resident's acquiring rights in property, but its main concern is to prevent the possible outgo of foreign exchange which we can ill afford. Section 17, therefore, is being amended to lay down that such transfers will not create an automatic right of remittance but will be quite valid otherwise.

We welcome foreign investment needed for our industrial development and barring a few fields we provide foreign investors incentives to encourage a larger inflow of foreign capital into this country. Foreign investment, however, involves future foreign exchange liability in the shape of repatriation of capital and remittances of interest, dividends, profits, etc. I am happy to say that India has maintained an unblemished record in freely permitting repatriation of capital and remittance of current earnings. Prudence obviously requires that we take this responsibility only to the extent we can honour it so as to keep this record unsullied. We, therefore, regulate inflow of foreign capital only to fields where, apart from providing valuable foreign exchange, it has an added advantage of bringing in the necessary technical know-how. It is because of this reason that our present policy does not normally permit foreign investment in purely trading, banking and commercial activities—fields where it does not possess this advantage. When a company incorporated in India seeks to issue shares in favour of non-residents, it has to obtain the permission of the Reserve Bank under the Foreign Exchange Regulations Act. This is the mechanism whereby a foreign investment is regulated to those sectors of industry where it is most needed. While companies incorporated in India are regulated in this fashion, foreign investors intending to undertake trading and marketing activities without incorporating a company under the Indian laws are subject to no such regulation. This is an obvious lacuna in the regulations which we propose to fill. The new section 18A lays down that a company incorporated outside India or a company incorporated in India but substantially controlled by non-residents can act as an agent in trading and commercial transactions or as advisers only with the permission of the Reserve Bank. This is an enabling law in line with Government's declared policy on foreign investments and does not reflect any new policy departure in this regard.

With a view to expanding our export trade a number of Indian companies have been permitted to set up offices, branches and establishments abroad. These offices explore new markets and work for their principlals as selling and purchasing agents. While the activities of Indian residents are fully governed by the provisions of this Act, the position of these offices and establishments is not the same. By amending sub-section (2) of section 1 of the Foreign Exchange Regulations Act, the provisions of the Act are being made applicable to such branch offices and establishments of Indian companies situated abroad.

I have every hope, Sir, that with these measures relating both to the law on foreign exchange and to the machinery for implementing it, we will be in a much better position to prevent contravention of law and to deal with offenders adequately.

With these words, Sir, I move in the hope that this will receive the unanimous support of this House.

The question was proposed.

PERSONAL EXPLANATION BY A MEMBER

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Before I call hon. Members to speak on this, Mr. B.K.P. Sinha has to say something.

SHRI B K. P. SINHA (Bihar): Sir, I am told—of course, I have no recollection of it—that in the heat of the moment I said that the two journals I mentioned were receiving foreign

[Shri B. K. P. Sinha.]

money. Now, especially after the objection of Mr. Vajpayee, I wish to make it clear that it was never in my mind that these two journals had received foreign finance or had received foreign money. If I have made that statement of which I am not at all sure, then I am prepared to correct that and withdraw that. But I still stick to the position that these two journals are foreign-inspired and foreign-orientated.

THE FOREIGN EXCHANGE REGULATION (AMENDMENT) BILL, 1964—*continued.*

PROF. M. B LAL (Uttar Pradesh): Mr. Vice-Chairman, Sir, I rise to support the Bill so ably moved by the Minister. Sir, good foreign exchange position is the foundation of a sound national economy of all countries of the world. Whenever any country is faced with foreign exchange difficulties, with difficulties concerning the balance of payments, its economy tends to suffer considerably. Sir, foreign exchange reserves are undoubtedly the life-blood of the developing economy of a country which has meagre internal resources. So, we have to be specially careful about the conservation and proper utilisation of foreign exchange resources that may be placed at our disposal or that we may accumulate through exports. We are happy to note that our foreign exchange reserves recorded some improvement in the year 1963-64 but they had gone on deteriorating according to the Reserve Bank's Reports, between 1956-57 and 1962-63.

3 P.M.

Our present foreign exchange difficulties are, no doubt, to some extent inherent in the very conditions of a developing economy like ours where we have to rely considerably on foreign assistance for economic development. But I am sorry to point out that these foreign exchange difficulties are also largely aggravated by mistakes in planning, loopholes and inefficiencies in the administrative set-up and anti-social activities of Indian capitalists. If we carefully study the report of the Planning Commission known as "The Mid-term Appraisal of the Third Plan," we will come across many mistakes in the planning of the Third Five Year Plan. It is pointed out in that Report that a number of projects were included in the Third Plan without detailed project reports. It is also pointed out in the Mid-term Appraisal that considerable more money would have to be spent on the projects than originally estimated. This, I beg to submit, Sir, was due to the fact that in estimating costs the Planning Commission took no notice of the possibility of rise in prices and took note of the prices that prevailed in the cheapest market. Sir, when I spoke on the Third Five Year Plan, I had then pointed out that the estimates of the Planning Commission with regard to foreign exchange requirements concerning the Plan projects were under-estimated and that much more money would have to be spent than was provided for in the Plan itself.

SHRI B. R. BHAGAT: Third Plan?

PROF. M. B. LAL: In the Third Plan. Again, Sir, inadequate attention was paid in the Plan to the needs of maintenance imports and more money is now being spent on that rightly and legitimately. Unfortunately, even after the Third Plan was finalised, the scope of Plan projects continued to be enlarged and many new projects were included. All this considerably disturbed the calculation of the Planning Commission. In the Report known as "The Mid-term Appraisal of the Third Plan", the Planning Commission is constrained to remark that "the foreign exchange commitments to be entered into during the Third Plan for projects and programmes in the public and private sectors would be considerably larger