

DR B V KESKAR Sir, I introduce the Bill.

THE RESERVE BANK OF INDIA
(SECOND AMENDMENT) BILL,
1957—continued

श्री शीलभद्र याजी (बिहार) माननीय चैयरमैन मद्रास उस रोज जब रिजर्व बैंक एमेडमेंट बिल पर बहस हो रही थी, मेरी ख्वाहिश नहीं थी कि मैं उस पर बोलू लेकिन बहस क मिलसिल मे हमारे कुछ सदस्यों ने ऐसी ऐसी बातें बताई कि जिससे मेरा बोलना बहुत जरूरी हो गया ।

बहस के मिलसिल मे यह कहा गया कि जो द्वितीय पंचवर्षीय योजना बनी, उसके बनाने वाले तथा जो फाइनेंस मिनिस्ट्री के लोग हैं वे निकम्मे हैं और उन्होंने बड़ी बड़ी गलतियां की हैं । श्रीमन्, आप जानते हैं इस दश का जो हाल है, जा गराबी है उसको देखने हुए हमारे जो अर्थशास्त्र के विद्वान हैं तथा जो समाजवाद के विद्वान हैं, उन्होंने कहा है कि जब तक कोई योजना नहीं बनती तथा वह सफलीभूत नहीं होती है तब तक मुल्क की गरीबी और बेकारी नहीं जाती और समाजवाद की स्थापना नहीं होती है और इसीलिये हमारे जा लान क बनाने वाले थे उन्होंने बहुत सोच समझ कर, मेहनत लगाकर और हिन्दुस्तान की जनता की जो मांग है उसको देखने हुए ४८०० करोड़ की योजना बनायी । उस वक्त यह नहीं देखा जा रहा था कि मुल्क मे अनावृष्टि होगी, कभी बाढ़ आयेगी और दूसरी दूसरी दिक्कत पैदा होगी ।

उस रोज जब द्वितीय पंचवर्षीय योजना पर बहस चलने लगी तब मैंने कहा था कि जब रूस मे भी इकलाब हुआ था उस समय भी बड़ी बड़ी दिक्कतें थी और उसको चारों तरफ से साम्राज्यवादी देशों ने और पूँजीपति

देशों ने अच्छी तरह से घेर रखा था । तब रूस के पास कोई एक्सचेज की बात नहीं थी, मदद की बात नहीं थी, लेकिन लोगों मे उत्साह था, जोश था और जनता के जोश और उत्साह से जितनी योजनाएँ बनी वे कामयाब हुईं । लेकिन हमारे देश के जो उद्योगपति हैं, जब से हमारी ये योजनाएँ बनी, तब से उनकी पुकार हो रही है कि इनमे काट छाट की जाय और द्वितीय पंचवर्षीय योजना की ४८०० करोड़ की रकम का ३३०० करोड़ कर देने की बात कहते हैं । इस मिलसिल मे उन्होंने लैंड सीलिंग के बारे मे, भूमि सुधार के बारे मे बेमौकों की गहनाई बजाई । आप जानते हैं कि हमारी सरकार ने हर एक प्रान्त मे सुधार का कानून लागू करने का निश्चय किया है, लेकिन इस बिल पर बोलते हुए जैमी माग की गई कि एक एक हजार, पांच पांच हजार एकड़ खेत की चकबन्दी की जाय, इतनी सीलिंग की जाय, मैं समझता हूँ कि इस तरह से भूमि सुधार नहीं हो सकता है एक सदस्य ने इस बिल पर बहस करते हुए यह भी कहा कि बाहर मे जो गल्ला आता है उस पर पाबन्दी लगाई जाय और मुल्क मे ही गल्ला पैदा किया जाय जिसमे हमारा काम चल जाय । बात यह सही है और हिन्दुस्तान मे इस समय जो करोड़ों एकड़ भूमि परती पड़ी हुई है उसको आबाद करने के लिए हमें एक लैंड आर्मी की जरूरत है और आप जानते हैं इधर हमारी जो भारतीय सेना है वह चुपचाप बैठी है । चाइना मे और रूस मे भी जब भूमिसुधार की बातचीत हुई, “अन्न उपजाओ” आंदोलन हुआ तब सेना के लोगों को इस्तेमाल किया गया । इसलिये पाटिल साहब ने ठीक ही कहा कि बाहर से जो गल्ला आता है उस को बन्द कर दिया जाय । मुल्क मे “अधिक अन्न उपजाओ” का आन्दोलन करके उतना गल्ला पैदा किया जाय जितना कि द्वितीय पंचवर्षीय योजना मे लक्ष्य रखा गया है । इसलिये भारत सरकार को यह कोशिश करनी चाहिये कि हिन्दुस्तान मे जल्दी से जल्दी एक लैंड आर्मी बनाकर और उसमे हिन्दुस्तान की जितनी भी संस्थाएँ

