

MR. DEPUTY CHAIRMAN: You should give more importance to the business of the House and try to be present here.

SHRI BHUPESH GUPTA: What do you say, Sir, I do not understand.

SHRI MAHAVIR TYAGI: I think, Sir, the demand is quite legitimate. But this can be accepted through the Business Advisory Committee only. This will not be discussed...

(Interruptions).

MR. DEPUTY CHAIRMAN: All right.

SHRI MAHAVIR TYAGI: Sir, it is a legitimate demand.

MR. DEPUTY CHAIRMAN: All right. Please sit down. Mr. Shah.

SHRI MAHAVIR TYAGI: Sir, it is a legitimate demand of the Opposition that the convenience of the Opposition parties must also be looked into and this must be done by the Business Advisory Committee. The Business Advisory Committee, while making the plan for the business of the work, might take this into account and it is not for the Chair to do and therefore, my suggestion is that the convention may be established that the Business Advisory Committee should give due regard to this.

SHRI BHUPESH GUPTA: Let the Leader of the House say that.

LEADER OF THE HOUSE (SHRI K. K. SHAH): On the 10th we can have it.

SHRI BHUPESH GUPTA: On the 10th? At 6 O'clock, there is a meeting with the Prime Minister.

SHRI K. K. SHAH: Before that.

SHRI BHUPESH GUPTA: Therefore, on the 10th?

SHRI MAHAVIR TYAGI: The Government is in your pocket. Why do you bother?

SHRI K. P. SUBRAMANIA MENON (Kerala): Can't we have it next week, Sir?

SHRI K. K. SHAH: Both the items can be together.

SHRI BHUPESH GUPTA: If Mr. Shah is agreeable to our kind of adjustment, you can go on with your business. We will discuss with you and let you know.

THE DEPUTY CHAIRMAN: All right Dr. Bhai Mahavir.

I. RESOLUTION SEEKING DIS- APPROVAL OF THE FOREIGN EXCHANGE REGULATION (AMENDMENT) ORDINANCE, 1970 (No. 5 of 1970)

II. THE FOREIGN EXCHANGE RE- GULATION (AMENDMENT) BILL, 1970

DR. BHAI MAHAVIR (Delhi): Mr. Deputy Chairman, Sir, I rise to move the Resolution in this House disapproving the Foreign Exchange Regulation (Amendment) Ordinance, 1970 (No. 5 of 1970), promulgated by the President on the 20th September 1950.

Sir, while moving this Resolution and making a few remarks on the Bill that has been presented before the House and which is being discussed simultaneously with this Resolution, let me start by straightway admitting that there is not much in the Bill which I wish to oppose. It is not a very big change that is being sought by the Government in the Bill and the change that is sought is the extension of time, where delay has occurred because of the intervention of some court order or some other such incident, and that extension of time should not be grudged by the House. But, Sir, when such a thing dealing with exchange control is brought before the House, it is not only the limited point for which the Bill has been brought that we are concerned with, but we are also concerned in a wider way with the general policy of the Government regarding exchange control, and it is in this context, Sir, that I wish to make certain remarks in the hope that the hon. Finance Minister would be kind enough to pay some heed to them. Why I mention this or why I express this hope from the hon. Finance Minister I would like to explain.

It is some three weeks back that I myself wrote a letter to the hon. Finance Minister, Shri Chavan, regarding

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a case in which I had information. So far as I was able to gather, there was something wrong with the implementation of our Exchange Control system in this country. I forwarded to him the facts of a case in which one small firm, one small manufacturer, had produced a part which has hitherto been imported either from Russia or from Romania. That part is called Air Tube Clutch Assembly, and it is used in deep oil well drilling by the Oil and Natural Gas Commission. It has no other use. There is no other party in this country that would be able to make use of this particular part which has been evolved in this country, and the ONGC has, so to say, the monopoly of purchase. Now, if the ONGC has a monopoly of purchase, much will depend on the attitude this Commission takes to the manufacturer and to the part which he has evolved.

Sir, the facts that have come to my notice are rather disturbing. I was told that some time back the Government brought out a certain notice asking for offers for the manufacture of this particular part. This one firm, of which I happen to know a little, made an application. Firstly, the officer tried to discourage them, saying, 'You will not be able to do it'. That firm took up the challenge and within the period, which they had stipulated, they were able to manufacture that part. They took it to the ONGC officials, and one particular specimen was given which was installed for the purpose of testing. Now, here I have got the Test Report. Sir, there is one item, Item No. 14, which says: 'Is the part suitable as replacement of imported part?' The Test Report says, 'Yes'. There is no qualification. There is no other 'agar-magar' about it. There is another clause, clause 17, about the suggestions for further improvement. It says 'Nil'. No further improvement is suggested. About Observations made after trial 'if samples and reasons for rejection', it says, 'Performance is satisfactory'.

After all these things have been settled, what would normally a person expect the Government, or the ONGC, to do? Naturally, the person would expect that he would be encouraged. He happens to be small. Therefore, there can be no charge of some sort of big business coming in and trying to influence things in this particular matter.

So he is a small manufacturer. If he has been able to evolve a part which up till now was not being manufactured in this country, for which we were totally dependent on import, Government, I think, would be duty bound to encourage him, to give him patronage, to place whatever orders it has on this particular firm. But, Sir, what has happened? The complaint of that particular firm is that out of their annual requirement of 824 units of this particular part, only 34 have been indented from this particular firm; 790 continue to be probably imported from the USSR. Now, they approached the concerned officials; they wrote to the Director, they wrote to the Ministers they wrote to the Controller General of Imports. But there was not even the courtesy of a reply. When they approached the officials in the Commission and asked them why it was that they were not patronising them even though they had incurred expenditure, used indigenous skill and evolved a part which was totally indigenous. The reply that, I am told, they were given was, 'Do you want us to put all our eggs in one basket?' Supposing tomorrow you refuse to supply these, where shall we go?' I am unable to appreciate it. If there is any risk of somebody refusing to supply—perhaps a foreign country could also refuse to supply for political reasons or for pressurizing it—if there is a firm in this country which has evolved a particular part and even if the Government has this reason that it may refuse to supply, the Government can get the manufacturing process and produce it themselves. This is not a reason for which the Government should refuse the place its requirements on this firm.

