoriety are busy to save us as well as the dignity of the House. I request the hon.

Finance Minister to look into the provisions of the Bill which aim at honouring these smugglers. I request the hon. Finance Minister to withdraw the Bill. If you he does not withdraw it, I hope the House would be able to reject it.

[English]

SHRIMATI GEETA MUKHERJEE (Panskura): I do not believe in saying everything at a time. Therefore, I shall try to be precise. Moreover, many erudite speakers have spoken before me.

Firstly, about balance of payment from which this Bill emanates I would like to ask questions from the Finance Minister himself because I may not have the opportunity of listening to him at the reply stage as I may have to go with my husband, who is ailing. Therefore, may I know the answers to the suggestions that I gave with regard to saving balance of payment. Sir, you were in the House and you may recall that I asked that some of the domestic flights which are not in the far flung areas, surely can be cancelled for at least one year. Heavens will not fall because of that on our head. But lot of foreign exchange can be saved from the aviation fuel which is one of the costliest materials that we import. What is the answer to that? Secondly, I asked that there are several imports which are not so necessary. I am not going into all these. But two I specifically mention. Unfortunately I did not have the opportunity enough to give amendments on that because it entails seeing a lot of other Acts which I did not get the time because of my internal and external situation. But I would like to know the reason why you cannot stop importing synthetic caffeine referred to by one earlder and my erudite friend, George Fernandes referred to Pepsi again. I still ask you that question. It seems to me that we are contemplating to go to the twenty-first century on the wheels of the imported car parts, that is not only imported

technology but also practically the whole body of the car will take us to twenty-first century. Is it so very essential that we keep all these and let that run all the time? Can we not stop that for some time at least for saving petrol which is once again a very important component of imports. To these three questions I would like to have an answer.

Now I come to this Bill. As far as this Bill is concerned, there itself, in that speech of mine, I had referred to and I am once again coming to the question that is being referred to at length by George Fernandesji and I have also the right to ask you - that when you are asking these NRI deposits, how are you going to guarantee that this will not be the *laundered* money taken from our country as black money and that laundered money will not come back to us in foreign exchange? This happened earlier also. This is happening all the time with the great Hinduja's and what not. There are many others also. So, what is really your precautionary measure with regard to that point? I have not seen any reference to the precautionary measure here.

Therefore, I would like to ask these few questions in a pointed manner and I expect the answers in a pointed manner, instead of going in for every other parallel example. Examples are galore but the point is this. So, a pointed answer will be very much appreciated by me. I hope that I will get the answer.

MR. CHAIRMAN Shri Girdhari Lal Bhargava. Please speak on this motion as well as on your amendment regarding circulating this Bill.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): I will fully abide by the orders of the Chair.

Sir, our hon. Finance Minister wants to

bring back the capital invested in foreign countries by way of 2 or 3 schemes keeping in view the economic situation of the country. About 1.2 crore non-resident Indians (NRIs) are living in 150 countries. The Finance Minister has chalked out some schemes to attract foreign exchange and to encourage more and more NRIs to invest their money in India to the maximum possible extent in order to save the country from the foreign exchange crisis in the budget. for the year 1991-92. He has offered some concessions to NRIs to invest their money in India under these schemes. The amount of foreign exchange has been exempted from the provisions of direct-tax laws and Foreign Exchange Regulations Acts.

Two categories of citizens are there in foreign countries. One category consists of Indian citizens and the other category is of those who are not Indian citizens. It has been stated that these people can send foreign exchange to any person living in India. No gift tax would be imposed on that money. There would be no need to disclose the source of the money. No enquiry would be conducted on the source of the money. It would not be taxed. And it was stated that the money should be sent as early as possible by 30th November, 1991.

I request the hon. Finance Minister that when the NRIs are free to send foreign exchange to any Indian citizen, it will increase the possibility of emergence of illegal foreign agents and there would be no check on the amount to be received by some institutions. I mean to say that some people would become the agents of NRIs in India. It may be made compulsory that the amount of foreign exchange can be sent by those Indian citizens who are already residing there. It is my first suggestion. I hope that you will get the amount from that category of Indian citizens. I hope you will accept my suggestion.

