

3233 U.K.'s decision to [RAJYA SABHA] into the European 3234
negotiate for entry Economic Community

MR. DEPUTY CHAIRMAN: You have to stop now. You may continue tomorrow.

4 P.M.

**MOTION RE: U.K.'S DECISION TO
NEGOTIATE FOR ENTRY INTO THE
EUROPEAN ECONOMIC COM-
MUNITY.**

SHM BHUPESH GUPTA (West Bengal):
Sir I beg to move:

"That the statement by the Minister of Finance on the United Kingdom's decision to negotiate for entry into the European Economic Community and its likely effects on India's trade, laid on the Table of the Rajya Sabha on the 14th August, 1961, be taken into consideration."

MR. DEPUTY CHAIRMAN: I will you twenty minutes.

BHUPESH GUPTA: Thirty minutes, Sir. Other speakers are not there, and we have to think . .

MR. DEPUTY CHAIRMAN: You will have ten minutes for reply.

Sura BHUPESH GUPTA: You a little genei

MR. DEPUTY CHAIRMAN: There are other speakers.

SHRI BHUPESH GUPTA: Let me se*> whether I can reciprocate your generosity. Now, Sir, the European Common Market is very important internationally.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Sir, can we not dispose of the amendments to the Indian Penal Code (Amendment) Bill within ten minutes?

MR. DEPUTY CHAIRMAN: We can dispose of the amendments,

THE MINISTER OF HOME AFFAIRS (SHRI LAL BAHADUR): I shall be grateful if in another fifteen minutes we can dispose of the amendments.

SHRI AKBAR ALI KHAN: We had better dispose of the amendments.

SHRI BHUPESH GUPTA: What does he want, Sir?

MR. DEPUTY CHAIRMAN: He wants the other Bill to be disposed of today, the Penal Code Bill. You finish your speech on that.

SHRI BHUPESH GUPTA: I am game for that. How accommodating you are, Sir. Let me then continue my speech.

MR. DEPUTY CHAIRMAN: You take two or three minutes.

SHRI BHUPESH GUPTA:- Not that way. I am prepared to fursh it, but not in that way. I have moved my motion already. So, under the procedure th_e other thing cannot come, I know it. Another motion is under discussion.

MR. DEPUTY CHAIRMAN: You have to finish in five minutes.

SHRI BHUPESH GUPTA: I am not prepared to accept it like that.

MR. DEPUTY CHAIRMAN: Then we will have it tomorrow.

SHRI BHUPESH GUPTA: It should not be one way traffic. Let us then discuss the European Common Market.

Sir, the hon. Minister's statement (fore us. We have gone through the statement. But the first thing to consider is whether the assessn of the European Common Market is right in the statement. Secondly, we shall consider how Britain behaved in this matter. Thirdly, we shall consider what will be the possible repercussions on our economy as a result of Britain's participation in the

European Common Market, whether in relation to our trade with the United Kingdom or in relation to our trade with the countries of the European Economic Community or generally with other countries as a whole, and then, finally, I will place my suggestions as to how to face the situation, because my complaint is that the Government is not squarely facing the situation, is not formulating a correct policy to meet the contingency. The European Common Market was established by a treaty signed in Rome by West Germany, France, Italy, The Netherlands, Belgium and Luxembourg on March 25, 1957, and this Rome Treaty came into existence in January 1958. There are about 248 articles in that particular treaty. Among the signatories four are colonial Powers Or Powers which have been imperialistic. Here you have got France, The Netherlands and Belgium, and you can also include West Germany in that category today. It has its own ambitions in this field. Anyway France, The Netherlands and Belgium are colony-owning Powers even today. Luxembourg is a small Power, it does not matter. But West Germany occupies now the dominant position because in western economy today it is West Germany which has established preponderance and superiority. This economic block was created in order to disturb the normal flow of trade between countries. When we stand for normal trade relations between nations, this kind of economic alignments is bad—and it disturbs such relations—to create blocks and alliances with a view to concentrating trade in certain regions.

Sir, if you look at it from another angle, you will find that the Common Market is an alliance of international millionaire monopoly concerns directed against the working people and against their smaller capitalist rivals. The purpose is to make the rich and powerful still more rich and still more powerful whatever the cost to the well-being of the nations, continents and world peace. Such is the objec-

tive of the European Common Market. Therefore, it is a combination of the big monopolists of the western countries. Here we are concerned with the six countries for the present. It is an economic and political arm of the NATO alliance, let there be no mistake about it. I am quoting Professor Hallstein, German head of the E.C.M. Commission which is concerned with the European sector. He said: "We are not in business at all. We are in politics". I am quoting his words. The purpose of this Common Market is to mould Europe into a most aggressive anti-working class and monopolist combine directed externally against the socialist countries, specially the Soviet Union and the other socialist countries of the east, and internally against the progressive forces, working classes and other progressive forces, including the small capitalists, businessmen and traders. This is the purpose of the European Common Market. When it was formed, even the British Trade Union Congress made a statement exposing its character, as I have indicated.

Now, Sir, it is quite clear that the Common Market has been established to create obstructions to the normal relations of trade between countries, as I have said before. That is why despite the growth of their economy in the Soviet Union and in the other socialist countries of Eastern Europe, you find that the imports and exports—whether you take the import trade or the export trade—between the Common Market countries and the socialist countries vary between 2 and 3 per cent, of their total imports or exports. This is the position. This clearly shows that whereas in the old days there were good trade relations and there were greater possibilities of development of trade between these countries due to technological and other developments, due to international division of resources and labour, the Common Market has now become a stumbling, reactionary bloc to prevent this kind of trade development. The result is that the smaller

[Shri Bhupesh Gupta. J nations even on the European continent have been victims of imperialist pressures by these people. This is one aspect of the matter which I wish to
int out.

When the European Common Market came into being, originally Britain did not join it because Britain thought tl it would be in a position to hold own against the western countries, specially West Germany. But as time went on, due to the backing of the United States, West Germany's economy assumed a very aggressive position, and today it is dominant, as I have said. Britain at that time in 1959 formed what they call the "Outer Seven" in order to have a rival grouping under its own leadership. Today that grouping is caught in its own contradiction. Therefore, you can say that the whole concept is one of groupings. Britain is now joining the Common Market. Mr. Macmillan in his speech in the House of Commons gave no room for doubt when he said that its object was to strengthen the NATO alliance and what they call the political and economic unity of Western Europe. This is what he said. When the decision was taken by Britain to join the European Common Market, Mr Brontano, the Foreign Minister of West Germany, said: "I welcome it as a step of extraordinary political importance". I then refer to you the speech made by a Labour Member of Parliament in the House of Commons, Mr. Desmond Donnelly. He said that "Britain's frontiers would not now be at Dover but at the Brandenburg Gate" in Berlin. That is, the frontier of Britain would change. This is what he said. Therefore, it is quite clear what the objective of the Common Market is, politically and otherwise. Even the "Financial Times" of London, such a conservative paper, in its August issue wrote an article in which it said that Britain's participation in the European Common Market would mean surrendering part of the sovereignty of Britain. Naturally, the left wing labour and other progressive

People think that as a result of Britain's participation in the Common Market, policies will now be determined not by the British people themselves but more and more by the combination of the monopolist concerns that make this European Economic Community. Mr. Gaitskell, the Labour leader, had so many reservations. Mr. Macmillan's proposal was passed by 313 votes to five. Labour M.Ps., some of them, perhaps, voted but among the Labour Party many remained neutral, and Mr. Gaitskell did not want to commit himself on this thing. He generally supported it, but said that he had so many reservations and he would not commit himself to any definite decision. Now, this is the position of this European Common Market. I say, let there be no mistake about it—this is a very harmful development in the context of the world economy, underlining of course the crises of the capitalist economy. It is dangerous for the world economic relations on the one hand and politically, it is a consolidation of the NATO Powers. Let there be no mistake about it. Now, how Britain behaved in this matter, we all know.

We are not enamoured of the so-called preferential relations, etc. because in a great way they are the hang-over of the colonial past, and we believe that the trade relations in this world cannot be developed on the basis of preferences of that type, much less on the basis of the hang-over of imperial preferences. Therefore, our position is clear. We are not enamoured of this thing. But the fact is also to be faced that by hook or crook, more by crook than by hook perhaps, Britain gobbled a good part of our trade; 23 to 25 per cent, of our trade is with Britain today. In spite of all that, Britain unilaterally decided—not that anybody can question it, it is its sovereign right—to throw the whole hog into the Common Market, not only forgetting the interests of the British working class but also in utter disregard to what other nations might have to say. The others have spoken, as

the hon. Finance Minister's statement makes out. Therefore, taking advantage of the unequal grip on our economy by the British monopolists, they have done this thing. And this is what the Prime Minister said in this House on August 28:

"It -will be a blow to us because just in a tender spot of our exports which we want to push ahead, we are struck a body blow and suddenly laid low for a moment. Well, we will get up, of coui-se, and go ahead faster."

Let it be noted that Britain about whom so much is spoken by the Treasury Benches did not hesitate to strike a body blow when it came to the monopolistic interests of Britain. Sir, there is nq need for panic because we are in a position to face th_e situation. But then we must have a correct policy. Some circles in our country are trying to create in artificial panic, perhaps, because they want to bargain with the European Common Market countries, with Britain also, with a view to getting some good safeguards. But the problem is not one of bargaining. The problem is one of rethinking as to how our trade can be better organised. I shall come to it later as to how to reorganise our trade.