SHRI MAHAVIR TYAGI (Uttar Pradesh) : Would it not cause annoyance to Russia?

DR. BHAI MAHAVIR : I do not want to impute that but the way things have happened, the way the ONGC has behaved is strange. Not only this. Two Russian experts who are supposed to be working with the ONGC were sneaked into the manufacturing plant of this firm so that they could understand how they had evolved it. If there is any indigenous skill or particular process through which this firm has evolved it, how it the business of the ONGC to ensure that this particular secret or method should be leaked out to a foreign country particularly when till now

we have been totally depending on Russia and Rumania for the purchase of this part? Perhaps the Finance Minister would be able to get rid of this by saying that his Ministry does not come into the picture when I talk about the ONGC. But there is a non-availability certificate which is essential before any permit for import is given. How was this non-availability certificate given for this particular item I am not able to understand. Is it not that there are some officers who are addicted to imports as one would be addicted to opium or wine? When they are addicted to imports, they are able to manage such certificates also. Now the ONGC has gone a step further to place hurdles in the growth of indigenous techniques. I am told whereas no guarantee of minimum performance was asked for or given by Russia, this particular type of guarantee was insisted upon in the case of this firm and even when they gave this guarantee, the ONGC has kept its hands tied and it has not obliged by placing its order on this firm. I would like to understand how the Government approves of this type of exchange control policy. I wrote to the Finance Minister three weeks ago. I have not got a reply from him. I hope he will look into the matter before they import further unless of course this looking into the matter is only a smoke-screen for permitting the import addict officers to keep on importing this part from outside. This is not the only instance. There are instances of this type elsewhere also but when I came across this, I felt that it would be amounting to Rs. 13 lakhs spent on import of this part by the ONGC and this could be saved straightaway by the Government by accepting the Indian offer. I am not interested in who the person is but whichever may be the firm, when an Indian firm helps us in saving foreign exchange, I have not been able to understand the logic or illogic of the **ONGC in insisting** upon the the **importation of this** particular part. This is **one instance** of the way the Government has been carrying on. But there are other instances also where the Government has been insisting that they would import when there were offers indigenously for marking components for tractors. It is well known that there was an offer by an Indian firm to make the Swaraj tractor—a purely indigenous tractor—but they were advised to seek some collaboration with Hungary or Czechoslovakia. So when the Government asks our people who are able to

have import substitution, to have foreign collaboration, why not abolish the import substitution cells that are here and there and why keep this facade or drama of trying to make the country self-sufficient. This is not the way to make the country self-sufficient. It is only a way to throw dust in the eyes of innocent people. So, Sir, I would like to know whether the Government is clear in its own mind as to the difficulty of foreign exchange and how it is to be conserved. To my mind, unless we go all out in encouraging Indian units to come up with well planned and well thought out efforts at import substitution where indigenous technique is to be encouraged, unless we go all out to encourage it, I think all these Bills that are being brought here, they will not be able to achieve the purpose which, we are told, is contained in them. Then there is the car business. Now we know that a small car is to be brought into being and that the Government has decided to have a public sector plant with foreign collaboration. While the private sector plants are being asked to do it purely indigenously, I do not know how the Government considers itself to be less competent than the private sector persons who are being asked to manufacture the car indigenously. Why is it the Government cannot set an example? Setting an example is better than all types of sermonising, but here, Sir, we get sermons only. We are telling that the people should tighten their belts. We are telling that the people should not import unnecessary things. But then, the Government has in its own ranks people who are not only fond of importing but are also insisting on importing things which are available in the country. Sir, this is something which is very serious, and I would urge upon the hon. Finance Minister to kindly satisfy us about this type of complaints that are being brought forward before us. Unless we are satisfied, the House would have to consider the price involved before giving assent to a Bill like this. Although, as I said in the beginning, I do not personally object to this Bill as such, I do object to the way we are handling our foreign exchange resources.

SHRI MAHAVIR TYAGI : What about the tractor that was to be indigenously produced?

DR. BHAI MAHAVIR : That has its own story. That particular plan was snapped, that particular plan was

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finished; I do not know what happened to it but, Sir, the fact of the matter is that, when a particular firm takes it into its head to evolve a purely indigenous instrument or a machine or a particular part, for some time they have to rake their brains, they have to spend, they have to incur losses, and then, after doing all that, when they come forward with a scheme, if cold water is thrown on that scheme, they are naturally discouraged. And you cannot possibly hope for the people to come up with new ideas if you are going to have that attitude towards them. This is the case with regard to the tractors themselves. With regard to this particular part that I have mentioned, the foreign exchange comes to Rs. 13 lakhs. What I was told was that a new import order is in the offing. I do not know if the order has been placed by the ONGC, but I would urge upon the hon. Finance Minister to look into it, and if the order has not been placed, to put its foot down and to see that, if there is an indigenous part which can substitute an imported part, the import of that part is completely disallowed. No argument, no type of pleading, no false logic can satisfy us if there is an Indian offer and the test report shows that there is no defect in it. In this situation I would urge upon the Government to look into the whole machinery of Foreign Exchange Regulations and to assure us that there is no hanky-panky about it and that no person is being allowed to play ducks and drakes with the hard earned foreign exchange resources of the country.