[Sh. Girdhari Lal Bhargava]

My other submission is about the other scheme to issue Bharat Vikas Bonds through State Bank of India whose value would be assessed in American dollars. NRIs would be able to purchase them through corporate body in foreign countries. These bonds would be issued for a period of 5 years and no limit on investment has been fixed. These bonds are transferable among NRIs. The interest earned by the bonds would be exempted from income tax and no wealth tax would be imposed till their maturity. They can send these bonds as gift to Indian citizens. These gifts would be exempted from income tax as per earlier practice. The resident who owns bond, is also immune from the provisions of law relating to the conservation of rate of exchange, income tax and wealth tax till maturity of bonds. The cash payment would be made in Indian currency. That amount could not be sent there. You have also fixed the date of 30th November, 1991 in all the Branches of the State Bank of India in foreign countries.

My humble submission is that those who are not Indians and those who have not acquired Indian citizenship and are living outside the country should not be given such exemption. I think it would not be proper if you give them exemptions.

In the same manner, you have brought forth these three schemes. You have made a scheme to convert black money into white money. There is an economic crisis in the country. I have nothing to say in this regard as Indira Vikas Patra are already in operation in the country. That too is an instrument of converting black money into white. Schemes like Housing Bond etc. come in that category.

My last submission is that these N.R.I.s who are taking nothing from you. If they want to run their business in India, they should be

given proper facilities because they go abroad after getting harassed from red-tapism. After some years spent in foreign countries they don't wish to come back to India. In fact they want to come back to their own country. When all the facilities are not made available to them in the country, they prefer to remain there. That is why it is my submission that those who are Indians and citizens of India and are living in foreign countries should be given proper facilities to establish their business in India. The hon. Minister would definitely take my suggestion into account while replying to it.

[English]

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): Sir, this Bill is just an indication of what a terrible plight we are in, because of our activities in the course of the last ten years. I think others have referred to that. It shows how in order to overcome our foreign exchange crisis we had to suffer and also shows to what extent we had to go down the desk in order to save us from the foreign exchange crisis. On the one hand it is I.M.F. We will surrender our everything to them. On the other, there is no scene on earth which we are not prepared to condone only with the hope that there will be no foreign exchange problem. I think others have mentioned this aspect with data etc. But the point which strikes me as more dangerous than that is this Bill will be the instrument of future generation of black income in the form of foreign exchange. It will be not only what has been accumulated as foreign exchange via black income, but this will be an instrument in generating such black income in foreign exchange.

15.00 hrs.

We all know that people, our NRIs and

others, when they come here, they have their friends here, these friends take care of all their expenditure in rupee terms, they don't spend even a farthing in foreign exchange. Whatever is spent against them is credited against these individuals as foreign exchange in the foreign countries. This is facilitated by this Bill because the amnesty scheme which has been proposed internally provides for 40 per cent deduction as a tax, which we will discuss perhaps in connection with the Finance Bill. But in the case of these bonds and gifts, there is absolutely no tax at all. Apart from that, I don't know because of hawala market what will be the net result because the rates there are speculative, all kinds of considerations are there. But this warning has to go from this House that in projecting a situation of crisis in the economy, in projecting portrait of distress for our economy and in trying to arrive at a solution which will take us from this precarious situation, in fact all the policies announced up to now will lead us to more and more penniless situation. This is a warning which this House must convey to the Finance Minister. The Finance Minister feels helplessness and that is only so because he has fixed up his own parameters beyond which he refuses to go to handle the problems of the economy. I am afraid, Sir, not only this Parliament, but the people of the next generation will never be able to pardon this generation of parliamentarians and the present Finance Minister for all the crimes that they are committing to the future generation.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Sir, I thank all the hon. Members who have taken part in this debate.

I think several points have been made, some insinuations, some facts, and so on.