What effect will this Common Market first of all have on our external trade? That is a very peBtinent question. Some studies have been mi but I think for them one has *to* wait a little. But some broad studies that have been made indicate the following. In regard to tea, we shall be losing, I think, according to that, to the order of Rs. 8 crores because the *ad valorem* duty in the Common Market area is 18 per cent, for loose or 23 per cent, for packed tea. And as you know, we sell tea to the* United Kingdom worth about Rs. 83 crores, that is to say, roughly 83 per cent, of the export of this commodity goes to England: 83 per cent, is Britain's consumption of tea. Therefore, it is a matter of concern. Now, as far as,

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perhaps, the quality of tea is concerned, we may not suffer very much but as far as th_e common tea is concerned, we shall suffer, and the calculation is that the loss would be of the order of Rs. 8 crores. But the loss of the United Kingdom market is unlikely to be made up by any possible increase of sale to the Continental* market. Therefore, if you think that in the Continental market you will have a better position, there is n_o such indication at all. As far as the cotton fabrics are concerned, 34 per cent, of the total import of grey cloth into the United Kingdom comes from India, from our country. And the export of Indian textiles to the six countries of the European Common Market are not very substantial. Now, if the Common Market comes into operation with Britain's participation there, then Hong Kong will be securing some advantage over India there. If the Common Market's tariffs are high, India's export trade will suffer and there on that account it seems that the

would be of the order of about Rs. 7 crores or so. Now, Sir, coir products and mattings which go from here to the United Kingdom will also be very severely reduced as a result Of Britain's participation in the Common Market. Now, on a rough estimate—I do not mention the other item's; there will be variations—it appears that the loss would be of the order of Rs. 20 crores annually. N this is not a very big amount. The

will be due to various other reasons. This is a matter of concern, no doubt—one need not be panicky about it, I agree—but it is a matter of concern n'ow especially when during the Third Five Year Plan; our exports will be of the order of three thousand odd crores and imports will be of the order of six thousand crores, and we will be facing a big adverse balance. This is a matter to be considered.

Now, let us come to the question of the prospects of our trade with the Wester_n countries in general and the European Common Market countries in particular. Now, it seems that there

hri Bhupesh Gupta.]

is a hope in some sections of Indian big business that \ ain's participation in the European Common Market, the Common Market tariffs will be lowered because Britain, according to them, is a low tariff country. I think this hope will not be fulfilled because it has been made ar by France and by the other Rome Treaty Powers that they would like Britain to participate on the terms of the Rome Treaty. In any case, that will not help us because the problem is not only of tariffs. The possibilities of our trade with the Continental countries of the West are very limited. The United Nations Economic Survey underlines the fact that in the present world situation our trade in that sphere is on a declining trend and it is in such communities whose trend is declining. If you take them quantitatively, I do not know but certainly from the point of view of prices and so on, we are down, and apart from that, there are equal tei*ms of trade that are imposed on the countries that export primary goods or semi-manufactured goods or manufactured good's like those that we export. That is also another aspect of the matter. Here. I think again the Prime Minister was quite right when he referred to another thing. He said at a Press Conference held o_n June 30;

"The second aspect is how far the European Common Market will lead to closer political co-operation between the countries of the Commonwealth in dealing with the underdeveloped countries in Africa and Asia, especially Africa."

Then he said:

"It may Well become a much more powerful weapon of controlling underdeveloped countries than for a single country to deal but it is not for us to tell what other countries have to do."

In the usual Nehru style \ has been here but then this is the position which the Communists in Engknd

will be- a controlling '

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That is to say, these sev. i ries, six now plus one, will join together to dictati terms to the underdeveloped countries whether they ar. of they have become newly freed coun- s, We cannot except that our manufactures will find an expanding market on the Continent. The Kuro- 11 Common Market will create more Obstacles. Why? It is very easy to see because obstacles will come in the way of bilateral negotiations between a country and a member of the European Common Market. If there is competition between the six or seven countries, it is easier for the underdeveloped countries and the weaker countries to enter into the field and to compete with them, but since they have formed a kind of cartel among themselves, it would be very difficult for such countries like ours to compete with them, or to have reasonable terms. They ean always hold us at bay because of the strength 'of their combination, as a result of monopolistic combination. Theie-fore. Sir, bilateral agreements, which are very important for the normalisation of trade and for international economic relations, will be obstructed to a much greater extent and in a more concentrated form as a result of Britain's participation in the European Common Market. That is .mother prospect that we face.

Therefore, Sir, those of the industrialists in our country who think that the tariff wall will go down, because Britain will try to persuade them, are mistaken, because they will be faced with a stronger combination and, that sector of the market will be outside their reach in many ways, and what is more, smaller countries of Continental Europe in the capitalist world will be subject always to their dictation and pressure.

Now, in the European Common Market, what is the position today? With every country i_n the European

Common Market—well, I do not include Luxembourg—we are running a heavy negative balance of trade. In 1959 it was Rs. 148 crores; in 1960 the negative balance was Rs. 135 crores. Now, this aspect has to be borne in mind, and if you see our trade with West Germany—which is a dominant factor in the Common Market—you will see that during 1950-1961, in that decade, we imported goods worth Rs. 537 crores but we exported goods worth only Rs. 92 crores. That shows the gap; that position remains. It is a serious problem. Therefore, Sir, in such a situation our suggestion would be as follows. We will not gain much in the European Common Market, even if we assume, for a while, that tariffs will be somewhat lower. But we will be faced with a combination, with a combination from wrong quarters, and so on. Our suggestion in the situation there fore would be not the one Mr. Morarji* Desai writes, but he should re-examine and review our external trade pattern as a whole. Sir, we must change the direction of our trade. We stand for trade with all the countries, whether they belong to the socialist camp or the capitalist camp, whichever economy it is. But diversification of our trade today is of fundamental importance. We have to develop more and more trade with the socialist countries, firstly, because there is an expanding market there, and, secondly, because they have no colonial interest at all. Now, as you know, Sir, the Soviet Union today is producing 65 million tons of steel. Even so, from India, because of friendship with us, they import 40—50 thousand tons of steel. Would you believe it, Sir, that a country like the Soviet Union, imports steel from India in order to help us? That shows the disinterested nature of their assistance.

Now, Sir, I may draw the attention of hon. Members to the draft programme of the Communist Party of the Soviet Union, which underlines the growing possibilities of greater trade between the Soviet Union on the one

hand and the underdeveloped countries like India on the other. Now, Sir, we are in a position, provided we have correct policies, proper direction of our trade, to draw more upon that growing and expanding market, whether in respect of our export trade or import trade. Similarly, we should develop our trade with the Afro-Asian nations. That market is largely uncharted. Now, the European Common Market is going to control, more especially, the African market, and they want to develop their pressure on the market. Alternatives to this thing are necessary and that is that while the non-aligned countries should, on the one hand, develop trade with the socialist countries, they should, at the same time, develop trade with the newly liberated countries. Here I include also some of the countries of Latin America, like Cuba.

Sir, our external trade has to be nationalised. Our export trade and import trade in major items would have to be nationalised if we want to face this situation because, as I have said before, our relations with the United Kingdom have never been on equal terms. To them it has been an instrument of economic pressure, of economic exploitation, filled with unequal terms under all kinds of guises. Today, Sir, our export trade and import trade is largely—to the extent of 30 per cent.—in the hands of foreign concerns, mainly British. Therefore, the demand for nationalisation of our export trade, specially, in the major items, is of fundamental importance, and the Common Market arrangement underlines the need for it.

Here, Sir, as far as Britain is concerned, I would only like to point out how they view this matter in England, how the progressive sections in England view it. I would draw your attention to it and I would then conclude. This is what they say. "For those who have the interest of Britain's future at heart, for the great majority of the people, it is madness to support the Common Market", they say. Now today, when the British

[Shri Bhupesh Gupta.] people themselves are fighting against the Common Market, we should modify our line of approach for our development, and the line of approach is to reorganise our trade. It is quite clear that we have been relying too much on the West more especially on the United Kingdom, and today we find how the United Kingdom readily lets us down whenever their monopolistic interests dictate to them to take to a particular course of action. And what will happen if this kind of alignment of the monopolistic concerns in the colony-owning Powers in Europe grows? That will bar our way, the way to our trade development with many countries even in the capitalist world. Therefore, Sir, I would appeal to the Finance Minister—if I may say so, he likes mild words—I would tell him that the time has come today, that the European Common Market and Britain's entry into it are a reminder to the national task of reorganising and diversifying our trade. To Mr. Macmillan, who has treated us so shabbily and in a cavalier manner in the matter of the Common Market, despite all the fine talk about the Commonwealth, our answer would be that we must overcome the legacies of the and break away from the wrong ways in the matter of our trade with Britain and other Western countries, especially with Britain, and develop our trade with all countries in the world on a truly reciprocal and independent basis for the development of our country and for the mutual benefit of human society.

Thank you, Sir. I move.

The question was proposed.

SHRI P. RAMAMURTI (Madras): Sir, I move:

"That at the end of the motion, the following be added, namely:—

'and having considered the same, this House is of opinion that the European Common Market is the economic counterpart of the

NATO and is designed to continue ' and intensify by the imperialist monopolists the exploitation of the colonies and underdeveloped countries.