The question was proposed.

THE MINISTER OF FINANCE (SHRI Y. B. CHAVAN) : Sir, I beg to move—

“That the Bill further to amend the Foreign Exchange Regulation Act, 1947, as passed by the Lok Sabha, be taken into consideration.”

Sir, this Bill is a very simple Bill as Dr. Mahavir has just now explained and from the speech I have heard he also does not seem to have any particular objection to the passing of this Bill or for the ordinance which was issued to meet its objective.

— First of all, I will talk about the relevancy of this Bill, the necessity and the urgency of this Bill. As we all know, under section 19G of the Foreign Exchange Regulation Act the officers of

the Enforcement Directorate have been given power to attach certain documents and to examine whether there is any evidence in support of the proceedings that are likely to be taken. There is also provision that these documents can be kept in the custody of the enforcement officials for a period of not more than a year. That is the provision in the present Act. And I think this provision has worked very well till very recently. The period of one year is reasonable enough and that position we are not disputing but it happened recently in a case where certain documents were taken into custody by the enforcement officers but the parties concerned went in writ petitions and through court orders and the documents concerned were sealed so that the officers concerned could not check them, scrutinise them and decide whether they could be used in evidence. Those documents were attached some time in October 1969 and the period was to come to an end by October 1970. The expectation was that these documents would be released from the court before October but when we found it was not likely to happen, it was necessary, in order not to allow the parties to defeat the purpose of the investigation, to issue an Ordinance which purports to give protection in the sense that the period during which the documents were sealed by the orders of the court will be excluded from the calculation of the period of one year provided for in the Act. That is the simple proposition. It was to meet the requirements of this case that there was urgency for promulgating this Ordinance and the present Bill is only to replace that Ordinance. This is a very simple thing. I do not think the House will think of putting difficulties in the way of the investigating authorities which are doing very important and essential work and I have no doubt that all Members including Dr. Mahavir will support the replacement of the Ordinance by this Bill.

DR. BHAI MAHAVIR : Provided you satisfy me that. . .

SHRI Y. B. CHAVAN : I cannot guarantee satisfying you.

DR. BHAI MAHAVIR : But you can try.

SHRI Y. B. CHAVAN : Certainly I will try.

SHRI MAHAVIR TYAGI : Is that the only point in the Bill?

SHRI Y. B. CHAVAN : That is the only thing, there is nothing else.

The points that he has raised—he has written me a letter—naturally I will have to examine in consultation with the Ministries concerned because as he knows it is a question of having foreign exchange for import of certain things. I would like to explain what is the role of the Finance Ministry in this matter of foreign exchange. Naturally anything which has to be imported will have to be cleared by the Ministries concerned, in this particular case the Petroleum and Chemicals Ministry has to do that. They will have to judge the necessity of it and also find out whether the indigenous supply is assured whether the quality is good. On their having been satisfied on these two points and when import is inescapable it comes to the question of making allotment of foreign exchange. That is my job. As far as substitution of imports is concerned I quite agree with the hon. Member that it has been the primary plank of our policy in this matter but naturally there will have to be some priorities fixed naturally also we will have to see the availability of foreign exchange. There is no doubt that there will have to be a priority for the substitution of imported raw materials. In this particular case I am sorry I will not be able to satisfy him because I have got to look into the matter with the Ministries concerned.

SHRI MAHAVIR TYAGI : Perhaps the action which Dr. Mahavir quoted was taken when you were not the Finance Minister.

SHRI Y. B. CHAVAN : It does not come to the Finance Minister. The point that he has referred to really speaking directly relates to the petroleum & Chemicals and the Foreign Trade Ministries because it is a question of deciding the necessity of it and the question of satisfying about import conditions. When they are satisfied that all these conditions are fulfilled properly, they will then make recommendations to the Finance Ministry to give the foreign exchange. I come in only at the other end of the process. Even then since he has written to me I will look into the matter and let him know what exactly is the position.

The question was proposed.

SHRI T. CHENGALVAROYAN (Tamil Nadu): Mr. Deputy Chairman, Sir, I have no connection with foreign exchange or exchangers, but certainly I have a very deep concern for the preservation and proper regulation of foreign exchange in the interests of our developing country. This Bill, as has been rightly pointed out by the hon. Finance Minister, is a very simple one, but at the same time it has got a far-reaching consequence in the administration of the Foreign Exchange Regulation Act. In the plenitude of wisdom, this Parliament has passed this Act in the interests of conserving foreign exchange and particularly to find out how best and in how quick a manner violations and infringements of the provisions of the Foreign Exchange Regulation Act could be detected. In that context we have invested the Government with a plethora of powers and provisions in order to administer the regulative control in an effective manner, but we have found—and that has been stated by the hon. Finance Minister—that in the actual administration of certain provisions of this very important and rigorous Act certain difficulties have cropped up in the way not only of the interpretation of the provisions of the Act, not only in the adaptation of analogous provisions in other Acts, but also in the effective implementation of the very purpose for which this Act has been designed. The instance in point covered by this Bill is with reference to the working of the power vested in the Directorate of Enforcement under section 19-F. It is stated, particularly in applying the principles of enforcement in regard to seizure of documents which can be considered for the purpose of their evidentiary value in any proceedings that may be contemplated later, under the Act that the time-limit that is conferred in section 19G is one year from the time when the documents are seized. As has already been pointed out by the hon. Finance Minister, normally speaking under ordinary circumstances, where there are no supervening incidents that happen, one year should have been fair enough and sufficient for the purpose of assessment of the respective evidentiary values, but there are cases and cases where the question of examination and scrutiny of their evidentiary value with regard to the contemplated proceedings under the Act will depend largely upon the nature, scope and extent of the docu-