Now it is not possible for me to go into all those things in detail, but I would like to say that too much should not be read into this Bill. It is an emergency measure to deal with a very grave emergency situation that for a short duration of time this facility will be available. So, what is the facility? I think several hon. Members in this House have said more than once that before we go to the the IMF we ought to make use of the resources that are available with non-resident Indians. I think my colleague, hon. Member Shri Ahamed, referred to the need for having a national policy for dealing with the NRIs. I agree with him, we ought to work it out and it is our intention to have a long-term policy to ask for non-resident investments in our country. But from several quarters the non-resident Indians approached us. They said 'Well, India is in such great difficulty, we are willing to come to the help of our country', and this was one instrument this bond to be floated. If a person is a non-resident Indian, he does not pay any Indian taxes anywhere. The only concession that we are giving to those who subscribe to this bond is that if they gift this bond to somebody in India then that bond in the Hands of the donee would also be exempt from the Indian tax. Therefore, all that has been said about laundering of black money and all that, I think, is probably not warranted.

Second thing that I want to say is that the second part of the scheme is certainly a scheme which says that if any resident Indian may have at sometime taken money out of this country, we are giving him one chance to come clean, if he brings back that money. For the purposes of three Direct taxes Act, for the purpose of FERA and Foreign Contribution Act, we will ignore the action on his part. This does not mean that we are condoning anything by way of corruption or

[Sh. Manmohan Singh]

other acts. For example, the Act clearly provides and I think, Shri Mohan Singh has misunderstood the intention. I read it. In the Foreign exchange remittances scheme, the immunity and exemption proposed to be extended do not include immunity and exemption proposed to be extended do not include immunity from prosecution of any offence punishable under Chapter IX or Chapter XVII of the Indian Penal Code, 1860, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Terrorists and Disruptive Activities (Prevention) Act, 1987, the Prevention of Corruption Act, 1988 or for the purpose of enforcement of any civil liability. Therefore, to say that these anti-social elements will use this facility, I think, once again is not warranted.

Shri George Fernandes mentioned the problem due to under-invoicing and over-invoicing. I think, it would not be honest if I did not admit that under-invoicing and over-invoicing did not exist; that there is large element of tax evasion also in our country; large elements of foreign exchange are taken out from this country. Over a period of time, I think, we have to find more durable and more permanent solution to these problems. I would say old methods of finding solution through coercive, administrative patterns had their values but they are increasingly becoming of limited values; whether you want it or not, I think, the Indian economy has perforce been increasingly integrated into the world economy.

I was the one who was associated initially with the Foreign Exchange Regulations Act which came into being in the early 70s. At that time, we never imagined that there would be large flourishing Indian community over-

seas. I think, the attempt was to deal with a problem in a background which has now totally changed. It would require a total change in thinking. Now the three-increases in the price of oil has increased the share of foreign trade in our national income in a big way. So, the scope for under-invoicing and over-invoicing has certainly increased and I see over a period of time, I think, we have to move towards a more convertible currency regime in which I think, these types of activities do not become profitable. The old methods of dealing with these problems had their values. I think, we all know, they have not been successful. But I do take note of the problem that Shri George Fernandes has mentioned. In the days and months to come, I think, we must ponder over these problems, how we can, working together, find more effective solution to these problems.

But today what we are dealing with is a limited problem of trying to deal with a grave national emergency on the balance of payments and I would say that we cannot be casual in these matters. Today we have no foreign exchange to import even the most essential commodities of life. I apologise to Shrimati Geeta Mukherjee for not having replied to her in the debate on the Budget and not having written to her. But I do agree with her that we must minimise wasteful expenditure on imports. I can assure her that what we have done in the course of the last three months, is at the margin, we have increased the incentive to use more and more of indigenous products. The protection that is available to Indian products as a result of changes in the trade policy has in fact increased; it has not decreased. Some specific issues were raised. It was asked whether synthetic caffeine should be imported or not; whether motor-cars should be produced or not; whether, I think, the number of flights

can be reduced or not at a margin. Certainly, if these things were done, there would be some savings in the petroleum products. But there are other consequences. There are consequences in regard to what happens to employment if you have a large-scale retrenchment in the motor-car industry. All those things have to be taken into account before you can take decisions that you can close down it. In fact, you could solve the balance of payments problem if you were prepared to accept that we were to close all the industries; if we were to shut-down all India's transport system. Then obviously you will not need any foreign exchange, iron and other commodities.

SHRIMATIGEETA MUKHERJEE: Sir, I seek your protection. The hon. Minister is presenting as if I have asked him to stop all the transport facilities. Have I said that? What happened to my letter about the expenditure on Minister's transport of shall I state that now? I did not say that thing.