This House is further of opinion that in order to overcome the serious consequences that Britain's decision to join- the European Common Market will have on our economy it has become urgently necessary for Government—

(i) to undertake a thorough re-examination of our trade policy and take energetic steps to diversify it;

(ii) to nationalize the export trade of our principal export commodities such as tea:

(iii) to channelise our export trade through Indian banks;

(iv) to re-examine all agreements of collaboration with foreign concerns and take steps to eliminate all restrictions that may be in the export of our manufactures; and

(v) not to sanction in future any agreement that imposes in any manner restrictions on the export of our manufactures."

The question was proposed.

SHRI P. N. SAPRU (Uttar Pradesh): Mr. Deputy Chairman, Sir, the question of Britain joining the European Common Market has posed difficult and important problems for this country. Mr. Desai, our Finance Minister, has been engaged in talks on this matter, and I do not think that we are serving him well by making his task more difficult than it already

Mr. Deputy Chairman, it is not necessary to go into the history of this European Common Market. If you will go into the history of this Common Market, you will find that as early as 1939, Mr. Streit, in the book

Which he wrote "Union Now", visualised a united Europe which would, for the time being at all events, exclude Russia. There is a political move behind this Common Market. France was dominating the show, according to the financial editor of the "Manchester Guardian", and Tory Britain has found herself in a position where she cannot resist the pressure to join the Common Market. I have an article before me appearing in the "New Statesman"—"Tory route to Europe"—and the writer points out that there are alternatives before them. The alternatives were put forward by Mr. Harold Wilson who belongs to the Left Centre of the Labour Party and Mr. Richard Crossland who belongs to the Right Wing of the Labour Party. But they are not in power.

Sir, it must in fairness be admitted that the British Government has shown some concern and consideration for the Commonwealth countries and two of their senior Ministers have been visiting the various parts of the Commonwealth. I think Mr. Peter Thorneycroft visited our country and our respected Finance Minister has had talks with Britain. Certainly, if the Common Market materialises, it will be difficult for Britain to negotiate with the six countries on the terms that will protect the interests of the Commonwealth. We do not know; I am just speculating. If this Common Market materialises, a time may come when our trade may be affected in certain vital particulars. We have the Third Five Year Plan to carry through. Our tea exports will go down. Labour in Africa is cheap and Africa is a competitor with us in regard to tea. Then, the raw materials in jute and jute manufactures will go down, and our textile industry and so many other items will suffer.

Our export trade is largely with Britain. I think 40 per cent. of our exports are with Britain. The position will have to be considered by us from our point of view, from what is

desirable in our national interest. This does not mean that we should overnight walk into the parlour of the Warsaw Powers. What Mr. Ramamurti's amendment seeks to achieve is that taking advantage of this move on the part of Britain to join the Common Market, we should align ourselves in one way or the other with the Warsaw Powers. He talks of taking energetic steps to diversify it. We shall have to find ways and means whereby we can export our goods to foreign countries, we shall have to cheapen our cost of production so as to be able to compete with other countries on equal terms. But it is not necessary for us to take an alarmist view of the situation in order to assure Mr. Khrushchev that we are very much with them in everything that they want.

Now, Sir, I would just point out some of the things that Mr. Bhupesh Gupta's party wants this House to commit itself to. It says that the "European Common Market is the economic counterpart of the NATO"... Probably, to a certain extent that is true. So far as we are concerned we are neither in favour of the NATO nor in favour of the Warsaw Pact, nor in favour of the S.E.A.T.O. nor in favour of the C.E.N.T.O. It further says:

"... and is designed to continue and intensify by the imperialist monopolists the exploitation of the colonies and underdeveloped countries."

There is no evidence as yet before us that that is the objective of the European Common Market. It may be one of the effects. They may exploit the under-developed countries, but we have to be watchful, we have to be careful and we have to negotiate. That does not mean that we should walk into the parlour of the Soviet Union. The amendment goes on to say:

"(i) to undertake a thorough re-examination of our trade policy and take energetic steps to diversify it;"

[Shri P. N. Sapru.] I have no objection to the diversification of our trade. But he wants us to nationalise our principal export commodities such as tea. I am myself a believer in public ownership where-ever possible, but I do not think that the problem, with which we are faced, will be solved by our nationalising the tea industry. If we nationalise the tea industry, we shall have to pay compensation to the tea planters and that would add to our financial burden. Of course, it is possible for us to confiscate the tea estates, but confiscation is not a part of our creed. It may be a part of the creed of Mr Bhupesh Gupta's party.

SHRI BHUPESH GUPTA: We have not suggested that for discussion.

SHRI P. N. SAPRU: But, as I said, nationalisation will involve us in a large amount of expenditure. Are we in a position to bear this expenditure? Where shall we get the funds from to nationalise the tea industry? There are many new industries which have to be set up, new developments which have to be made in our agriculture and so on. Shall we spend our money in nationalising the tea industry, the jute industry and other industries, or shall we, while regulating and controlling the working of these industries within the framework of a national plan, concentrate on building up certain stability in these industries as to enable them to compete on equal terms, European Common Market or Asian Common Market, with the other countries of the world? That is the problem which the European Common Market poses before us, and I am certain that we can trust Mr. Desai to do the right thing by this country.

Then comes the suggestion "to channelise our export trade through Indian banks". Now, this too would involve the liquidation of foreign banking concerns in this country. Now, I would like Indian banks to be encouraged. I would like everything that we can do to further Indian banking interests, but we cannot overnight take over

foreign banking concerns without thinking very carefully of the effects that any such move may have with national economy, not only with our people but with the people of other countries, with the people of countries who have been assisting us through loans and in various other ways. Certainly, we want to be on good terms with the Soviet Union, but the Soviet Union is not the only country with which we want to be on good terms. We have to think of the United States of America. And we have not the prejudicial friend, Mr. Bhupesh Gupta, and his group I against the United States of America. We want to live a life of our own. It is not easy for us to think in terms of regional groupings, to have an Arab Regional Economic Market or an Asian Economic Market. We have to think about these things seriously.

The amendment says:

"to re-examine all agreements of collaboration with foreign concerns and take steps to eliminate all restrictions that may have been placed on the export of our manufactures."

Is there any reason to suppose or assume that our respected Finance Minister is unaware of the necessity of re-examining our financial arrangements with various countries? The form in which this clause has been worded casts a reflection on his impartiality, on his patriotism to do the right thing by this country in the right manner. I would say that so far as Britain is concerned, the opinion there itself is divided on the question of the European Common Market and it has been shown us the courtesy of discussing matters with us. We do not know yet the final shape that this entry into the E.C.M. will take and therefore we should do nothing hasty in this matter. We should not weaken the hands of Mr. Desai in the delicate task that is before him.

SHRI ROHIT M. DAVE (Gujarat): Mr. Deputy Chairman, Sir, the Hon

owes thanks to the mover of the motion for bringing a very important subject before this House today. I entirely agree with Mr. Sapru that when our Finance Minister is engaged in delicate negotiations with the U.K. and other members of the European Common Market, we should not do anything which might embarrass him or might create problems in his way. At the same time, we would be doing a distinct service to the Finance Minister of India and also to the country as a whole by clearly indicating what we think is to be the likely effect of the entry of the U.K. into the European Common Market and what steps we should take in order to see that the impact of this entry on our economy and on our external trade is as little as possible.

[THE VICE-CHAIRMAN (SHRIMATI T. NALLAMUTHU RAMAMURTI) in the Chair]

The statement which they are considering today is a very well-reasoned and well-balanced statement and it lays down certain general principles which we should follow in determining our reaction to the entry of the U.K. into the European Common Market. The discussions in the public, in the press and in the Parliament of the U.K. on this issue clearly shows that various considerations have entered into the decision of the U.K. to enter the European Common Market. There are political considerations and these considerations have been given full expression to in the discussions in the United Kingdom. There are economic considerations and there are differing points of view on this. Some of the economists, some of the industrialists and some of the public thinkers are of the opinion that the entry of the United Kingdom into the European Common Market would help the United Kingdom's economy to master some of the problems which it is having today, while others are of the view that a contrary effect is likely to result.

I am in agreement with the Government of India when it says that it

is not our business to opine whether right for the United Kingdom to enter the European Common Market or not. It is their interests which are involved and they are the best if. At the same time, it is necessary that we take into consideration the impact of this decision on our economy but here again we have to keep a sense of proportion and some balance. Our trade with the United Kingdom and our external trade generally are suffering from many defects and at the present moment, our external trade is ex-

alting various difficulties. Even before this decision was taken by the United Kingdom, our trade with the sterling area itself was undergoing a fundamental change. " I have some figures with me which show that our trade balance with the sterling area in 1958-59 was Rs. 4386 crores, in 1959-60 it fell to Rs. 415-2 crores and in 1960-61 it fell to Rs. 413-1 crores. It means that in two years our credit balance has fallen by Rs. 2-5 crores while, as Shri Bhupesh Gupta pointed out, the maximum impact of the decision of the U.K.'s entry into the E.C.M. is likely to be of the order of only Rs. 20 crores. Similarly, as far as the net balance is concerned, it was Rs. 123 crores in 1958-59 which rose to Rs. 45-3 crores in 1959-60 and again fell to Rs. 304 crores in 1960-61. As far as net balance is concerned, the deficit is increasing and in spite of our best efforts, even today it stands, in 1960-61, at Rs. 304 crores. It is true that as far as O.E.E.C. countries are concerned, the situation is still more serious because the net balance was Rs. 165-2 crores in 1958-59 which fell to Rs. 105-6 crores in 1959-60 and again rose to Rs. 143-4 crores in 1960-61. When the U.K. enters the E.C.M. and if certain safeguards are not provided in the decisions and the agreements that they arrive at, we are likely to have a pattern which is more akin to the pattern of our trade with the O.E.E.C. countries than the pattern of trade with the sterling area. Therefore, we are likely to experience serious difficulties.