हैं, यूथ आर्गनाइजेशन है और हमारी सेना के नौजवान जो शांतिकाल में खाली बैठे रहते हैं—क्योंकि अभी हमारे हिन्दुस्तान में और दुनिया में लड़ाई की कोई संभावना नहीं है—उन सबसे मदद ली जाय। बाहर से हमारे मुल्क में जो गल्ला आता है उसको एकदम रोकने की जो चेष्टा की जा रही है कि इतना गल्ला हम पैदा करेंगे, इस सिलसिले में हमारे जोशी जी ने जो यह फर्माया कि एक हजार एकड़ या पांच हजार एकड़ तक सीलिंग की जाय, तो यह बात नहीं होनी चाहिये। मैं समझता हूँ कि जो अमली जमीन के जोतने वाले हैं जब तक उनके हाथ में जमीन नहीं जाती है तब तक उनमें उत्साह नहीं होगा, जोश नहीं होगा। ऐसा किये बगैर काम नहीं चल सकता है। अभी जो आर्थिक संकट आया हुआ है और जिसके बारे में बहुत सी बातें हुई हैं, मैं समझता हूँ उसके निवारण के लिए अगर बाहरी मदद मिलती है तो उसे स्वीकार करना चाहिए और जैसा कि हमारे प्राइम मिनिस्टर कहते हैं बाहरी मदद लेनी चाहिये लेकिन उसके आसरे बैठकर नहीं रहना चाहिये कि उसके बिना हमारा द्वितीय पंचवर्षीय योजना का काम ही नहीं होगा। इसलिए हमें धन इकट्ठा करने के लिए अपने ही देश में लघु बचत आंदोलन की गति तेज करनी चाहिये। हमारे मुल्क में ही इतना धन है, इतनी सम्पत्ति है, इतना गहना है कि यदि हम इनको इकट्ठा कर लें तो जिस तरह रूस ने और चीन ने बिना दूसरों की मदद लिये अपनी योजनाओं को कामयाब किया है उसी तरह से हम भी अपनी योजना को कामयाब कर सकते हैं और हमारे उद्योगपतियों को मदद के लिये भिक्षा मांगने बाहर नहीं जाना पड़ेगा। उस रोज़ बिल पर बहस करने हुए जिस तरह से हमारे उद्योगपति मित्रों ने फॉरेन एक्सचेंज का मवाल उठाया और उन्होंने सरकार की मज्जमत भी की, उनके दृष्टिकोण से मैं काफी मतभेद रखना हूँ। मैं कहता हूँ कि यदि हम दोनों मददों के सदस्य और हिन्दुस्तान के तमाम लेजिस्लेटर्स

मिलकर अपनी शक्ति लगायें तो इस तरह की जो निराशा की तथा हार की भावना आ गई है कि लोग प्लान को काटछाट कर नाकामयाब बनाने की बराबर बात करते हैं वह नहीं रहेगी। मैं समझता हूँ कि इस तरह की बातों से हम लोगों को मतर्क रहने की ज़रूरत है क्योंकि उस रोज़ मैंने कहा था कि हमारे घर में ही आस्तीन के माप बैठे हैं जो हमारे प्लान को नाकामयाब बनाना चाहते हैं।

इन शब्दों के साथ मैं रिजर्व बैंक ऑफ़ इंडिया एमेंडमेंट बिल की तारीफ़ करता हूँ।

SHRI KISHEN CHAND (Andhra Pradesh): Mr. Chairman, if we consider this Bill from an academical point of view, there is no reason to have any objection against it. Normally, a country does not keep foreign securities as a reserve for issue of notes inside the country. It is the normal practice. But in order to show to the world that our currency was very strong and our financial position was very strong, we were keeping a large amount of foreign securities in the Issue Branch of the Reserve Bank of India. As has already been pointed out, on 1st April 1956 we had a sterling balance of Rs. 755 crores. This was to show to the world our very strong financial position, and it served that purpose very well, and all over the world up till now the Indian currency holds a strong position. So, from an academical point of view one cannot raise any objection against this Bill. It is a welcome Bill. From the practical point of view also one cannot raise any objection because we have got to pay to other countries. Our balance of payments position is growing from bad to worse, and we have to make payments. But when we give our full support to this Bill, let us examine how our finances are moving and how our position is becoming worse every day and what is the future prospect before us. As I pointed out, Sir, according to the first amendment of the Reserve Bank Act we were

[Shri Kishen Chand.] required to keep Rs. 400 crores worth of foreign securities and Rs. 115 crores in gold coins. Now we are continuing the gold coins to the extent of Rs. 115 crores, but the amount of foreign securities held by the Reserve Bank will be reduced from Rs. 400 crores to only Rs. 85 crores, thus making a total of Rs. 200 crores. And I suppose if we continue to draw at the rate at which we are drawing at present on our sterling balances, which had been reduced from Rs. 755 crores on 1st April 1956 to Rs. 180 crores today, I suppose in another five or six months at the most these Rs. 200 crores will go away and we will be left with the barest minimum of Rs. 85 crores. If our exchange position continues to be adverse and if we have to pay to foreign countries, what is our Finance Minister going to do then? Supposing these sterling balances of Rs. 200 crores are finished in six months and yet there is an unfavourable balance of trade and we have to make payments to foreign countries, what will happen then? As there is no balance available, the value of our rupee currency may go down, and it might shake the confidence of foreign countries in our currency. Now it is strong because we have a favourable balance and the sterling area owes us money, but if that money is spent and we are left with nothing, what will happen? I submit, Sir, that Mr. M. C. Shah, the ex-Minister in the Finance Ministry, gave a very lucid exposition, and he told us in great detail how the Finance Department had made mistakes of calculation and how we had been led into a very difficult situation. As a member of the Congress Party he has to support this Bill, and he has supported this Bill. But the whole of his speech was full of facts and figures which were absolutely correct, and which led to only one conclusion, and that conclusion was that the financial position of our country was very delicate, if not panicky, and the future before us was very very difficult.

Sir, in the Second Five-Year Plan the Planning Commission had estimated a gap of Rs. 1,100 crores in foreign exchange, and they had a definite plan to meet it. They were going to get Rs. 800 crores as foreign aid and they could draw Rs. 200 crores from the sterling balances. That would add upto Rs. 1,000 crores, and the remaining Rs. 100 crores could come by way of gifts or grants.

SHRI M. C. SHAH (Bombay): Foreign investments.