SHRI MANMOHAN SINGH: You can do it at some other time. I feel that taking into account the totality of circumstances, taking into account the options that we have, and the fact that we had to send gold, which was available in our official reserves, abroad that itself is a measure of the gravity of the situation that this country faces today.

Several hon. Members have asked this question: How has that situation come about? That is long standing one. But I think we can dissect the past. That is not going to find a solution to the problem that we face today. My honest feeling is that whatever have been the mistakes in the past, they should be

corrected. There have been mistakes. Maybe, we have imported too much. But in the last couple of months, the import regime that we have put into place explains the position. I worry about the employment consequences. I worry about the employment consequences of that. If this import compression persists there would be large-scale unemployment in the industry in our country. We must do everything in our power to ward-off those dangers. This is a small attempt to deal with that emergency situation. I am not saying that this is a permanent solution to the balance of payments problem. I am not saying that this is something which should become a normal thing, that we should provide permanently a mechanism for converting black money into white. But in a situation in which we are placed today, if there are people who have the foreign exchange abroad, if we give them a limited period option to bring that money into our country taking into account the need, the dire need of this country for foreign exchange, I think national interest demands that this thing should be approved taking into account the totality of the circumstances prevailing in our country.

As far as the Non-Resident bonds are concerned, I am sorry that several Members in this House have cast aspersions on Non-Residents. I think soon after our Government took office, the hon. Chief Minister of West Bengal Shri Jyoti Basu, for whom I have great respect, made a public statement. He said our first attempt should be to go to the Non-Residents; they have a lot of resources. I can assure you that it was in that spirit that this scheme was formulated. Now a motive has been imputed to Non-Residents. I would like to repeat that we are not giving any undue facilities to the Non-Resident Indians. (*Interruptions*)

SHRI HANNAN MOLLAH: I coined the term as 'Native Non-Residents'. They are sitting here and siphoning-off money outside and bringing back the money again. They are not Non-Residents. They are Native Non-Residents whom you are rewarding.

SHRI MANMOHAN SINGH: I think there are people who will misuse all facilities. I cannot, I think, guarantee that they will be all the time fool-proof mechanism to those who want to evade the country's lot. But I think you have to look at all these factors in totality and taking into account all these factors, I believe, what we are doing is the right thing. It is in our country's interest. If it gives us elbow-room to deal with the balance of payments problems in the next few months, then I think, we can take all these hard measures, medium-term measures which alone can see this country through.

I think, reference has been made to the need for self-reliance. I do agree with you. There are no international solutions to the problems of a country of India's size, of India's diversity. Neither the non-resident Indians abroad nor the IMF, nor the world community can solve our problems. We have to find solutions to those problems. But in an emergency, we have to deal with the emergency problems with the speed with the swiftness. I think, given our need for foreign exchange, we have no option today but to explore this particular thing. (Interruptions)

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): Can it be said that in the game of anticipation, there will be more outflow and inflow of foreign exchange?

SHRI MANMOHAN SINGH: As I said, there is no danger. We are going to take a

scheme and that scheme will be operative only for a limited period of time. As far as foreign exchange bonds are concerned, I do not feel that this is a scheme which leads to any of those loopholes. Therefore, I do not share any of these fears. With these words, I commend this Bill to the House.

SHRI BHOGENDRA JHA (Madhubani): Sir, I would like to know whether the Minister has taken care of the fact that foreign exchange can have political implication of undermining stability of our political system for the integrity of the country. I would like to know whether any steps are being taken to ward off this.

SHRI MANMOHAN SINGH: I have already mentioned that if there are any political aspects, if there is no violation of the Narcotics and Drugs Act or the Psychotropic Substance Act and if there is any action to be taken under the Terrorists and Disruptive Activities Act or Prevention of Corruption Act, then, there is no amnesty from, I think, any of these Acts.

MR. CHAIRMAN: There are amendments moved to the consideration Motion by three hon. Members Shri Mohan Singh, Shri Girdhari Lal Bhargava and Shri Bhagwan Shankar Rawat regarding the circulation of the Bill for eliciting public opinion.

I shall put all the amendments together to the vote of the House.