[Shri T. Chandalvaroyan]

ments that have been seized. It has been said that in several cases where seizure has taken place and the process of investigation and assessment is in progress and when proceedings by way of interlocutory applications are there by resort to the remedy under article 226 of the Constitution, the court, in order to enforce its prerogative writ in the matter of considering and judicially controlling such acts, issues certain interlocutory and interim orders. Now, it is complained, and I submit with very great respect complained very genuinely that such interim orders of court by way of stay of further proceedings would naturally and necessarily interfere with the ordinary tenor of administration under section 19G of this Act. For example, in the instance that has been cited and which has given origin to this amending Bill, it was seized in October, 1969. Normally, it should have been enough to complete it by October, 1970, but in the meantime the orders of court, either of the High Court of the place or in many cases under the orders of the Supreme Court, all proceedings have had to be stayed, because the act of investigation and other incidental proceedings will have to be scrutinised judicially for the purpose of errors of jurisdiction. But, Sir, the question which I very respectfully submit for the very kind consideration of the Finance Minister is even in such cases, when the matter has been taken to the High Court or the Supreme Court, as the case may be, I am sure the law is not so helpless even for the Government to go and apply to the court that without prejudice to whatever might be said or whatever might be decreed in those writ proceedings, the Government may be permitted to go on with the proceedings that they have initiated, to go ahead with the investigation, always assuring the court and even giving an undertaking that as and when the court requires such document or documents the same would be forthcoming and produced before the court. That is an ordinary practice which we appearing on either side will always tell the court, and I can tell you with my personal experience that there are no such occasions when the court will be reluctant to come to the assistance and help of the administration. That apart, Mr. Deputy Chairman, this Bill provides even on such contingencies not necessarily to depend upon such interlocutory assistance from the court but straightway

have the power under the Act. I should very respectfully welcome this provision of amendment to section 19G of the present Act. If I was looking for certain analogy for the principle underlying this amendment, I get very considerable support from the provision of section 153 of the Indian Income-tax Act with Explanation I. You know, Mr. Deputy Chairman, that section 153 of the Income-tax Act gives power for the purpose of completing the assessment or reopening and completing that assessment and time is prescribed for such a process. Explanation I has been added to section 153 of the Income-tax Act that as and when there are certain proceedings of stay or interim orders or direction from the High Court or some other authority, the time taken by such orders in existence and in force is always excluded for the purpose of time that is given for the assessment. I feel a perfect pattern and parallel for this provision of the amendment Bill in section 153 of the Income-tax Act with Explanation I. I therefore submit with very great respect that there is a policy underlying this provision of the amendment that time taken by the proceedings in court and much more by orders of court staying further investigation is indeed very welcome, and I should submit that this principle of excluding the time for which the stay order operates is based upon the well known legal maxim *Actus curiaemanam gravabit*, no action of court can prejudice any man. Therefore, this provision of amendment to section 19G for the purpose of excluding the time taken where the stay order is in force is certainly very well meant, and I am sure that the Government will have this authority to exclude the time even under the statute without having recourse to any proceedings in the court.

In this context I must submit for the consideration of this House as a person who has made some study of the subject of these Foreign Exchange Regulations why we should go in for an amendment Bill. There are other provisions which could be resorted to; for example, I heard some suggestion that the General Clauses Act could be invoked, particularly section 10 of the General Clauses Act. I may tell at once for the kind consideration of this House that such recourse to the General Clauses Act will not have any direct effect upon the administration of this particular special enactment. The General Clauses Act, as the name itself

indicates, is meant for general purposes. But this is a special enactment of a very rigorous and regulative nature. And unless there is a special provision of computation of time in the Act itself, I am afraid any reference by way of analogy or even any recourse to the General Clause: Act may not be complete and absolute in its efficacy.

There is another criticism that I heard about this Bill, particularly the last clause of this Bill, that it is in the nature of conferring what we call a retro-activity for this measure or for this Bill. I may state for those friends who feel in that way that this last clause in this amending Bill is not conferring a retro-activity for the provisions of this amendment but it is in the nature of a validating clause. Sir, certain actions have been taken, certain orders have been passed and certain steps have been initiated before the amendment of this Bill and before the passing of this Bill into an Act. Now, Sir, I would submit that it will be a very fatal defect in legal draftsmanship if this clause was not put in the Bill that it would cover actions and deeds and steps which have already been taken. Therefore, I wholeheartedly submit with reference to the provision in the last clause of this Bill that it is of a validating nature, validating the actions and deeds and steps previously taken, so that they would be considered to have been taken under the provisions of this Act. I will only submit, with these few words, that this amending Bill, however simple it may be, gives a very strong and safe measure in the hands of the Government. I only support this Bill in the hope and trust that this Government will be suitably armed with the provisions of this Act so that the Foreign Exchange Regulation Act will be effectively, fully and very purposefully implemented. May God grant my prayer.

SHRI K. P. SUBRAMANIA MENON (Kerala): Mr. Deputy Chairman, this Bill while it seeks to amend the provision regarding holding of documents seized from the accused parties, does not meet the needs of the situation. Actually what is happening to our exchange control situation today is that while we have got a number of Acts, a number of legislations on the Statute Book, their enforcement, I should say, is not at all satisfactory. As you know, the problem of smuggling, exchange violations, etc. is going on and increasing. Some time back it was

revealed in the Consultative Committee that the annual catch of smuggled goods comes to Rs. 24.9 crores. Suppose we take it that about 10 per cent of the smuggled goods are caught, then it will mean about Rs. 250 crores worth of goods which are smuggled into our country, goods which are not essential for the livelihood of the common man, but which mainly satisfy the venal taste of the idle rich and other people. Now, this sort of waste of national wealth of which we do not have much and which could be used for national reconstruction is a criminal thing. But whatever may be the Exchange Control laws in effect today, I do not find that many of these people who are involved in these things are caught and punished. That is the whole pity of the situation. Then again, apart from this question of smuggling, there are a number of instances which have come recently to our notice in which a number of big firms are involved in manipulation in foreign exchange. For example, you will remember that some time back in this House a question was raised, the question of Mr. Kapadia of Bombay taking over the control of the National Rayons Corporation. Mr. Kapadia did get all the money. And, as you know, he was also connected with another company, Protos Engineering Co., which used to supply a lot of goods to the Defence Ministry and in so doing he mislaid money in foreign exchange, and these funds were remitted abroad by manipulating accounts.