SHRI KISHEN CHAND: Yes, foreign investments. That was the plan for Rs. 1,100 crores, and if our requirement of foreign exchange has not gone up, there should have been no difficulty. I should like to know from the hon. Deputy Finance Minister whether the original gap of Rs. 1,000 has increased further, and if so, to what extent it has increased? I do think, Sir, that it is most essential for our Government to take the whole country into confidence and to tell plainly to the country what are going to be the requirements as estimated today about foreign exchange, how much money they will have to pay, what will be the deficit, and what will happen if these Rs. 200 crores are spent? Sir, Mr. M. C. Shah has pointed out that from 1st April 1956 up till today we have already received Rs. 460 crores as foreign aid. We have already drawn nearly Rs. 475 crores from our sterling balances, and there were Rs. 93 crores—(Interruption). Even if it is included in that, it means that we have already spent Rs. 920 crores, and when the amendment as proposed by the hon. Deputy Finance Minister is accepted, we are going to draw another Rs. 200 crores from our sterling balances, which will mean that we would have spent Rs. 1,125 crores. According to the Second Five Year Plan we required only Rs. 1,100 crores. We have already spent Rs. 1,125 crores and even now when the hon. Finance Minister was in the U.S.A., he said

that our requirements were of the scale of Rs 1,100 crores. So, if you add up that Rs. 1,100 crores, it becomes Rs. 2,200 crores.

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): Rs. 700 crores.

SHRI KISHEN CHAND: Rs. 700 crores from the U.S.A. Then something from the U.K. Then something from some other place. I say that the hon. Finance Minister always goes step by step. I therefore want to know from the hon. Deputy Minister what is exactly meant by all this. The Planning Commission estimated the gap to be Rs. 1,100 crores. Now our estimate is Rs. 1,800 crores. We have already spent Rs. 1,100 crores and we are going to require Rs. 700 crores more. Anyhow, he must give us exact figures so that we can base our calculations.

12 Noon

Sir, it is very easy—and in fact an hon. member, Mr. Bisht has already done it—to put all the blame on the deficit finance. When you cannot explain things and you have got to put the blame somewhere, the easiest way is to put the blame on deficit financing. I do not see how deficit financing has any connection at all with deficit in foreign exchange position. Deficit financing in the internal market may lead to some inflation, may lead to increase in prices, may lead to the fact that we cannot attain the physical target of the Second Five Year Plan as far as the internal market is concerned, but how deficit financing has any connection with increased deficit in foreign exchange position, it is very difficult to understand.

(Interruptions.)

Sir, the trouble is that the price of agricultural articles, in particular of those raw materials which are used in industry is going down and the price of foodgrains is going up, and the price of manufactured articles is going up. Unfortunately for

our country, we import manufactured articles, and we import foodgrains. For both these articles we have to pay higher prices than we have paid before. We export tea, coffee, cotton and so many other things. The price of all these articles is going down. The net result is that our balance of payment position is becoming worse and worse everyday and the hon. Finance Minister wants to carry on with a bluff and he says the situation is all right and we want another Rs. 200 crores to tide over the situation. I am very sorry to say that our position is not at all hopeful. We have been unnecessarily spending money and now our sole hope is foreign investment. We think that it is going to work a miracle and if foreign investors come and invest money, we will get industrialisation. Sir, the Second Five Year Plan is most essential. We do not want the Second Five Year Plan to be cut down but it should be completely reorientated. We are depending too much for our industrialisation on the help from foreign countries. We should have really based our Second Five Year Plan on the industrialisation of the country by our own resources, not by foreign aid. We might have taken the help of foreign technicians, but that is another matter. When we are discussing the Reserve Bank of India (Second Amendment) Bill, I do not want to go into all the details of the reorientation of our Second Five Year Plan or how we are going to solve the problem of food in the country and reduce the import of foodgrains. For that we will have other occasions but here I only want to say that theoretically and academically, I fully support this Bill, as there cannot be any objection against this Bill. But when we examine the consequences of this Bill and support this Bill, we have got to see that the future before us is very dark. We have spent all our foreign resources and now if we are not able to make arrangements within the next six months, we will have a deficit in balance of payment and when the foreigners ask

[Shri Kishen Chand.]
for money, we will have no money to give them. I do not know what the result will be, what the effect on our rupee currency will be or whether the value of our rupee would go down in foreign market, and once that happens, you know the consequences are very bad and the value of our currency goes down further and further. Therefore, with a warning, I support this Bill.

DR. RADHA KUMUD MUKERJI (Nominated): Sir, I do not rise to oppose the bill but I want clarification on certain points affecting the financial stability of the country.

First of all, I find there is a reference in the Statement of Objects and Reasons to the measure of flexibility that is required in manipulating our currency and secondly there is a reference to a certain minimum of gold holding. I want to know, as a matter of clarification, on what principle this amount of gold guarantee of our currency is being settled, whether there is any principle, whether the principle is based upon the practices of financially stable countries. In that connection I should like to have an account of the position of our currency reserve for a certain period, say for the last 25 years, so that we may really know the progress, which is very important to maintain the stability of our currency. I also wish to know, I have already told you, what is the limit of the minimum of gold holding that has been fixed? Is there any limit? Is there any limit below which this minimum of gold holding will not be allowed to fall? It is not mentioned. Only there is a reference to a certain minimum of gold holding.

SHRI B. R. BHAGAT: It is Rs. 115 crores.

DR. RADHA KUMUD MUKERJI: I want to know in terms of percentage. That is a far better principle, on the basis of which we should proceed, I

wish also to know in this connection what is the gold coverage of the U.K. currency. After all the U.K. is the centre of the sterling area and we are very dependent on the stability of the sterling area.

Next, of course, this point has been somewhat answered, but I want on this occasion to have a clear picture of India's drawing upon the sterling reserve, the steady deterioration of the sterling reserve and at what rate the deterioration is going so that we can have really a clear picture of the financial position of the country in regard to foreign exchange.

Now, in this connection, I should like to understand another point. What are the advantages to India's currency stability from the sterling reserve of the entire sterling area. I wish to know in this financial crisis which faces us, the extent of advantage upon which India can count in regard to this sterling reserve of the entire sterling area. If we can get some provision for stabilisation of our currency, then that must be counted separately. I wish to know whether there is any additional advantage accruing to India's currency from the sterling reserve.