[Shri Rohit M. Dave.]

I have tried to go into the price preferences that are involved and the various commodities that are likely to be affected as a result of this decision. In 1957, the imports into the U.K. from India was of the order of 157 million sterling while the margin or preferential margin in percentage was 7. In food and other things, 95 million sterling was the import from India into the U.K. while the percentage margin was of the order of 6. As far as raw materials are concerned, the import was 23 million sterling while the margin was of the order of 3 per cent.; while, in minerals and fuels, the import was of the order of 1 million sterling while the margin was 10 per cent. In manufactured goods import was of the order of 37 million sterling- while the margin was of the order of 14 per cent. This shows that as we are trying to diversify our trade and as we are trying to export more of the manufactured goods rather than raw materials—the margin of preference that we enjoyed in the U.K. was of the order of 14 per cent, in the case of manufactured and other goods which we are now- trying to sell more and more in other countries—and therefore, as our trade was being diversified and as we were selling goods which we now want to sell to outside countries, the margin of preference which was very great, will disappear when the U.K. enters the E.C.M. This gives us some idea of the impact of the decision of the United Kingdom on our economies.

The question now is: What can we do? Certainly, as I have said earlier, it is not for us to say whether the United Kingdom should or should not enter the European Common Market. What we have to do is to safeguard our own interests in the light of the circumstances that are likely to prevail when the final decision to enter the European Common Market is taken. It has been suggested by the Finance Minister that we should enunciate certain principles, the principles that have been accepted by the GATT and see that these principles

are accepted when the final treaty between the United Kingdom and the European Common Market is drawn up. One of these principles is that there should not be any new preferences created as a result of certain treaties, and at the same time the preferences that are already existing are not arbitrarily and suddenly done away with. If these principles are kept in view when the treaty for the entry of the United Kingdom into the European Common Market is drawn up, then perhaps we will have some time to readjust our pattern of trade in such a way that the impact of the decision of the United Kingdom will be as little as possible. At the same time, it will only be a temporary measure. Ultimately we will have to adjust and, as the Finance Minister said, we will have to accept this challenge, the challenge of re-organising our external trade in such a way that we are able to stand on our own without any preference whatsoever. We might also try to impress upon the European countries or rather the European Common Market to see that our goods get a certain amount of competition in the European Common Market, that they are able to enter at least with as little discrimination as possible in the circumstances. But that is a matter which the other countries will have to decide and as matters stand we will only have a partial say. Ultimately, the solution to the challenge that we are facing will be to take measures in our own country to see that our export trade is able to compete with other countries on equal terms. Certain suggestions have been already made regarding the measures that should be taken in this kind of a happy situation might develop. My fears are that these measures which have already been announced by the Government do not go far enough. I think they will have to take more stringent measures to see that our merchandise competes favourably in other countries and on equal terms.

In the short time at my disposal, I do not wish to go into all the various measures that can be taken in order

that our export trade may be increased, not only in the European Common Market countries, but in other areas also. But I would respectfully like to impress upon our Communist friends that in spite of our best wishes and in spite of our desire to increase as much trade as possible with the socialist countries, in the near future, at least till the year 1980 comes and there is abundance in the U.S.S.R. as it is proposed to have, it will not be possible for us to increase our trade with the socialist countries up to the level where it will be possible for us to solve our problems. This does not mean that all that could be done should not be done. But all that we can do and all that we have been doing in the past does not afford us the hope that we will be able to solve problems that way. Therefore, in diversifying our trade, by developing as many foreign markets as it is possible for us to develop, we will have to ultimately stand on our own and see that our merchandise has got that quality which can enable it to compete with the quality of the merchandise in other parts of the world, that it is sold at a competitive price and therefore, produced at a cost at which it will be possible for us to compete with other countries in the world. Madam, I thank you.

PANDIT HRIDAY NATH KUNZRU: (Uttar Pradesh) Madam Vice-Chairman, we are all justly concerned about the future of our external trade. The entry of England into the European Economic Community poses a serious economic problem to us.

[MR. DEPUTY CHAIRMAN *in the Chair*]

But beyond recognising the fact that we shall be in a very difficult position if England becomes a member of the E.E.C., I do not see what practical suggestions we can make at the present time. We know the weakness of our economic position. We know the difficulties that we shall have to face in the near future; but I cannot find any easy way of overcoming all the difficulties in a year or two. The

estimate of our export trade in the Third Five Year Plan seems to me to be very optimistic in any case, and when it is considered in connection with the effect of the United Kingdom's membership of the E.E.C., that estimate becomes somewhat unreal. This means that we shall not merely be affected in a general way by England's participation in the E.E.C., but we shall be hit at a very vital point of our national life, namely, the development of our economy with which the Third Plan is concerned.

A great deal has been said about the export of our raw materials. Whatever difficulties there may be, I think we shall be able to find countries that are willing to purchase our raw materials. But we are interested not merely in exporting our raw materials, but also in exporting some simple manufactured products, and it is here that we shall have to do all that we can in order to make the realisation of the Third Plan possible. The items that are generally talked about in this connection I mean the items that will be affected by Britain's participation in the E.E.C., are textiles, jute and tea. There are other things too, but I am not going to refer to them or to the raw materials on this occasion. Our exports of textiles are mainly to the United Kingdom and if the United Kingdom is unable to persuade the countries that are members of the E.E.C. to be fair and helpful to us, our exports of textiles would be seriously affected, because so far as the other countries are concerned, namely, Germany, The 5 P.M. Netherlands and so on, they are very small.

As regards the export of jute manufactures too there will be a problem but the loss is not likely to be of the same order as in the case of textiles. As regards tea, the difficulty that will face us in the event of England becoming a member of the E.E.C. will be the high tariffs that the E.E.C. countries will impose on Indian

[Pandit Hriday Nath Kunzru.] tea. The E.E.C. countries have not been very considerate to India so far in spite of the complaints made at the meetings of the GATT. Whether they will be prepared to accept England's views with regard to England's trade with Commonwealth countries is very problematic. Whatever other countries may do, I fear that the attitude of France, will be the most difficult problem that we shall have to consider.

Sir, before the British Parliament had given its consent to the participation of England in the European Economic Community Mr. Macmillan said to a Conservative audience on the 1st July 1961 that Britain in any discussion with the six-nation European Common Market must—and the rest, are his own words—"make sure our ideas are in line with those of the Commonwealth". He went on to add—

"On the political side I have no doubt that the Commonwealth would actually be strengthened if we could succeed in reaching a fair agreement with Europe but our Commonwealth would be greatly shaken if we were to put their interests second. We do not propose any such thing."

Well, I do not doubt Mr. Macmillan's sincerity but the economic position of England itself is difficult and there is, according to reports published in newspapers, American pressure on England to join the E.E.C. The E.E.C. has, as we all know, been started not merely to strengthen economic relations between the Western European countries but also to weld them into a kind of unit whose military policies would enable the Community to act with speed and firmness in a crisis. Sir, these countries are following the example of the Eastern Communist bloc. Their economy has for years been a closed economy, integrated economy; not merely that, it is impossible at the present time to conceive that any of the Eastern European countries are known as

'i in military matters—Warsaw Pact or not—follow a different policy from that of Russia.

SHRI P. N. SAPRU: Yugoslavia tried to do it.

- PANDIT HRIDAY NATH KUNZRU: Yugoslavia is not a satellite country of Russia.

SHRI P. N. SAPRU: She tried to do it and she was thrown out.

PANDIT HRIDAY NATH KUNZRU: Yugoslavia tried to maintain her independent policy in connection with its economic development but it had to face the opposition of the entire Communist bloc and its position even now is not easy.

Again, when Mr. Peter Thorneycroft here to discuss the various actions arising out of the U.K.'s policy with the Government of India he said that the difficulties of the Commonwealth countries would be kept in view. Again I understand that when he met the Federation of Indian Chambers of Commerce and Industry in New Delhi on 15th July he gave the impression that the U.K. might seek commodity-wise safeguards for Commonwealth trade before joining the E.E.C. instead of the country-wise safeguards. I should like to know whether this report of the conversation that he had with the Federation is correct and if so whether England is actually pursuing that policy. With our Five Year Plan some steps will be taken to widen our economic contacts and the possibility of increasing our trade with a number of countries will have to be explored and I can see no other way of solving the problem unless of course we can persuade the E.E.C. to follow more liberal policies. While their total trade among themselves for the whole world has increased the figures for 1959 show that their trade with the developing countries has gone down. And that is the point that causes us anxiety. We cannot stand in the way of any economic arrangements that other countries might wish to make among them.

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selves provided they were not such as to have a restrictive effect on their trade with the developing countries.

There is also one other danger that we have to guard against and that is that the Western European economic bloc may consider itself strong enough to determine the prices of raw materials that it may wish to buy from us. So long as England was out of the Common Market our position was much stronger. But if England joins the Common Market, then it is obvious that our bargaining position as respects the prices of our raw materials will become weaker. Again, while we are desirous of exporting some simple manufactured goods that we produce in this country, the Western European economic bloc may in some respects come into competition with us or may refuse to accept our manufactured product! or may do so in a very small way. These are the problems that we have to face. I have no doubt that our Finance Minister is well aware of them. I cannot suggest any solution that will enable him to tide over the crisis that faces us. We can only put our shoulders to the wheel, clench our teeth and go through the crisis with all the courage that our nation has.