Again, it was found that a part of the money from which he used to purchase the shares of the National Rayon Corporation was from a sterling company which he controlled, that is, the Burma Petroleum Co. which had no business in India, and God alone knows how Mr. Kapadia came to control the sterling company with large assets of sterling. This money was used to purchase the shares of the National Rayon Corporation. There were some enquiries instituted by the Finance Ministry into the affairs of Mr. Kapadia but nothing has come out of it. Only Mr. Kapadia has gone on merrily cornering shares of the National Rayon and some such company and challenging the biggest of the biggest capitalist in the country like Mafatlals and Tatas. This sort of thing has been going on and the Ministry and the Government is unable to book them. They escape the clutches of the law willy nilly. Sometimes even officers who honestly try to book them. . .

SHRI MAHAVIR TYAGI: Mr. Deputy Chairman, Sir, where instances are quoted, generally the Parliamentary convention is that instead of naming the person you can say "one gentleman." The name should not have been mentioned. I do not know the case at all. But even if he is quoting from some legal proceedings, etc., even then names might be avoided. That is all that I wanted to submit.

**SHRI K. P. SUBRAMANIA ME-
NON:** There is no fun in my saying that somebody tried to corner the National Rayon shares unless you mention the person. Therefore, the point is that the exchange control machinery has not been acting effectively. And even when some officers try to act effectively a damper is put on them. May be, the political bosses try to intervene to protect some of the impugned people, etc.

In this connection I have to make certain suggestions to the Finance Ministry in order to improve our exchange control operations. As you know, Sir, as long as there is scope for evasion, naturally evasion will continue. One thing that I have found is, and especially in which the ordinary, poor employees, the middle class employees, who go abroad for livelihood, are the victims is the exchange of foreign currency. An employee who gets' about £.50 to £.70 abroad sends £.20 to £.30 to India. Under the normal circumstances he will get at the official exchange rate Rs. 18 or Rs. 19 a pound. But if he resorts to under-hand dealings he can easily get Rs. 32. Sir, a poor employee will always feel tempted to go for this exchange rate and he will be falling into the hands of the anti-national smugglers, exchange profiteers, etc. The Government can straighten away the matters simply by giving such people a higher rate of exchange than what is now given officially so that the tendency of the ordinary poor man to become, what may be called, a conniver at the activities of the criminals, smugglers, etc. is put an end to. In fact, in my part of the country, I find that a number of people are affected by this sort of thing. I will request the Government to look into the matter carefully.

Another thing, Sir, is the question of taking over of the import and export trade by the State. As you know, as

long as there is private trading and as long as there is scope for evasion, the practice of under-invoicing of exports and over-invoicing of imports will continue. This is one of the methods by which the money required for smuggling operations is raised. The sooner the Government takes over the entire import and export trade, which many other developing countries have done, the better it will be for all of us, for the economy of the country. Thank you.

श्री बालकृष्ण गुप्त (बिहार) : उपसभापति महोदय, हम इस तरह के एकट रोजाना ही संसद् में लाते रहते हैं और फिर भी चार सौ करोड़ रुपये का सोना, नायलान क्लाय, स्टेनलेस स्टील, शराब, सिगरेट, वगैरह चीजें हिन्दुस्तान में स्मगल हो कर आती हैं जब कि हिन्दुस्तान का टोटल इम्पोर्ट तेरह सौ करोड़ रुपये का है और अब नेपाल का एक रास्ता और खुल गया है जहां कि नेपाल के महाराजा ने सौ करोड़ रुपये का फारेन एक्सचेंज अपने प्राइवेट एकाउंट में स्विटजरलैंड में हिन्दुस्तान के व्यापार को नुकसान पहुंचा कर के इकट्ठा कर लिया है। हिन्दुस्तान का जूट, हिन्दुस्तान का भाइका और हिन्दुस्तान की दूसरी चीजें नेपाल में जाती हैं और फिर वहां से एक्सपोर्ट होती हैं और उस एक्सपोर्ट में हमको दस-पंद्रह परसेंट का घाटा लगता है लेकिन उससे जो चीजें मंगाई जाती हैं उनसे सातगुना आठगुना का नेपाल को नफा होता है और उसमें नेपाल का राजवराता भी शामिल है और हिन्दुस्तान के वह लोग जो कि नेपाल की सिटीजनशिप लिये हुए हैं वह भी शामिल है और वह सब आंखों के सामने हो रहा है और छः महीने से नेपाल से व्यापार का जो समझौता होना है वह इसलिए रुका हुआ है कि स्टेनलेस स्टील के व्यापारी और नायलान क्लाय के व्यापारी नेपाल गवर्नमेंट को बहका रह हैं कि हिन्दुस्तान से झगड़ा करो तब जाकर के वह झुकेगा और हम लोग अपना यह चारगुना पांचगुना रुपया कमर्ते रहेंगे। तो बहुत से एकट पास किये जाते हैं, बहुत से एकट चलते रहते हैं लेकिन परशियन गल्फ के रास्ते हिन्दुस्तान की करीड़ों रुपयों की चांदी नावों में लाद कर के स्मगल की जा रही