In that connection I wish to raise one point. You know the financial position of the U.S.A., the financial system of the U.S.A., is the strongest and I understand that there is no question of having a gold reserve in the U.S.A. because the U.S.A. is the depository of the world's gold currency which it holds in a fort in the wilderness of a rock and the entire gold of the world is practically accumulated there. In this connection I wish to know whether there is any scheme for the whole world by which this vast gold hoard of the U.S.A. may be available for stabilising the currencies of the world, because we are nowadays thinking in terms of international finance and we are trying to develop an international mind on all these financial questions.

I wish to know what possible use is being contemplated of this huge gold holding of the U.S.A. We are also told that Western Germany has built up its gold reserve beyond all expectations and calculations and this huge amount of gold holding in West Germany is also proving a serious menace to the stability of the currencies of other countries. So, I wish to know whether India has been taking proper note of these gold reserves that have been built up in these two countries and whether the entire currency system of India and of other countries will be affected by any action that these two countries may take with reference to their huge foreign exchange reserves in this troublous time. Therefore, my anxiety is that the stability of the Indian rupee should not be shaken on considerations which apply for some temporary crisis. Of course, we agree that the gold that is not used for currency and the gold that is not required to be kept as a reserve may somewhat be utilised to ease the financial tightness of the situation. To that extent this principle of flexibility is quite justifiable. But there are limits to which the principle of flexibility can be applied. Therefore, I would like to know from the hon. the Finance Minister whether there is any kind of a rock bottom below which this estimated minimum of gold holding should not fall. I therefore, wish to have a clarification on some of the main points I have raised.

SHRI V. PRASAD RAO (Andhra Pradesh): Sir, as far as the necessity for this measure is concerned, I think there are no two opinions, because we need these sterling balances in order to get our capital goods. We need them for our developmental expenditure and we should have no bar in the way of our utilising them for the development of our economy. But I would like to say that when bringing forward this measure, the Government owes an explanation to this House as to why it has become neces-

sary at this particular juncture. Hardly fifteen months have elapsed since the Finance Minister came before Parliament stating that the minimum of Rs. 300 crores of sterling balances should be kept. Are we to understand that the Finance Ministry had no proper perspective of our developmental expenditure? Are we to understand that unforeseen squandering had taken place in these fifteen months and that has necessitated this measure? Or are we to understand that certain unforeseen things had developed in these fifteen or eighteen months which we could not take cognisance of in the earlier stages and that has necessitated this measure? On any score, the Government definitely owes an explanation to this House, it owes an explanation to the nation as to why this particular measure has become necessary at this particular juncture.

Taking advantage of the difficulties of our present economic position—I am sorry to point out—certain elements inside our country, especially capitalist elements, are trying to pass it off that the present Plan cannot succeed and that we must prune it or take recourse to what is called the private sector or leave things to this private sector, that they would look after things much better. On the floor of this House, Sir, we have heard on this occasion quite a lot of extollings of what is called the private enterprise and also a lot of expatiations on the merits of the private enterprise as compared to the public enterprise. But, Sir, I am afraid all this foreign exchange had not been spent merely on the importing of capital goods or the necessary things that are needed for the development of the country. Any visit to Connaught Place or any luxury marketing place in the country will prove to us that foreign exchange had been spent not only in importing machinery and other things vitally necessary for the development of the country but also in getting such things as Max Factor make-ups and such silly things. Are we to leave

[Shri V. Prasad Rao.]
the whole thing to the mercy of those
in the private sector?

SHRI AKBAR ALI KHAN (Andhra Pradesh): I am glad there is no lady Member present here when you say that.

SHRI V. PRASAD RAO: But I think my hon. friend Shri Parikh will convey it to Mr. Doshi.

MR. CHAIRMAN: Yes, yes. He is talking something else. You go on.

SHRI V. PRASAD RAO: Therefore, to have left all this to the private enterprise would not have produced an unmixed blessing in the matter of the development of the country. Our foreign exchange, as I have said, is spent not only on vital developmental expenditure, but also, due to the policies that were adopted by the Finance Ministry, in importing the so-called luxury articles, the so-called consumer goods which our country at the present juncture can ill afford.

AN HON. MEMBER: Now they are stopped.

SHRI V. PRASAD RAO: Yes, of course, we are wise after the event. But there are statistics to show that in 1955-56 we imported Rs. 174 crores worth of consumer goods and in 1956-57, when we were supposed to have geared the whole of our economy for stepping up our industrialisation, we spent Rs. 266 crores on these so-called consumer goods. We had also to spend a good amount of our foreign exchange on the import of food. In this respect also time and again we were told that our country would achieve self-sufficiency by 1956. We were also told that we had achieved self-sufficiency, in 1956. I think it was in 1956, October or September, that our present Deputy Minister of Food very pompously declared in Hyderabad that we were not only self-sufficient in food, but we were in a position also to export food.

AN HON. MEMBER: There was then the unexpected drought also.

SHRI V. PRASAD RAO: Unexpected drought? Yes, ever since 1952 something or the other has been happening and we have been spending all this money on food, because of what are called natural calamities, droughts and so on, or bad crop etc. Has this become a perennial phenomenon?

Anyway, in 1955-56 I think we imported food to the extent of Rs. 29 crores and in 1956-57, when we were supposed to have achieved self-sufficiency in food, we had to import Rs. 102 crores worth of food. So what I mean to impress upon the House is that we are not spending only on the import of important and vital machinery, but as I said, on unnecessary things also. We have been spending on food which we could very well have produced here in our own country if only we had followed a proper food policy with imagination, with sympathy, with a boarder socialist outlook which was suppose to be there. It has been amply pointed out by some other friends and also by no less a person than the Food Minister himself that because the Government were not able to implement the land reform programme in time so we could not reach our food target. So I say, had we followed a more imaginative policy and if there had been correct planning as far as food is concerned and quicker implementation of land reform, then much of the badly needed foreign exchange could have been saved.