Only I would not like him to fall into the net that Shri Bhupesh Gupta has spread before us, in sight of us. We are trading with all countries but we cannot, even for the sake of increasing our trade, align ourselves with a bloc and I for one . . .

SHRI BHUPESH GUPTA: Nobody has suggested that.

PANDIT HRIDAY NATH KUNZRU: If I am compelled to align myself with a bloc it will not be with a totalitarian bloc; it will be with a democratic bloc.

SHRI BHUPESH GUPTA: Whoever 'ich a thing?

PANDIT HRIDAY NATH KUNZRU: I heard Shri Bhupesh Gupta quite as well as other Members.

(Interruptions)

Mr. DEPUTY CHAIRMAN: Order, order

PANDIT HRIDAY NATH KUNZRU: I am not in Shri Bhupesh Gupta's bloc. I have never said that China being a Socialist country is not an aggressor. I have always said that China is an aggressor and I hold that those who refuse to call China an aggressor are traitors, to this country.

SHRI K. SANTHANAM (Madras): Mr. Deputy Chairman, in his anxiety to do some anti-British and some pro-Russian propaganda, the mover, Shri Bhupesh Gupta, put himself in a rather curious position—I shall not say ridiculous position.

SHRI BHUPESH GUPTA: How can you say it?

SHRI K. SANTHANAM: I shall not say it, though you may realise that it is so. His objects to Britain's entry into the European Economic Community, because it will be strengthening the NATO Powers. On the other hand, he greatly rejoices that our economic relations with the United Kingdom will be disturbed and even broken, so that for some reason or other India may walk into the Soviet parlour. So far as the NATO Powers are concerned, if Britain can be a military partner, I do not see why she should not be an economic partner also. Our real difficulty is that it is going to cause our country some serious, though I consider it to be temporary, trouble. Before I proceed to develop that point, I want the House to realise why the United Kingdom, which has been struggling to keep out of the European Economic Community for the last three years, is being more or less compelled to join it. The European Economy today is one of the lie blocs. It is a much

Shri K. Santhanam. It is a more important economic bloc than the Soviet bloc, though it is still a little less important than the United States. The total export of this bloc, of this Economic Community, is of the order of 17 billion dollars or, if you convert it, Rs. 8,500 crores. The imports also are of the same dimensions. One of the biggest customers of the European Economic Community is the United Kingdom. Similarly, Great Britain exports to this Community much more than it does to the Commonwealth. Therefore, Britain, in order to survive as an economically prosperous nation, finds herself compelled to join the European Economic Community. On the other hand, I have not the least doubt that she does not want to do so with any intention of hurting India or any other Commonwealth country. Therefore, we approach this problem not on any purely selfish point of view because we have some real difficulties to start with, but also with some degree of sympathy for the United Kingdom, so that even after she joins the European Economic Community, our intimate relations and mutual goodwill should not be affected.

SHRI BHUPESH GUPTA: You, Sir, take Mr. Santhanam with you when you go to England so that his sympathies might be conveyed personally.

SHRI K. SANTHANAM: I do not want to go anywhere, but I want that the goodwill between the United Kingdom and India should be continued for all time.

Our friend, Mr. Bhupesh Gupta, said that in our relations Great Britain was the gainer. It is not so. We give a preference of ten per cent, on twenty per cent, of our imports from the United Kingdom. On the other hand, almost 90 per cent, of our exports to the United Kingdom are either free or we get a decided preference on them. It is because under the present relations we gain much more than we give that we are going to be hurt. The preference which the

United Kingdom is giving us, she is to give when she becomes a member of the European Economic Community.

SHRI BHUPESH GUPTA: Where will England get her tea from—not from her courtyards?

SHRI K. SANTHANAM: We have to sell our tea. In fact, for us the British market is much more important than India as a producer is important to the United Kingdom. Otherwise, why should we bother about Britain's entry into the European Economic Community?

I do not want to deal with all the points which have been covered by Mr. Dave and Pandit Kunzru, but there is one point which might turn out to be for our benefit. At present the European Economic Community sends to India much more goods than it buys from India. In 1960 our imports from the European Economic Community were worth Rs. 184.4 crores, while our exports, were only worth Rs. 48.9 crores. This will afford an opportunity to bargain with that Community as a whole and in that the imports and exports should balance. I am aware that we are importing machinery and industrial goods which are essential for our development. Still I am sure that with the help of Britain as a member, we shall be able to convince the whole European Economic Community that it should take from India as much at least as India is taking from that Community. Again, in the long run, I have no doubt that Britain's entry into the European Economic Community will be good for us and for the whole world, because the larger the free trade areas become, the greater will be the progress of those countries and in that progress we also will have some share. Therefore, while we must negotiate as skilfully and as firmly as possible to overcome our temporary troubles—and I have no doubt that our Finance Minister is both determined as well as capable of performing this task—

we should look upon this with a certain degree of objectivity and even sympathy for the United Kingdom.

SHRI JASWANT SINGH (Rajasthan): Sir, the hon. Finance Minister made this statement on the opening day of this session of Parliament. Since then I feel that nothing new has happened. All the facts of the case were presented there. They stand as they are now and nothing new has happened since then, and therefore I personally feel that the discussion today is a premature one. The facts and figures that were given by the various Members of the House were already before the Finance Minister, Mr. Thorneycroft came here to tell us that in view of the realities of the economic position of England, they wanted to join this European Common Market, and therefore they wanted to see how the interests of the Commonwealth countries could be safeguarded. Sir, as far as this subject is concerned, I know that Mr. Bhupesh Gupta has introduced politics into a subject which is nothing but a pure economic and commercial matter, and we have to look at it from the point of view as to how our interests are safeguarded.

The Finance Minister in his statement has said that the picture at present is not complete, and we cannot make any assessment of the facts of the United Kingdom joining the Common Market without knowing, firstly, - on what term,? the United Kingdom will accede, and secondly, what will be the resultant tariffs and commercial policies of the European Common Market. These are the two factors which we have to see. At present England has applied for membership. Its application has not yet been accepted. This Common Market has been functioning for the last two or three years. She did not join it. She had a combination with seven other countries of Europe, and eventually circumstances have forced England to join this Common Market because of her economic position. Other Commonwealth countries are

affected by it, we are also affected by it, but we cannot demand any other country not to take any other step. Britain has taken this step in her own interest, and as a friend of ours she has given a warning in sufficient time and has tried to help us in regard to the difficult situation in which we have been placed. At present we do not know what is going to be the terms of the accession of England to the Common Market. We also do not know what will be the resultant tariffs and commercial policies of the Common Market. When these things are known to us, we will then be in a position to know how we are affected.

In paragraph 6 of his statement the Finance Minister has given us a list of the advantages that we enjoy in our trade with the United Kingdom. All these things have been spoken of by the hon. Members here. He has been fair enough also to tell us that as far as these European countries are concerned our trade is not satisfactory. At least as far as our trade with the United Kingdom is concerned it is nearly balanced, while we run a heavy adverse balance in our trade with the Common Market countries. That is what has been stated here. The position is that we have been negligent in the past not to develop our trade with the European countries. Now that we have been faced with a situation where because of the steps of a particular country with whom we have been linked in trade as a member of the Commonwealth our interests are affected, we therefore cannot now sit and curse anybody. We have to see, as stated by the Finance Minister in his statement, how we can improve our trade.

Sir, I do not know why Mr. Bhupesh Gupta was nervous. After the picture is complete India will not be able to expand its trade with the Eastern European countries. At present also we will see that we are friendly with everybody, all countries, whether they are in the western bloc or in the eastern bloc. We are

[Shri Jaswant Singh.] expanding our trade with all countries keeping in view the interests of our country. To whatever ideology they may belong we are not concerned with that. We are concerned with our trade, with our commerce, with our export. Now we will be hit very badly by England joining the European Common Market, but then what is the remedy? The remedy is that shall have to diversify our trade. This point of view is plainly before the Finance Minister and before the Government, and they will not be lagging behind in 'Seeing that the interests of the country are well safeguarded.

(ignoring the study of the Five Year Plan I do not think that we are over-optimistic as Dr. Kunzru has said. This thing is before us for over a year and the Third Plan has been out and has been published last month, and I am certain that this point was before them, and having considered the point they have put the export target in the Third Plan that should be aimed at by us. We have to accept the fact that we have to diversify our trade, and we cannot blame any country for taking certain steps in their own interest. Therefore, Sir, while considering that the position is the same and that this debate is premature, we have all the same to express our views, and I think we can rely on the Finance Minister to look after the interests of the country.

SHRI SUDHIR GHOSH (West Bengal): Mr. Deputy Chairman, I do not see how we can improve upon the Finance Minister's statement on the entry of the United Kingdom into the European Common Market. Whoever has written this statement has done an exceedingly good job, and I think Government deserves to be congratulated on its clear-sightedness as shown in this document. It is not for us to examine the motives behind United Kingdom's decision to negotiate for entry into the Common Market or to sit in judgment over

their decision. It is their decision. We have been presented with a new one; and it is for us to work out the best way in which we can deal with that situation from our point of view.

The whole matter boils down to two things. Firstly, India is faced with a very tough negotiating job which will require negotiating skill and talent of a very high order. Secondly, we are faced with a long-term planning job, the planning of our industrial products and their export to fit into the new pattern of international trade. Here we have to needle our own Planning Commission to wake up to the new situation and to gather together all necessary talents for perspective planning for the next fifteen or twenty years.