है क्योंकि चांदी का दाम इंटरनेशनल प्राइस के बराबर है और चाँदी सोने का दाम इंटरनेशनल प्राइस से दुगुना तिगुना है तो वह आता है और नायलान बजाथ और फाउंटन पेन वगैरह चीजें जो हैं वह बम्बई में कच्छ ले से लेकर ट्रावनकोर तक जो अरेबिकान सी-कोतस्ट है उसमें आती है। तो यह गवर्मेंट तरह तरह के एक्ट पास करती है और यह चलता रहता है। इन्होंने गोल्ड कंट्रोल एक्ट पास कर रखा है और इसकी तहत में दस तोने से ज्यादा सोना कोई नहीं रख सकता और पांच गिन्नी से ज्यादा गिन्नी कोई नहीं रख सकता लेकिन आप आज कलकत्ता में, बम्बई में, दिल्ली में, बड़े बड़े शहरों में चाहे जितना सोना खरीद सकते हैं, चाहे जितना सोना बेच सकते हैं, चाहे जितनी गिन्नी खरीद सकते हैं, चाहे जितनी गिन्नी बेच सकते हैं। यह सब आंखों के सामने हो रहा है। गोल्ड कंट्रोल एक्ट में सजा है, कंविक्शन है, पेनाल्टी है, कैद भी सजा है लेकिन फिर भी आज तक किसी को भी सजा नहीं हुई। यही सब रोज़ाना फारेन एक्सचेंज में होता है। जब मैं विद्यार्थी था, तो विलायत गया था और तब हिन्दुस्तान का गिक्का, हिन्दुस्तान का रुपया, कायरो तक, स्वेज तक, कुवैत तक चलता था लेकिन आज हिन्दुस्तानी रुपये की क्या हालत है। जो अगर आफिशियल रेट 18 है तो अन-आफिशियल रेट 32 है। इसी तरह से आफिशियल रेट डालर का साढ़े सात रुपये है, तो अनआफिशियल रेट 13 रुपये है और रोज़ाना कलकत्ता, बम्बई की गदियों और आफिसों में टेलीफोन आता है कि भाव बढ गया है, यहां पर इतने लाख रुपये दे दें जियें और आपको स्विस् बैंक में कहां से ले कर के इतने मिलियन पौंड में दे दूंगा, इस तरह से सौदे रात दिन होते रहते हैं, रात दिन यह चलता रहता है। तो यह रुपया कहां से आता है। मैंने तो यह भी सुना है कि स्टेट ट्रेडिंग के बड़े बड़े साहब लोग अंडर-इनवायसिंग और ओवर-इनवायसिंग में हिन्दुस्तान के बड़े बड़े व्यापारियों के साथ शामिल हो कर के रैकेट चला रहे हैं और बड़ा भारी फारेन एक्सचेंज विदेशों में इकट्ठा कर रहे हैं।

यह सब नाटक है जो कि हिन्दुस्तान को डुबाता है और आगे भी डुबाता जा रहा है।

श्री उपसभापति : इस बिल का बहुत मर्यादित उद्देश्य है, ये सारी बातें कहने की जरूरत नहीं है।

श्री बालकृष्ण गुप्त : जरूरत इसलिए है कि ये रोज़ाना ऐसे एक्ट्स लाते हैं जिससे कि एक वर्ष तक इक्वायरी चलेगी लेकिन चाहे वह इक्वायरी एक वर्ष चले या पांच वर्ष चले सब कहने को है, होता हवाता कुछ नहीं है। फारेन एक्सचेंज में नेपाल के रास्ते है कितना नुकसान होता है। साढ़े चार करोड़ रुपये की प्रिवी पर्स सारे राजाओं की एबालिश की हुई है लेकिन भूटान के चोग्याल को और नेपाल के महाराजा को इस फारेन एक्सचेंज के जरिये से 50 या 60 करोड़ रुपया सालाना क्यों दे रहे हैं, मैं यह पूछना चाहता हूं। मैं चाहता हूं कि वह साढ़े चार करोड़ रुपया भी बन्द होना चाहिये, मैंने प्रिवी पर्स के अपोजीशन में वोट दिया था, अब भी मैं उसी पक्ष में हूं, लेकिन इनका भी रुपया बन्द होना चाहिये। यह रुपया किस तरह से जा रहा है। सिक्किम की रियासत की एक लाख रुपये सालाना की इंकम थी और मेरे देखते देखते सिक्किम के महाराजा की सालाना इंकम 20-30 लाख रुपये है, इतना उनका खर्च है और उनकी अमेरिकन वीबी तरह तरह के हिन्दुस्तान के खिलाफ पडयंत्र रचती है और चोग्याल की आंखों के सामने यह हो रहा है कि इस तरह से फारेन एक्सचेंज का नुकसान होता है और जब आप भूटान को युनाइटेड नेशंस में शामिल करायेंगे तो वहां भी कुछ हिन्दुस्तानी व्यापारी पहुंच जायेंगे और आपके फारेन एक्सचेंज को नुकसान पहुंचायेंगे। आपका छः सौ मील का खुला बार्डर है, इधर पीलीभीत से ले कर उधर दार्जिलिंग तक वह जाता है और जितने भी आपके सिपाही हैं, कस्टम वगैरह के जो मौजूद हैं, सब के सब करप्ट हैं। कोई एक थाली स्टेनलेस स्टील की लाता है या एक टुकड़ा नायलान का लाता है, तो वह पकड़ा जाता है और ट्रक के एक वहां से पार होते हैं, बिक्रमगंज से, बिराटनगर से और जगहों