Besides this, even in importing these machineries also, Sir, I would like to point out that indiscriminate imports had been made. Take for instance the recommendations of Mr. Slocombe, who I think was the consulting engineer to the Irrigation Department. He had recommended for the Nagarjun Dam a scheme for importing nearly Rs. 60 crores worth of machinery. But on closer examination it was found that this much machinery was not necessary, that a masonry dam could be constructed instead of a reinforced concrete dam.

So with proper and judicious use of our own indigenous materials and indigenous machinery, much reduction could have been effected in the import of machinery also as far as these construction projects are concerned. But such judicious use has not been made of them; hence the necessity for this large amount of money to be spent on imports of machinery which could have been otherwise available or manufactured inside India itself. Even now the prospect of food and the import of food is not very reassuring. We are told that even after the end of the Second Plan we are to import 6 million tons of food. For this year itself about 2 million tons of food will be required. It comes at the rate of Rs. 4 crores for 1 lakh of tons, or Rs. 80 crores. The hon. Deputy Minister should let us know how we are going to meet all these things. Is it by bowing before the other capitalists in other nations and begging them or by taking the necessary steps here inside India to step up the production of these things and by taking other necessary steps to mobilise the necessary capital inside India itself? I perfectly agree with one of the suggestions of Shri Parikh who said that in India itself roughly Rs. 10 thousand crores could be mobilised. I perfectly agree with him there because instead of allowing the imperialists of other countries to dictate terms to us for lending money, it is far better to mobilise and utilise our own resources for the development of our own country. Only today in the press it is given that the American State Department has stated that there are ten conditions, rather deterrents, that are keeping the American capital away from India; and what are these? One is supposed to be the Wealth Tax. The other is the Deposit of Reserves, that is, the condition that 50 per cent. of reserves to be deposited with the Government. Third is the Companies' Act which in itself is supposed to be a deterrent. Fourth is, tax on Royalty, fifth is income-tax exemptions, sixth, labour legislation. Perhaps they want another Taft-

Hartley Act to be enacted in India for American capital to come.

SHRI SHEEL BHADRA YAJEE: That is suggested to them—to the American capitalists—by the Indian capitalists.

SHRI V. PRASAD RAO: This is mainly supposed to be particularly by the U.S. Department of State. After all our Indian capitalists' delegation have appended this note to their report. Seventh is nationalisation and the Fourth Amendment of the Constitution itself. Eighth is absence of friendship, commerce and navigation and double taxation treaty between India and U.S. Ninth is private sector and public sector and tenth is screening procedure.

SHRI AKBAR ALI KHAN: These are the ten commandments.

SHRI V. PRASAD RAO: Indeed, utilising our economic difficulties, the capitalists here in India as well as in America and perhaps in other countries also, want to hold our country to ransom, want to hold our economy to ransom. They want us, utilising these difficulties, to bow before them and beg them and they want to see that their own terms are imposed for giving some petty aid. At this stage are we going to bow before these capitalists both here as well as in America?

SHRI SHEEL BHADRA YAJEE: Certainly not.

SHRI V. PRASAD RAO: Are we going to go with begging bowl so that our country can develop? I think there is an alternative source. Instead of bowing before these capitalists, both here as well as in America, we can stand on our own legs and depend on our own resources and if necessary, strain every inch of our capacity so that our country will develop. We cannot, for a mess of pottage, sell our own ideas. What do they mean by dictating these conditions so that private capital could come here? Do they want us, in one word, to abandon the path of

[Shri V. Prasad Rao.] socialism which we had declared to be our goal? Of course their Indian colleagues, Indian capitalists, also want the same thing. They want us to abandon the path of socialism so that we could get a mess of pottage in the form of foreign aid or loan from U.S. or some other capitalist country. Are we going to bow before them? Certainly we are not going to bow before them come what may. Whatever difficulties might arise, we are not going to say: "Messrs. Capitalists, you can do anything you like. We are before you." We are not going to do *Sastanga Namaskaram* to them. We are going to stand up. For this we have to rely on the people. We have to mobilise our own internal resources. Then, of course my friend will question me, how are we going to do that? As has been suggested by Shri Parikh, there are already Rs. 10,000 crores worth of precious metal and other things that could be mobilized.

AN HON. MEMBER: Ornaments and jewels.

SHRI V. PRASAD RAO: Our own Alam Nizam is supposed to have a wealth of Rs. 800 crores. I don't say that they should be expropriated but they can certainly be taken on loan for the development of the country. What hinders the Finance Ministry to stop the payment or to defer the payment of these so-called privy purses to these Princes? What hinders them to get the loan from these Princes or at least a part of it? You need not take all the Rs. 500 crores but you can take a part of that as loan which could be repaid after the country has developed. We are allowing the foreign firms to export their profits to the tune of Rs. 30 crores. The foreigners say that the necessary climate in India is not there for foreign capital. May I remind them that foreign investment here has increased from Rs. 296 crores at the time of Partition to Rs. 500 crores by the end of 1956? How could the foreign capital investment increase had there been no congenial climate?

Not only that but they were allowed to get away with Rs. 30 crores in 1956 in the shape of profits. For the benefit of those who assert that there is no proper climate for investment, may I quote that in 1952 only Rs. 14.22 crores were allowed to be taken from inside the country as profits. In 1953 the amount was Rs. 16.62 crores, in 1954 19.22 crores, and in 1955 about 30.5 crores. How can this assertion that proper climate is not there for investment in India stand? What they want is not the proper climate but they want the Government of India and the people of India to bow before them, to agree to their conditions, so that they could come here and invest a few crores. So the argument that proper climate for investment is not there does not hold good. Had there been no proper climate, how could these other firms who value more than anything else their profits come here and invest? Do you mean to say that those capitalists of U.S. and U.K. who had come here did not realise the conditions here before investing their capital? They did realise. Even these figures that I quoted are underestimates of the actual position. It is only the known things or remittances that were reported by the Reserve Bank but there are many ways by which they remit moneys from India to their parent countries. If they are also considered, much more money has been drained out of India every year. As some economist has calculated, it may be to the tune of Rs. 100 crores a year. If we stop these, if we mobilise our internal resources, if we can take loan from the so-called wealth of these ex-Maharajas and princes, then we can tide over this crisis. Certainly we can mobilise the necessary capital for our development expenditure. So I think that at this juncture we must mobilise every possible source inside the country. We should not allow the capitalists both here as well as outside our country to utilise our difficulties to hold us to ransom. My friend has been asking the other day: "Do you think the capitalists are not

patriotic?" Certainly they are patriotic. Nobody says they are not but the only trouble with them is, they put their properties much higher than patriotism. That is the trouble with them.