As regards the negotiations, they are going to be very complicated in nature. Ceylon, for instance, exports tea and India exports tea to the European Common Market area. If Ceylon, for instance, enters into that area as an Associated Territory of the United Kingdom, India will obviously be at a disadvantage. Kenya exports coffee and India exports coffee into the same European Common Market, say, Austria. If Kenya enters into that area as an Associated Territory of the United Kingdom or if some of the other African territories enter into the European Common Market as Associated Territories, say, of France or some other European country, obviously we are going to be at a disadvantage. I have no time to go into these details. I think our stand in these negotiations should be this, that we claim no special privileges or preferential treatment of any sort, do we presume that the European Common Market is necessarily a bad thing. Conceivably we may be even better off as a result of the European Common Market. The industrially advanced countries of the world are prospering and the under-developed countries of the world are developing themselves. We want that as a result of the rapidly increasing industrial

development there should be an overall increase in world trade in the European Common Market area and there should be a reduction of barriers in general. We do not ask for a special place for India. We want a freer trade system in that whole area. So, we say, reduce the barrier around the whole area of the European Common Market. Lower the general barrier. That is all that we want, not a special place for our country. And that, I think, should be the theme of our negotiations in this whole matter. If the idea is the increase of world trade into that area and the general lowering of barriers, then we have nothing to fear. Then we can fend for ourselves and we can survive on our own merits.

It is no use blaming Britain. They have to live and survive in this world. "They are exporting capital to the other areas of the world. They are investing in the less developed countries of the world. They are giving substantial economic aid to the underdeveloped areas of the world. How are they going to export capital to "the other areas of the world unless y earn substantial export surplus. And for that it is necessary for them to enter into the European Common Market. So, instead of blaming anyone else, I suggest that we get down to our own job of planning, how to fit into world trade in these changed cumstances. After all, as the Finance Minister has pointed out in his statement, it is not a good thing for the under-developed countries of t)ie world to rely on preferential treatment in the industrially advanced countries for their economic development because if they do so, that is likely to jeopardise their political independence.

But it is very amusing to see that Mr. Bhupesh Gupta is not at all worried about the other common market of Europe under the leadership of Russia, as Dr. Kunzru pointed out. The economy of Soviet Russia has been ,<o integrated with the economy

of the Communist countries of Eastern Europe today—East Germany, Czechoslovakia, Poland, Rumania, Bulgaria, Hungary and all these countries—that there is very little chance of these countries ever becoming politically independent at any time in future even if they wished to do so. But then Comrade Bhupesh Gupta will probably point out that they are all brothers and that they do not wish to be independent of each other; li(cause they are brothers under the guidance of the big brother.

So, as I say, we are faced with a negotiating job and a planning job, and let us address ourselves to these two tasks. These negotiations, I believe, are in the hands of one of our ablest civil servants, Mr. L. K. Jha, who has built up quite a stature for himself in international economic ussions. And I feel confident that the negotiations are in good and competent hands.

MR. DEPUTY CHAIRMAN: Mr. Ramamurti, please take five minutes.

SHRI P. RAMAMURTI: Sir, within 'the time allotted, it is very difficult for me to answer all the points that have been raised. I will just refer to some of the points in a nutshell.

MR. DEPUTY CHAIRMAN: Please speak on your amendment.

SHRI P. RAMAMURTI: I will speak only on my amendment. Dr. Sapru had been under a misapprehension v/hen he thought that I had istated in my amendment that we should close our trade with the United Kingdom and with the other Western countries. No such thing was said. It is not that we want to close our trade with them. On the other thand, it is they who are putting barriers and difficulties in our trade. Therefore, in order to meet the stuation. all that has been stated in my amendment is that the Government must re-examine its foreign trade policies and whatever stands in the way of the further development of our trade with all

that is, you channelise your foreign trade through Indian banks. I have asked that you should immediately nationalise all foreign banks because the grip of these foreign banks over our export trade stands as a restriction in our expansion because in ever so many ways they could be influenced. Therefore, all that we suggested is that you channelise these things through the Indian banks. How exactly it has got to be done, we can examine. I am not now laying down any particular formula by which you should do it. That is what we have suggested.

Dr. Kunzru today was saying that it was not only these primary products that we were interested in exporting, it was also the manufactures which we should export. Quite right. Not only Dr. Kunzru, but we are also equally concerned with it. But look at the agreements of collaboration with a number of foreign companies—three or four of them—and examine everyone of the agreements. You will find that there is a clause there which says that this commodity, this manufactured article, will not be exported to some countries. Therefore, if you enter into such agreements, all the possibilities of exporting our manufactures out of our country fall to the ground. There-fore, I say, "Don't enter into such agreements which will have a crippling effect on our export programme. On the other hand, examine them and if there are certain clauses which stand in the way of expanding our export, then you please stop it." That is what we have stated. I have got very little time; otherwise, I can quote from the Finance Minister's statement itself. He says:

"Secondly, we shall expect that all quantitative restrictions affecting our exports will be abolished. These are contrary to the GATT, since the Common Market ..." etc.

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He has based his entire hope on this. He further says:

"The GATT is against any new preferences being created. The GATT has recognised that in order not to disturb patterns of trade established through decades of preferential ... " etc.

The creation of this Common Market itself is a negation of the GATT' treaty because it creates new preferences and here certain big capitalist countries have created preferences a" between themselves. Therefore, the creation of this Common Market itself, according to him, according to his own statement, is a negation of the GATT treaty. In that case, how can we expect that those people will be able to listen to him? That is why I say, let us have our scheme ready even now. Let us not wait for that. That is my amendment, Sir. Therefore, I would ask hon. Members not to import other things into this. Look at my amendment on its own merits, see what it says and on that basis, come to a conclusion.

THE MINISTER OF FINANCE (SHRI MORARJI R. DESAI) : Sir, I have listened very carefully to what the hon. mover of this motion first said, and also what the mover of the amendment said. They are in the habit of speaking so fast that it is very difficult to follow them. It is as well perhaps because, if they spoke slowly, one might see that there is no substance in it. Now, I understand why my hon. friend Shri Bhupesh Gupta was so very particular to have a debate on the Common Market. He only wanted to have an opportunity of going at the United Kingdom and the Common Market countries with his pet theories. Otherwise I do not see what contribution he has made to a solution of the situation that has arisen. Nothing has happened further than what was the case at the time I made the statement on this issue in this hon. House, and therefore there is nothing more that I can say beyond what I have stated in the statement'

[Shri Morarji R. Desai.] wliich I made before this hon. House. I made as full a statement as was possible and as clearly as it was possible for me to do. I have stated all the issues. The issues are there before us, and the Common Market also is there before us. The question of the United Kingdom joining the Common Market is also there and it is going to be real parhaps, as I see it. I do not think it is any use attributing motives to others, and especially to these countries, the motive of hurting us or hurting anybody else. They are trying to preserve themselves; they are trying to strengthen themselves.

The European Common Market, as it is commonly called, or the European Economic Community, as it should be really called, came into existence in 1958 as a result of tht. Treaty of Rome in March, 1957. The aim of that treaty was to achieve a custom, union in the course of 10-12 years, or more, when there would be freedom of movement for goods, persons, services and capital in those countries. The United Kingdom was not in that Common Market, that is as one of the Inner Six. A,s a result of this, they formed an Outer Seven in order to have some sort of agreement with the Inner Six. But they did not succeed, and the United Kingdom thus tried to remain out of it, and still to safeguard their own interests it wa., necessary for them to form the Outer Seven, especially because they wantea to see that the interests of the Commonwealth a,? a whole were properly safeguarded. We have been discussing all these matters in the Commonwealth Economic Conferences for the last three years ever since 1958, and tne United Kingdom is now faced with the necessity of joining the Common Market in its own interests, and It would not be possible to say that. if she did not join the Common Market under any circumstances, it would benefit the Commonwealth because, if the United Kingdom became weak and became economical-

ly poor, I do not see how it will give strength to the Commonwealth at all. Therefore, this is a question which has got to be very coolly considered, and that is how that Government is considering, and they are honest in saying that they want to safeguard, as far as is humanly possible, the interests of the Commonwealth while entering the Common Market, which it has become necessary for them to do. Bui it is not possible to say whether they will be able to safeguard the interests of the Commonwealth, because it will depend upon the countries which form the Common Market and give them an entry. It is not because they will ask for it that they will get the entry and therefore we cannot say much at this stage. Whatever we may want them to do, it is not possible for the United Kingdom to do. The United Kingdom may try to do many things which we may ask them to do while negotiating with these six countries of the Common Market. But ultimately they have got to keep the balance between their entering the Common Market, which is necessary for them as I see it, and their not entering it, and therefore the conditions which they can get, at the most, for that purpose, they have got to accept.

Now, what am I to say at this stage to them? We have told them whatever we had to tell them, and that has also been said here, in the statement which I have put before the House. There is nothing which is secret in these matters. But negotiations cannot be carried on every day, by publicly stating every issue and trying to discuss it threadbare on ah occasions. It is not possible to have any negotiations like that. We do not want to come in the way of the United Kingdom making an arrangement which suits her best, and we do not doubt the *bona fides* of the United Kingdom in any sense, as we do not doubt the *bona fides* of the other countries which also try to safeguard their interests. It is therefore, Sir, that I was reluctant to have a discussion on this issue in this House and in the other House. But when I found

that in the Lok Sabha the discussion was put down, then—well—I said that it should be here also, and I could not then say "No" to this House, and my hon. friend Shri Bhupesh Gupta was very happy that it was put down for a discussion here. Well, that also is a gain to me, because he will not then say that I was trying to suppress it. Of course, he cannot be suppressed by anybody except himself.