[श्री बालकृष्ण गुप्त]

से हिन्दुस्तान में, दिल्ली कलकत्ता बम्बई में, आ कर के बिगते हैं। यह सब रोजाना हो रहा है और आंखों के सामने हो रहा है और यह छोटे छोटे एकट ला कर के हमको यहाँ तस्ल्ली दी जाती है कि हम फारेन एक्सचेंज की चोरी को रोक रहे हैं। फारेन एक्सचेंज की चोरी न रुकी है और न रुकेगी जितना कड़ा प्रतिबन्ध आप लगायेंगे उतना ही घूस बढ़ेगा और सरकारी नौकरों को कुछ पैसा ज्यादा मिलेगा और आपका फारेन एक्सचेंज खराब होता जायगा। थोड़े दिन पहले ही पौंड का अनऑफिशियल रेट 24 रुपये था, अब 32 रुपये हो गया है और शायद इस एकट को पास होने के बाद 40 : ये हो जाय। इसलिये इस एकट का समर्थन करते हुए मैं गवर्नमेंट का ध्यान इस ओर दिलाता हूँ कि ज्यादा प्रतिबन्ध लगाने से ज्यादा चोरियाँ होंगी, ज्यादा घूस बढ़ेगी और कोई नतीजा नहीं निकलेगा। आप सोने को हिन्दुस्तान में आने दीजियें और उस पर 50 रुपये तोले का टैक्स लगाइय ताकि गवर्नमेंट को पैसा मिले, अभी तो सब रुपया चोरों के हाथों में जा रहा है और सब कुछ बिगड़ रहा है। सोने की भूक सीता को भी थी, उस बनबासिनी का जो कि राजमहल छोड़ कर चली गई थी, तो सोने की भूक हर हिन्दुस्तानी के दिमाग में है क्योंकि करेंसी के ऊपर किसी को विश्वास नहीं है। रुपया रोजाना कम कीमत पकड़ता जा रहा है और वह समझते हैं कि सोना चान्दी रहेगा, तो उसकी कीमत रहेगी और यह इंकम-टैक्स फ्री भी रहेगा, यह वेल्थ-टैक्स फ्री भी रहेगा, तो उसके लिये वह लोगों की भावना है और समझते हैं कि उसको छिना कर रखेंगे, तो फायदा ही है, इस तरह की चीज लोगों के दिमाग में भरी हुई है और यह तब तक बनी रहेगी जबतक कि उनको कोई और तरीका नहीं दिखाई देगा जिससे कि बचाया हुआ रुपया सेफ हो और उस वह टैक्स फ्री तरीके से इन्वेस्ट कर सकें और नके बेटे पोते उस रुपये का फायदा उठा सकें।

SHRI DWIJENDRALAL SEN GUPTA (West Bengal): Mr. Deputy Chairman, the urgency of strict control on foreign exchange cannot be gainsaid. I support the Bill. But I would like to point out that a new device is being adopted by unscrupulous commercial houses. I do not include now the method of underinvoicing or overinvoicing. It is something new. There is a concern called Turner Morrison in Calcutta. The employees of that concern met me, and, through me, have sent a representation to the Finance Minister also. I have also got the acknowledgement. The employees in that concern were about 400. Their point is this. One British shipping concern had its agency with the Turner Morrison. Now they are shifting 3 P.M. that agency from Turner Morrison to Mackinnon Mackenzie which is wholly British—a subsidiary concern and for this the sanction of the Reserve Bank is necessary. The moment the sanction will be given that agency will be transferred from Turner Morrison to Mackinnon Mackenzie and the profit earned will be therefore transferred in foreign exchange to U.K. by Mackinnon Mackenzie either as profit or as dividend. The only thing that we can do now to save these employees as well as the foreign exchange is not to grant the sanction for this transfer of agency. And this is within the competence of the Reserve Bank. If the Reserve Bank is alive to the situation and if they see in between lines what is going to happen, then these employees can be saved. I think it is a Haridas Mundhra concern and he is an irreputable industrialist. I fully support whatever you do to realise his tax and other things. But here it is essentially a problem of 400 employees and a problem of saving foreign exchange of this country. This is a question that has to be seen from the national point of view.

The second thing that I would like to urge while we talk about foreign exchange is that by controlling foreign exchange expenditure we can strengthen our national economy. But do we behave like that? I would like to ask how many officers and how many industrialists spend foreign exchange in a year just on tours? What was the amount spent by our Prime Minister in chartering a plane in connection with the UNO silver jubilee occasion? People waste money like that. While

doing that, how can we talk about national economy? Can we talk about people's suffering? Can we talk about tightening of belts, which we often do? On no such occasion the late Prime Ministers Shri Jawaharlal Nehru and Shri Lal Bahadur Shastri chartered planes, to my knowledge. But I do not know what was the particular necessity for chartering a plane this time by the Prime Minister."

Thirdly, a serious loss is sustained by smuggling out from this country valuable articles. Costly idols of Hindu deities stolen from different temples and museums are smuggled out to foreign countries. No responsible officer has been punished yet for this, so that such things do not happen. I would like to know whether the government is serious to stop smuggling of these rare articles of archaeological importance and ancient, Indian, cultural symbols. There is smuggling of gold and smuggling of diamonds and other things. But those things possibly we can replace tomorrow or the day after. But we shall not be able to replace these cultural symbols. If the Finance Ministry is serious about it, they should give some attention to all these things along with the Minister of Education who is directly in charge of museums.