All Amendments were put and negatived

MR. CHAIRMAN: The question is:

"That the Bill to provide for certain

Immunities to persons receiving remittances in foreign exchange and to persons owning the Foreign Exchange Bonds and for certain exemptions for direct taxes in relation to such remittances and bonds and for matters connected therewith or incidental thereto, be taken into consideration."

The motion was adopted

MR. CHAIRMAN: The House will now take up clause by clause consideration of the Bill.

Clause 2

MR. CHAIRMAN: There are amendments of Shri E. Ahamed and Shri Rasa Singh Rawat.

SHRI E. AHAMED: In the light of the reply given by the Finance Minister, I withdraw my amendment.

SHRI RAM NAIK (Bombay-North): When he has not moved it, where is the question of withdrawing it.

MR. CHAIRMAN: All right. Amendment is not moved.

SHRI RASA SINGH RAWAT - Not present

The question is:

"That Clause 2 stands part of the Bill."

The motion was adopted

Clause 2 was added to the Bill

MR. CHAIRMAN: There are amendments suggested by Shri Rasa Singh Rawat. He is not present.

The question is:

"That Clause 3 stands part of the Bill."

The motion was adopted

Clause 3 was Added to the Bill

Clause 4

MR. CHAIRMAN: There are amendments suggested by Shri Girdhari Lal Bhargava. He is not present.

Shri E. Ahamed - Not moving

The question is:

"That Clause 4 stands part of the Bill."

The motion was adopted

Clause 4 was added to the Bill

Clause 5

MR. CHAIRMAN: There are amendments suggested to Clause 5.

Shri E. Ahamed - Not moving

Shri Rasa Singh Rawat - Not present

The question is:

"That Clause 5 stands part of the Bill."

The motion was adopted

Clause 5 was added to the Bill

Clause 6

MR. CHAIRMAN: There are amend-

ments suggested by Shri Rasa Singh Rawat. He is not present.

The question is:

"That Clause 6 stands part of the Bill".

The motion was adopted

Clause 6 was added to the Bill.

Clause 7

MR. CHAIRMAN: There are amendments suggested by Shri Girdharilal Bhargava. He is not present.

The question is:

"That Clause 7 Stands part of the Bill".

The motion was adopted

Clause 7 was added to the Bill

MR. CHAIRMAN: Now the question is: "That clause 1, Enacting formula, Preamble and the long Title stand part of the Bill"

The motion was adopted

Clause 1, Enacting Formula, Preamble and the long Title wer added to the Bill

SHRI MANMOHAN SINGH: I beg to move:

"That the Bill be passed".

MR. CHAIRMAN: The question is: "That the Bill be passed".

The motion was adopted

15.22 hrs.

SPECIAL PROTECTION GROUP (AMENDMENT) BILL

[English]

THE MINISTER OF HOME AFFAIRS
(SHRI S.B. CHAVAN): I beg to move:

"That the Bill to amend the Special Protection Group Act, 1988, be taken into consideration".

As the hon. Members are aware, the existing Special Protection Group Act, 1988 provides for the SPG security cover only to the Prime Minister in office. After the unfortunate assassination of late Shri Rajiv Gandhi, former Prime Minister, many of the hon. Members had demanded that SPG security cover should be provided to the members of the family of late Shri Rajiv Gandhi in view of the fact that they are under high risk of security. The Government of India considered the matter and the Special Protection Group (Amendment) Bill, 1991 was introduced in the Lok Sabha which was aimed at amending the SPG Act in order to cover the family of late Shri Rajiv Gandhi. However, some of our hon. Members had expressed the opinion that no distinction between an assassinated ex-Prime Minister and a living ex-Prime Minister should be made.

Honouring the views expressed by the hon. Members in this House, the Government have reconsidered the Bill and it is now proposed to amend the SPG Act in order to cover the former Prime Ministers. The Government have decided that the SPG cover may be provided to the former Prime Ministers and the members of their families for a maximum period of five years from the date of their demitting the office of the Prime Minister. Time is a healer. It is expected that with the lapse of five years, the threat will recede and will become less imminent and could be dealt with by non-SPG security cover.

Sir, I hope the proposed amendment will meet the aspirations of a large number of people who have expressed their serious concern about the security of the former