Now, Sir, I do not know why he tries to bring in extraneous issues and make allegations against the Common Market countries, and also against England. He forgets that the countries to which he has the greatest loyalty that Bloc also has a common market—a very closed common market; it is a common market whose rules we do not know. Therefore, it is not necessary to say these things. They are also doing it for their own interests; I have no objection to their doing so if they want to do so. Of course, I dislike all groups being formed in the world. It is no use having different groups formed in the world because they are the basis for all sorts of strife and difficulties which ultimately lead to war. But it is not for our pleasure or for our benefit that they will do this. They do this for their own benefit and for their own purpose. What we have got to see is that we safeguard our interests, and I do not see why we should be jittery in this matter or why we should be afraid in this matter.

We have faced many difficulties so far and we have faced them with courage, and we should face them with courage. This is also a difficulty which we should face with courage. This is not the only time when we should diversify our exports. We are doing it for the last few years; we have got to do it constantly. It is not merely the question of the Common Market that makes us diversify our exports. If we have got to exist in the world, and properly exist, then we have got constantly to think about the changing patterns in world trade, and we have got to adjust our export trade also accordingly. And that is

what we have been trying to do. Of course, this poses an immediate problem. And, therefore, we are also considering that. But until we know exactly the conditions on which this event is going to take place it is impossible for us to say exactly what we have got to do. We have got several alternatives before us, but it would be unwise to talk about them or discuss them before anything has got to be done because these are all things which require skill. Export trade is not one which can be enhanced merely because it is nationalised as is alleged or as is suggested by my hon. friends opposite there who have got a pet theory of nationalisation. Sir, we are wedded neither to nationalisation nor to non-nationalisation. We believe whatever is necessary in the interests of the country and whatever is useful in the interests of the country, safeguarding our freedom as laid down in our Constitution we must do. Whether it involves nationalisation or whether it does not involve, it is not the issue at all for us. That is how we look at it and that is how we have behaved, and that is how we will continue to behave. Therefore, my hon. friend need not be in any doubt about that matter.

Coming to the amendments that have been suggested, I do not know how they serve the purpose except satisfying the urge of my hon. friend of repeating these things everytime on occasion arises. It is first said that it is "the economic counterpart of the NATO". I do not know by what stretch of imagination it is the economic counterpart of the N.A.T.O.

SHRI P. RAMAMURTI: That is what Mr. Macmillan says.

SHRI MORARJI R. DESAI: I do not know. He understands Mr. Macmillan better than myself.

SHRI P. RAMAMURTI: I have quoted from him.

SHRI MORARJI R. DESAI: You can also quote in your own way. That is

[Shri Morarji R. Desai.] what you have been doing constantly. Then—

"... and is designed to continue and intensify by the imperialist monopolists the exploitation of the colonies and under-developed countries." Sir, if we as an under-developed country are exploited by anybody, it will be our fault. I do not think there is any country in the world which can exploit us today. We were exploited a few years ago before we were free, but if we are now exploited it will be our own folly. My hon. friends there have no difficulty if we are exploited by their own friends. They only want to say that they must have the monopoly to exploit us though those countries do not want to exploit us. That also I want to make clear.

SHRI BHUPESH GUPTA: Why do you say that?

SHRI MORARJI R. DESAI: I say it because I know your intentions. You see, it is better to have brave friends . . .

SHRI BHUPESH GUPTA: You cannot blow hot and cold.

SHRI MORARJI R. DESAI: That is left to my hon. friend there, not to me. I am known for following a particular line which my hon. friend also understands. It is difficult for me to understand him. I do not know what he does in the open and what he does in secret. It is difficult for me to understand. (*Interruptions*)

Then, Sir, it is said:

"to undertake a thorough re-examination of our trade policy and take energetic steps to diversify it;"

That we have been constantly doing. It is not only for this that we are doing, we are doing it constantly and we have got to do it all the while.

Then he says:

"to nationalize the export trade of our principal export commodities such as tea;"

It is very easily said, but if you nationalise, it does not mean you increase your export trade immediately. Such a course is all right for totalitarian countries to follow. But for countries like ours, export trade cannot be managed in the manner in which my hon. friend wants to manage it.

Further it says:

"to channelise our export trade through Indian banks;"

Well, we are using Indian banks but we cannot say that all the foreign banks are exploiting us or are keeping us down. They are also working on our terms. We accept their terms, they accept our terms as it suits us and we have got to utilise all of them. When we say that we must do our trade only through our banks then why should countries which do trade with us not say that we must do trade through their banks? Therefore, how can we say that they must do trade through our banks? This is a very wonderful suggestion. I cannot tell the U.S.S.R. that they must not deal with their banks, that they must deal only with my banks. Am I going to do that? Nor can I say that to the Bank of England or to England. Therefore, my hon. friend does not know what he is talking about. That is all that I can say.

Then he says:

"to re-examine all agreements of collaboration with foreign concerns and take steps to eliminate all restrictions that may have been placed on the export of our manufactures;"

Sir, in the past there might have been some agreements where there might have been some restrictions. In all the agreements that we have been making of late, there is absolutely no bar put. On the contrary, we are trying to see that they enable us to do more and more exports. That is what we are trying to do. Some of them are coming forward to help us also in exports. Therefore, it is no use saying that "He is antedated and antediluvian" as he generally is.

Therefore, Sir, this amendment which is proposed is completely out of tune with what is required, and instead of helping in the process of getting out of a wrong situation and benefiting ourselves, it will lead us into trouble. That is all that will happen by this amendment.

As I said, Sir, it is not possible for me to say anything new beyond what I have said in the Statement which I laid before the House. But I must say this that the United Kingdom is negotiating with the Common Market countries keeping in view the interests of the Commonwealth countries and keeping in constant touch with us also in the process of negotiating. Therefore, they are trying to do all that they can to see that our interests are safeguarded as far as possible. But if they are not able to do so, and we have to meet the difficult situation, Sir, we shall meet it and perhaps come out better from it. That is all that I can say.

MR. DEPUTY CHAIRMAN: Mr Bhupesh Gupta. Five minutes.

SHRI BHUPESH GUPTA: No, Sir. Ten minutes.

Mr. Deputy Chairman, Sir, I objected that the hon. Finance Minister would give a proper reply, in the sense that he would adduce some facts and figures to assail our point. But, unfortunately, when he makes certain proposals, it is always like some people suffering from chronic allergy of anti-communism, bringing in communism and trying to divert the entire issue. I, for, in the beginning wish to make it clear that what I suggested here is not an alignment of India with the right bloc but broadening of the trade with all the countries of the world on reciprocal, equal terms. This is what we said in our speech and stated also in our motion. It is unfortunate that the motion was distorted.

Now, Sir, the Finance Minister says that the situation was not hurting India. But the Prime Minister said that it was a "body-blow", that I would like to

know from the Finance Minister exactly . . .

SHRI MORARJI R. DESAI: I have not said that.

SHRI BHUPESH GUPTA: . . . what he means by body-blow to our country. I believe, Sir, when a body-blow is made, the people and the nation do feel a little hurt, but probably our Finance Minister in the way is very, very, shall we say, what? I do not know. Well, perhaps he does not feel that blow. He feels affection.

Then, Sir, it is the Prime Minister again who said at a press conference that this kind of alignment was meant for controlling the under-developed countries. We said it perhaps in our own language and we became guilty of all kinds of things, but none the less. And the Prime Minister is right. But then there is always a difference between the Prime Minister and the Finance Minister in such matters.

SOME HON. MEMBERS: No.

SHRI BHUPESH GUPTA: Well, Sir, Congress is not such a homogeneous whole as it is sometimes made out to be.

SHRI AKBAR ALI KHAN: How do you say so?

SHRI MORARJI R. DESAI: The Prime Minister did not make the statement which my hon. friend is attributing to him and then saying that there is a difference between us. That is what he wants to do. He wants us to have differences between us, but I do not think he will have the pleasure of it.

SHRI BHUPESH GUPTA: All right. There are only differences between two candidates for Deputy Leadership. Take it, that way.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: Does he want me to correct? I can correct

[Shri Bhupesh Gupta.] him. There are differences; otherwise why should there be two candidates for the Deputy Leadership of the

other House? Let us not go 6 P.M. into that, otherwise it will not

be a very happy one. Now the Finance Minister unsuccessful in the bid for being the Deputy Leader of the Lok Sabha tells us . . .

SEVERAL HON. MEMBERS: No, no.

(Interruptions.)

SHRI BHUPESH GUPTA: It is nothing wrong, it is all parliamentary. He can say anything or say 'I am successful or unsuccessful'. He said that the Commonwealth was going to be stronger and, therefore, it would be to his advantage. What we point out here is this—and if you set aside your anti-communist prejudices for a while you will see—that this European Economic Community with the participation of Britain, will be in a better position to dictate terms to you. As far as we are a seller in that market, we will be confronted with a solid bloc of Powers who will be compelling us to sell, not as a seller but as one to sell to their advantage on their terms. Similarly, when we go to buy from them, they will be in a different position. We shall be facing competition because these clauses make it a provision that they will use automation and all kinds of rationalisation. Therefore, if it is a question of our sending manufactured articles to those countries or to countries within their orbit, we shall be facing very severe competition and we, with less technological development*, would not be in a position to cope with the competition from the monopolists. As far as the primary goods are concerned, we shall again be compelled to accept their terms because we will not be in a position to hold out against such a combination.