DR. R. B. GOUR (Andhra Pradesh): Money bag patriotism.

SHRI V. PRASAD RAO: They love their money much more than they love their country. Or else we would not have found so much of precious foreign exchange wasted on these goods. I think the most important function is not to allow the pessimism that has been creeping inside our economic circles and inside the country. We should not allow the pessimistic outlook that nothing should be done at this stage, that only we have to prune, only we have to cut down our expenditure and that nothing more should be done. This sort of a talk should not be allowed to go ahead. We must infuse confidence and enthusiasm among the masses that we can still save the Plan by mobilising our own resources. Only talking will not do; the Government has to come out with concrete policies to inspire confidence among the people to sacrifice for the development of the country. No amount of sermonising alone would do. They have to implement the task and they have to come out with such policies as to ensure confidence and inspire the hope that, here the country is going to develop. This is the method; this is the way in which we can do it. We are not going to allow the capitalists to get away with that. Only by putting forth concrete policies before the masses we can get the necessary resources, not by going before the capitalists either here or in other foreign countries.

SHRI P. D. HIMATSINGKA (West Bengal): Mr. Chairman, much has been said on the merits and demerits of the present Bill and most of the Members have supported the amend-

ment that has been proposed in this House.

Sir, this question of finance is a very intricate question and it is very difficult for most of us, at any rate, to follow and be of much assistance. But what I feel is that there is an unnecessary feeling of pessimism and we are trying to create an atmosphere which will be rather dangerous.

SHRI KISHEN CHAND: Self-complacency is more dangerous.

SHRI F. D. HIMATSINGKA: Mr. Kishen Chand says, "Self-complacency is more dangerous." That is fairly correct. The position is this. The Sterling balances cover the war-period when there were more exports, more supplies and less imports. Now that we have to spend a large amount of money on developmental expenditure, on machinery, capital goods and so on, the money that had been collected during the war-period is being utilised. Except, of course, some amount that has been spent on food and such like things, a large amount of money has been spent on capital goods and other developmental expenditure. There are corresponding assets in the country and there is no reason why we should think that the amount that has been spent from the Sterling balances that the country held has been wasted. Therefore, we should not create a feeling in the country or at least outside that the country's finances are in a bad way. If we do not spend anything on developmental expenditure or other expenditure, here the money will remain intact, and there will be no occasion of this discussion. If we really want to improve the condition of our country, we have got to spend money on capital goods which will give an adequate return, which will enable the country to stop further imports and have its own necessary supplies by production here itself.

The hon. Mr. Prasad Rao has taken a lot of time in suggesting that, if the internal resources are mobilised, we

[Shri P. D. Himatsingka.] can meet all our difficulties. But where is the hindrance, where is the difficulty? Why are they not being mobilised or utilised? As a matter of fact, the Government has put forward plans before the country. The Government is not going to till the land, it is for us—the people and the Members representing them here—to take steps to mobilise the resources of the country, so that food production may increase, other consumer goods and things that the country needs may be produced in the country and we may not have to import various other things. On the one hand, you find claims are being put forward from almost all the States for more food to be supplied to them. They need more food because the crop has failed in a number of pockets or States and at the same time, we ask, “Why are you importing food?” You cannot have it both ways. Either you take steps to see that the foodgrains that are produced in the country are properly utilised and are not wasted and the Government is not pressed to import greater amount of foodgrains or you move your hands and feet and see that you produce more than what is produced now.

Sir, I had been to some parts of Western U.P. and I was glad to find that the crop that is standing there—the potatoes and various other crops—are in a very good condition. People have been utilising wells and other methods for irrigating and producing food. If every one of us contributes even to a little extent, I think the difficulties that are experienced in meeting our requirements of food may be very much minimised. As a matter of fact, an attempt for producing quick-rising food like potatoes or groundnuts or even vegetables can easily be made. But if we simply condemn the Government and say that the Government is not doing this thing or that thing, things will not improve. After all, what is meant by government? Unless the people co-operate, unless they take steps to

carry out the programmes that are being placed before the country, nothing will come out.

[THE VICE-CHAIRMAN (SHRI B. M. JOSHI) in the Chair]

Therefore, the one thing that I want to suggest is that we should not create an atmosphere of defeatism or panic. In this connection, I have also to suggest that, when the country needs something, before any mission for purchasing those things go out of the country, you will find big headlines in the newspapers. We simply advertise that we want so much of food, so much iron and so much of steel? What happens? The countries where our missions go, put up the prices. We have to pay much more than perhaps we would have paid. If a man needs something to be purchased, he certainly ought not to proclaim that he needs so much of such and such things. The countries may be tempted to raise the prices and that is what is happening on every occasion when we need anything. We create so much noise that we need such and such things and so much quantity and there will be difficulties and so on. That is what I find. We always make that kind of a mistake that, instead of quietly going in for purchasing our requirements or telling our missions to arrange for those things silently, we simply create noise and encourage people or tempt them to raise the prices.

Therefore, I suggest that it is for us—the people in the country—to take proper steps to carry out the programmes that have been placed before the country and to help in the production of the various necessities, as far as we can.