SHRI Y. B. CHAVAN : Mr. Deputy Chairman, I must say that most of the speeches delivered just now in the course of the first reading—in a sense, all of them—have supported this measure. Some of them have made some useful suggestions, and I particularly noted the speech by the hon. Member from Tamil Nadu. He certainly made some interesting points. He made a point about the validating character of certain actions taken. I would not call it exactly of a 'validating character', because before the time ran out, in order to enable the time of one year to be calculated on the revised leases, the Ordinance was issued. Nothing has gone invalid. But he has, I must say, ably put across the case of the Government in fact better than what I could do. This much I can say.

Sir, as far as the necessity of the Bill and the importance of making enforcement machinery more effective and more powerful is concerned the hon. Members have mentioned individual cases. Naturally, I am not expected to

comment on the individual cases. But, if the hon. Members have made any reference to any enquiries being made by the Finance Ministry, I would certainly look into them and find out as to what is being done about them. But, Sir, the general question of smuggling and other matters are certainly very serious matters and I think Government machinery will have to continuously make efforts to be effective in this matter and it is exactly for this purpose that we would like the enforcement machinery to be empowered reasonably—I do not say that it should be empowered excessively, but reasonably—so that they can continue to be effective in combating these undesirable and unsocial activities. Nothing more, Sir, I have to say.

SHRI MAHAVIR TYAGI : Would you acknowledge that the Opposition has been very generous?

SHRI DWIJENDRALAL SEN GUPTA : What about my question for not giving transfer of agency from Turner Morrison to Mackenno Mackenzie?

SHRI Y. B. CHAVAN : Yes, you have mentioned it. I cannot straightway say 'yes' or 'no'.

SHRI DWIJENDRALAL SEN GUPTA : Please take note of that.

MR. DEPUTY CHAIRMAN : The question is:—

"That this House disapproves the Foreign Exchange Regulation (Amendment) Ordinance, 1970 (No. 5 of 1970), promulgated by the President on the 20th September, 1970."

The motion was negatived.

MR. DEPUTY CHAIRMAN : The question is—

"That the Bill further to amend the Foreign Exchange Regulation Act, 1947, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN : We shall now take up the clause-by-clause consideration of the Bill.

Clauses 2 and 3 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI Y. B. CHAVAN: Sir, I move:

"That the Bill be passed."

The question was put and the motion was adopted.

THE AGRICULTURAL REFINANCE CORPORATION (AMENDMENT) BILL, 1970

THE MINISTER OF FINANCE
(SHRI Y. B. CHAVAN): Sir, I move:

"That the Agricultural Refinance Corporation (Amendment) Bill, 1970, be taken into consideration."

Sir, this is also again a very simple bill. For the purpose of providing facilities for medium-term and long-term credit for agricultural development, the Agricultural Refinance Corporation was established in 1963. In the beginning the activities were expanding slowly, and the Corporation was not very effective, I must say, but, certainly we are gradually making progress. Now, Sir, it is necessary that we should put more financial resources at the disposal of the Agricultural Refinance Corporation. I would not like to burden you with all the facts as to what was the performance in 1967, 1968, 1969 and 1970. But at the present moment we have more than 300 schemes with the Agricultural Refinance Corporation. But in order to meet the required financial demands, I think it is necessary to allow some more facilities to the Corporation.

Sir, normally the Agricultural Refinance Corporation gets money by way of share capital or through either loans from the Government of raising money against debentures, securities, etc. Now, Sir, there is another fund at the disposal of the Reserve Bank of India under Section 46A of the Reserve Bank of India Act. Money from this fund under the Reserve Bank of India can be given or lent to other institutions. Under the present Agricultural Refinance Corporation Act there is no provision enabling the Agricultural Refinance Corporation to get credit from the Reserve Bank of India from that particular fund, nor is there any provision in the Reserve Bank of India Act for this. Therefore, by this Bill we are amending both the Acts, the Agricultural Refinance Act and also the Reserve Bank of India Act. In the case of the Reserve Bank of India Act it is Section 46A and in the case of the Agricultural

Refinance Corporation Act it is Section 20. So, Sir, these two Acts, and particularly these two sections, are being amended to strengthen the financial resources of the Refinance Corporation, which is doing a very good work in the field of agricultural development.

SHRI MAHAVIR TYAGI (Uttar Pradesh): I want a clarification. Would the hon. Minister also inform the House about the total amount which was placed at the disposal of the Corporation, how much they lent out, how much is pending for repayment, whether the repayment was punctually made, and what are the arrears? These figures may be given to us so that we can know the position.

SHRI Y. B. CHAVAN: Sir, the Corporation was incorporated with an authorised capital of 25 crores, of which 5 crores was issued and subscribed by the Reserve Bank, State Co-operative Banks, etc. The Corporation was also given by the Government of India an interest-free loan of 5 crores at its inception with a moratorium of 15 years. The Corporation has borrowed from the Central Government a sum of Rs. 3 crores in 1967-68, Rs. 11.75 crores in 1968-69, Rs. 13 crores in 1969-70 and Rs. 14 crores in 1970-71. The total resources raised by the Corporation so far amount to 71.28 crores, including those raised from the sale of bonds. Sir, the Corporation was slow in gathering momentum in the initial years. The situation had changed for the last three years. I would like to give you these figures. In the year ending June, 1967, the number of schemes sanctioned was 15; the total financial outlay was 10.53 crores; the Corporation's commitments 8.53 crores, and amount distributed up to the end of June 1967 Rs. 6.98 crores. The Corporation's commitments were 8.53 crores of rupees in June 1967, 90.59 crores in June, 1968, 156.48 crores in June, 1969. Sir, as on 15-11-70 the Corporation has under consideration 193 schemes.

So this is the total commitment.

The question was proposed.

SHRI MAHAVIR TYAGI: Does the Corporation also loan money to the private parties?

SHRI Y. B. CHAVAN: I do not think so. They give through the co-operatives.

SHRI MAHAVIR TYAGI: How much is in arrears for repayment?