Now, I have got here the latest comparative figures. You say that we have our trade with West Germany. In certain commodities, the trade has declined and in others it has increased.

Take, for example, tea. We sent in March 1960, 22,40,000 deutsche mark worth of tea to West Germany and in 1961 March, it fell to 99,000. That only shows that there are certain items that have increased but the point is that the major items show a decline. We will be in a more difficult position that way. Therefore, I say that as a seller or as a buyer, we shall be in a difficult position.

Much has been made out of the fact that I am a Communist. I never suggested that you join any alignment. As far as the socialist countries are concerned—I do not think hon. Members study this thing—can tell you that they are opposed to this kind of economic alignment. In fact they have been pressing that all trade barriers between the East and the West should go while these people of the European Economic Community stand for East-West division in the matter of trade. As you know, England became the major point and despite American opposition to it, Great Britain started developing, sometimes surreptitiously also, trade with the Soviet Union because it works to the advantage of the economy of Great Britain. Therefore, it is no good trying to tar them with the same brush because one set of countries have been pressing in their economic conferences, in all their meetings, that all trade barriers should go. That is their accepted, declared policy whereas the other set of countries, the NATO Powers, are in favour of maintaining this and strengthening this. I say that the anti-communist prejudice should not bind one to the realities of the world today. This point I wish to make clear.

Extraneous issues, I have been accused of bringing in. What extraneous issues have I brought in? I gave you facts and figures. I called it a projection of the NATO or the Economic Wing of the NATO and so on. Now, I have shown it from the statements of authorities of the European Economic Community, including its Chief Adviser as far as the European sector is concerned, a West German

gentleman, how he looks at it. He regards it as politics and less a business. The U.S.A. today in its aggressive drive, wants to strengthen the E.C.M. with a view to consolidating the NATO Powers and also with a view to strengthening its grip over the Continental and Western economy through West Germany. If I mention this thing, am I wrong? Am I not to tell the country that this is another aspect of the matter or am I to conceal this fact because it does not suit our Finance Minister? Therefore, I did not bring in any extraneous things. Extraneous things have been brought in by the people opposite, not all but by some and it is most regrettable that when I say such things, these things are brought in.

The trade with the Soviet Union and the socialist countries is less than 5 per cent. I do not say this for ideological reasons. Mr. G. D. Birla is going to the Soviet Union. I wish he had gone a little earlier. Shri Morari Desai had been there almost at the same time I was there. Therefore, you are recognising gradually step by step that it is necessary to develop trade also with the socialist countries. When I say 'diversify the trade', I have the vast sector of one economy in mind as well as the large number of non-aligned countries like Indonesia, the countries of Africa, the Arab countries and so on. By all means, develop trade with them and maintain good trade relations with the countries of the West also. Such should be the approach. The present policy of the Government stands in the way. It is biased in favour of a particular pattern of trade. I do not say that they are not diversifying the trade but the progress is slow. If you take the percentage of our trade with the other countries, you will see that the percentages in terms of our total trade with England, and the sterling area or for that matter the dollar area, remain more or less the same. There had been very little variation. Therefore, it is quite clear that our diversification of the trade has not progressed in the manner it should have. If you had pro-

gressed in that manner, the percentages with regard to our trade with the countries of the West would have shown a decline and the percentages with other countries, socialist or non-socialist and the newly liberated countries, would have shown a rise. Therefore, it is a question of pure arithmetic, and the statistics given by the Government tell the story.

I heard the anti-communist propaganda by some. I quite understand Mr. Sudhir Ghosh because he had been moving in that direction rather too fast but then Mr. Ghosh does not, represent any point of view except the point of view which sometimes he gets from Washington. All right, we heard his point of view. We heard our Dr. Kunzru, the flowering independent. He has been so independent that you do not know whether he is to be accepted like that. In all such matters he is on the definite side. There, of course, he is very much aligned and I do not, for that matter, want to extricate him from that because in that case he will be a great liability on any side, on the Congress side or on this side, because he did not seem to be a very great asset from the point of view of fighting for good policies even under the British. Now, in the far end of his life, I do not wish to trouble him. It is good he had gone away. I wish he was present.

Now, the entire purpose of my debate was not to embarrass the Finance Minister. I never wanted to do that. Why should I embarrass him because he never feels embarrassed by anything on earth? There is no question of embarrassing him at all. All that I wanted to say is that we had a clear policy which had been indicated in the amendments of our colleague, Comrade Ramamurti, which has been ridiculed by the Finance Minister. Today you may ridicule it but life will prove tomorrow or the day after that the direction that we give today here in regard to the trade relations is the right direction. Therefore, I appeal—well, Sir, he would not like my appeal

[Shri Bhupesh Gupta.] but what he would liice, I do not know —and I think it is no use telling us that we are giving our pet ideas. These ideas are good, if they are bad, you can say that they are bad. We have to produce these ideas before you every time. It becomes relevant tJ do so because I think here is an occasion today in the world trade today. Our share in the world trade is declining, from 2 to 1 per cent. It is your own ilgure and we are facing difficulties in the Western market. Why? In the Western market we have alignments and combinations of such a formidable nature of the Powers like West Germany and so on. In such a siluati-n are you to sit on the fence? Are we to rest on our oars? This is the question I asked about our discredited pol cy. Therefore, I suggest that the answer to it would not be how fine we talk or seeking certain terms on safeguards. We are not concerned with it here at this moment because a long discussion it will take. The essential question today is not merely seeking safeguards because safeguards will not show you a way out. The essential question today before the country and the Government is not how fine we bargain within the old framework, within the old ruts. The essential issue t;day is whether in view of the growing situation of such kind of alignments coming up, with Britain joining it and when our trade is so much gobbled up by Britain, we are taking certain drastic steps for reorganising the pattern of our trade, the direction of our trade, and developing other lines of trade with the rest of the w:rl'd on terms that are favourable to us when we can circumvent such a situation and expand our trade. , Such is the problem. And if we say this, am I talking like a sectarian Communist, or am I making suggestions that are in conformity with many of the objectives that you have put forward in the Plan?

(Time bell rings.)

Sir, you have rung the bell. I regret Sir, the light in which the Finance Minister has taken this debate. I know

he wanted to avoid it; but the Speaker was good enough to compel him to have it and I congratulate the hon. the Speaker. I congratulate you also, Sir, even if you came a little later in this mauer, for compelling him. I congratulate you, because it is better late than never; that is as far as you are concerned.

Sir, all that we wanted to say we have stated. The country must take a policy decision today and it is the task of the ruling party and of the followers of the ruling party to rise to the occasion created by Britain's move and this monopolistic growth of the European Common Market, to settle this question of policy. On that *will* depend the future of Indian trade, and our economic development to a large extent.

SHRI SUDHIR GHOSH: Nothing is more impressive in life than the sublime self-confidence of the man whu does not know what he is talking about.

MR. DEPUTY CHAIRMAN: I am putting the amendment of Mr. Ramamurti to vote.

The question is:

"That at the end of the motion, the following be added, namely: —

'and having considered the same, this House is of opinion that the European Common Market is the economic counter-part of the NATO and is designed to continue and intensify by the imperialist monopolists the exploitation of the colonies and under-developed countries.

This House is further of opinion that in order to overcome the serious consequences that Britain's decision to join the European Common Market w ll have on our economy, it has become urgently necessary for Government—

(i) to undertake a thorough re-examination of our trade policy and take energetic steps to diversify it;

(ii) to nationalize the export trade of our principal export commodities such as tea;

(iii) to channelise our export trade through Indian banks;

(iv) to re-examine all agreements of collaboration with foreign concerns and take steps to eliminate all restrictions that may have been placed on the export of our manufactures; and

(v) not to sanction in future any agreement that imposes in any manner restrictions on the export of our manufactures'."

The motion was negatived.

MR. DEPUTY CHAIRMAN: There are two messages.

MESSAGES FROM THE LOK SABHA

I. THE INDIAN RAILWAYS (AMENDMENT) BILL, 1961

II. THE RELIGIOUS TRUSTS BILL, 1960

SECRETARY: Sir, I have to report to the House the following messages received from the Lok Sabha, signed by the Secretary of the Lok Sabha: —

I

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose here-

with, a copy of the Indian Railways (Amendment) Bill, 1961, as passed by Lok Sabha at its sitting held on the 5th September, 1961."

Sir, I lay the Bill on the Table.

IT

"I am directed to inform Rajya Sabha that Lok Sabha, at its sitting held on Tuesday, the 5th September, 1961, adopted the following motion in regard to the Religious Trusts Bill, 1960: —

"That this House recommends to Rajya Sabha that Rajya Sabha do appoint a member of Rajya Sabha to the Joint Committee on the Religious Trusts Bill, 1960 in the vacancy caused by the resignation of Shri Harihar Patel from Rajya Sabha and communicate to this House the name of member so appointed by Rajya Sabha to the Joint Committee."

2. I am to request that the concurrence of Rajya Sabha in the said motion, and also the name of the member of Rajya Sabha appointed to the Joint Committee, may be communicated to this House."

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at fourteen minutes past six of the clock till eleven of the clock on Wednesday, the 6th September, 1961.