The hon. Deputy Finance Minister, while introducing the Bill, said that steps were being taken to encourage foreign capital, but he did not indicate what steps were being taken. We would certainly expect that he indicates what steps are being taken in this regard. He was merely saying,

"We are trying to invite more foreign capital." That will not do. Steps must be taken to see that things which are keeping back the coming of foreign capital are removed.

Mr. Prasad Rao said that we could stop sending out foreign profits, and that that might save money. That is exactly the thing that will prevent foreign capital from coming in. If foreigners put in capital here and if they cannot take away their profits, certainly they cannot be expected to put in their money here. Therefore the advice that is being suggested will just stand in the way of our country having supplies of foreign capital. Therefore the remedy that is being suggested is self-contradictory. No one will suggest that if internal resources are mobilised, we cannot meet the situation. But the question is that they are not being mobilised properly and proper steps are not being taken to do so. But we cannot blame the Government alone for not mobilising the resources. It is the duty of every one of us in this country to take such steps as lie in our power to help in that direction, and if that is done, a lot of difficulty will be over.

Sir, as I said, a large part of our money has been spent on expanding our industries, and therefore some of our friends put it in this way that if at all it is a crisis, it is a crisis of expansion, not that any money has been squandered away. Therefore there is nothing to be afraid of, so far as that aspect of the question is concerned. And in order to be able to meet our balance of payments position, we have to step up our exports, and in that direction it is also absolutely necessary for the Government to take such steps as may be required to be taken to remove the impediments in the way of exports. Sir, as you know, the common tea and the high-priced tea are being taxed at the same rate. Common tea cannot afford to bear the export duty that is being charged. This country has to face competition from other countries where there is no export duty. So, steps like these

may be considered by the Government and adopted so that exports may be stepped up and we can get more foreign exchange, and also our balance of payments position may be improved.

So far as the depletion of the foreign currency reserves is concerned, as I said, they may have some influence on the foreigners putting in more money here. But so far as the internal position is concerned, I do not think how they can affect the position in our country. There is also no doubt that non-essential expenses should be curtailed as much as possible, and I think, Sir, we need not import the quantity of food that is intended to be imported from outside, and in any event ministers should be very careful when they make statements, because statements from important quarters sometimes create a situation which helps to add to our expenses. With these remarks, Sir, I support this Bill.

SHRI B. R. BHAGAT: Mr. Vice-Chairman, it is the second day that the House has been debating this measure which was introduced more as a mechanism to provide an element of flexibility in the foreign reserves by the Reserve Bank. But, Sir, the discussion has tended to become a general debate on the economic situation in the country. I think, Sir, this has made my position somewhat unenviable, in the sense that it is beyond me to reply to each one of the points made during the course of the debate, when most of them are not either germane to the issue or are only very remotely connected with the issue. But, Sir, if I leave the major points, even though remotely connected with the issue, as raising of the internal resources or matters like these, I may be charged with treating the House a little lightly. Therefore, Sir, I do not propose to do that. I would like to deal with some of the important points made, which I consider very pertinent and relevant to the issue, and I would also like to clear some of the misapprehensions that are lurking in the minds of some hon. Members. But I cannot

[Shri B. R. Bhagat.]
provide any remedy to the malady, whether imaginary or real, from which particularly my redoubtable friend, Shri Kishen Chand, is suffering. It has been my experience, Sir, to hear his Cassandra like croakings which fortunately are not true. Of course, he gave a very melancholy forecast. But fortunately for us what Mr. Kishen Chand said while acting like a Cassandra is not true.

SHRI KISHEN CHAND: I am very glad to ...

SHRI B. R. BHAGAT: He wants to know the prospects of the foreign exchange situation. He seems to think that the value of the rupee may fall. If he seems to imagine also that the entire economy of the country is going to pieces, I say, Sir, that nothing of the kind is going to happen. The prospects are reasonably good. One has only to analyse the situation, and one has only to have a penetrating imagination to look ahead. Whatever difficulties he has listed are difficulties of development. It is not as if suddenly the foreign exchange problem has cropped up in our economy. If the hon. Member wants to understand this aspect, he has only to refresh his memory as to what the Planning Commission had said. They themselves contemplated a foreign exchange gap of Rs. 1,100 crores. I am glad, Sir, that my ex-senior colleague in the Ministry with whom I had the honour to work and for whom I have the greatest regard, set a proper tone to the debate, which unfortunately could not be picked up later on in its perspective. He analysed the situation and gave facts which were very much correct. And although the hon. Member said that he too drew upon that valuable document, yet unfortunately the conclusion which he drew was entirely different from the conclusion of the hon. Member who initiated the debate.

SHRI KISHEN CHAND: Have you heard the speech of Mr. Shah?

SHRI B. R. BHAGAT: Sir, I request I should not be disturbed because that will break the link of my argument. Sir, he said that the Plan contemplated a foreign exchange gap of Rs. 1,100 crores and as a shrewd observer, Mr. Shah who initiated the debate said that the prices had gone up by 30 or 40 per cent.

SHRI M. C. SHAH: I said 25 per cent.

SHRI B. R. BHAGAT: Making the calculation on that basis, he said that the gap may go upto Rs. 1,500 crores, or Rs. 1,600 crores or even to Rs. 1,700 crores. So, in a quantitative or concrete term the position is that when the Plan was drawn up, the price levels, the world prices, were entirely different, the context of events was different. Unfortunately very much unlike the thinking of members like Shri Kishen Chand, we have framed our Plan in a dynamic economy, in a dynamic situation. It is not static. What we said two years ago, does not hold good today. So, the gap is much more because of factors which are very much beyond our control. Sir, it has been given out to the House and the country more than once during recent months that the foreign exchange gap so far as the external position is concerned, is Rs. 700 crores if we want to meet the core of the Plan—and the core of the Plan is very well defined. So, Sir, Rs. 700 crores is the deficit over the remainder of Plan-period.

SHRI C. P. PARIKH (Bombay): After drawing from sterling balances to the extent of Rs. 200 crores?

SHRI B. R. BHAGAT: This takes into account the amount of a thousand crores of rupees as included in the foreign aid, as well as withdrawals from the sterling balances. Suppose the total foreign exchange gap is Rs. 1,700 crores in terms of the present prices and Rs. 1,000 crores is the total foreign assistance that has been availed of today, that leaves a net gap of Rs. 700 crores.

SHRI C. P. PARIKH: Does this Rs. 700 crores include Rs. 200 crores which you will be withdrawing from the sterling balances?

SHRI B. R. BHAGAT: It is inclusive in the sense that it provides for it. The present gap, as it is, provides for all the foreign assistance that we have received as well as all the withdrawals from the sterling balances upto date. So, Rs. 700 crores is the upto date position of the foreign exchange gap. In future, whatever withdrawals there may be, they are not taken into account now.

SHRI C. P. PARIKH: That will reduce the gap.

SHRI B. R. BHAGAT: That may. So, Sir, this is the position in very concrete terms. I do not think, therefore, there can be any precise and concrete statement so far as the foreign exchange situation is concerned.

SHRI J. S. BISHT (Uttar Pradesh): If you draw again Rs. 200 crores, the gap would be reduced to Rs. 500 crores.

SHRI B. R. BHAGAT: I cannot make commitments for the future. I am only stating the position which stands today. Some hon. members asked for a break-up of the figure of Rs. 700 crores. It is very difficult to give any break-up of these figures, because the expenditure will accrue in future. It does not represent the actual expenditure on particular projects but only that part of the total foreign expenditure which cannot be covered by our own resources, and also this figure is, in the very nature of things only a rough estimate. In a changing world it would be impossible to arrive at a more precise estimate for a period extending as long as 3-1/2 years. The actual position will be affected by factors beyond our control, such as movement in pattern of prices and demands. Further, it may also be changed to some extent by Government policy, such as by bringing measures to reduce imports and promote exports.

Sir, this takes me to the much vexed question of imports, and like King Charles' head, it crops up again and again, that so much consumer goods—the figure was given—were imported. I think a similar point was raised in the other House and the Finance Minister gave a very precise reply to that. He said that unless you define what you mean by consumer goods, it is no use giving a figure and drawing your own conclusion. For example, he said that we had had to import some fruits from Iran and Afghanistan because we had some surplus with them and they had nothing else to offer in exchange and if we do not import a little bit of these things, fruits, dates and other things, well, it creates a very wrong psychological situation in the commercial relations with countries like that. So, similarly, there might be some items which may be very necessary or which may have been unavoidable in a set of circumstances—and the qualifications with regard to each item are there. So, unless we state the case precisely, it is very difficult to agree to the conclusions so generally and so sweepingly drawn by hon. members. By and large the fact remains that it is not as if, as a matter of policy, we have squandered our foreign resources, say, on luxury articles or as the hon. member so romantically said, on Max Factor toilet preparations and other things. It is a very sweeping, and, I think in some sense, not a correct statement to make. We have utilised all our resources to our good and the proof is the industrial development, industrial production in the country. But for that our situation would have been much worse. But, Sir, the fact remains that our imports have become more or less inelastic, because if we want to develop the economy, if we want to implement the Plan, much more the core of the Plan, we have to import capital goods. If we want to maintain the economy, our industrial economy, our entire economy, on the present level, and if it is not to degenerate, we have to import certain industrial raw materials, and they are a very big

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item in our import bill. We cannot reduce that at all if we want to maintain the industrial economy at the present level. So, whether it is the import of food or raw materials or essential medicines, these are 'must' and all these have made our import bills what they are today. But, Sir, every effort is being made to bring down our imports, to cut down the imports, to the barest minimum, to almost essential goods.

Sir, I will venture to give some figures to show what has been the effect of these steps that the Government have taken. We have been talking of continuous withdrawals from our sterling balances at an increasing rate. Some hon. member made this point. I think, Sir, I can only say that he has not been carefully reading the situation on that account. As a result of the measures that the Government have taken, the sterling balance withdrawal has come down. For example, in November the withdrawal went down to Rs. 17.6 crores but in October it had gone up to Rs. 25 crores and in an earlier month, in September, it has gone up to a little over Rs. 27 crores, and before that it was a little more. So, actually we are bringing down the withdrawal. So far as I remember, the last week's figure for the withdrawal was Rs. 4 crores. It was as high at one time as Rs. 10 crores. So, this is evidence of the attempt that the Government is making. In the situation that we are in, I think the House should appreciate the point that all that is necessary, all that is possible for the Government to bring down the gap or bring down the rate of withdrawal is being done. The position of export promotion is a different problem. Sir, I will take a few minutes to complete. We are making hectic efforts to 1 P.M. increase our exports. Various export promotion councils have been set up and a committee has already submitted its report. The recommendations of this committee are under examination and some of them have already been put

into effect. Therefore, we are giving thought to all avenues of promoting our exports.

But the problem is, in all these things there is a time lag. These take some time and there is always, as I said, a little time lag, before we can achieve a sizeable increase in our exports. I agree that in the foreseeable future we will have to increase our exports much more than what they are now. I think we have about Rs. 1,000 crores or about Rs. 1,200 crores worth of imports and about Rs. 700 crores worth of exports and I think in the foreseeable future, we will have to keep our exports round about Rs. 700-800 crores. But as I said in the very nature of things this will take time and I think it will depend upon the co-operation, the encouragement which the hon. Members will give. I think speaking of the future in a very gloomy way will be rather depressive in its effect.

Similarly about the internal resources. The only point I would like to refer in this connection is that it has never been the contention of Government that the raising of internal resources is not difficult. All that we mean when we say we are not worried about internal resources is that obviously in the nature of things, whatever may be the situation, however difficult the situation may be, if we have the co-operation of the House, if we are able to encourage and rouse the necessary enthusiasm in the country, we will be able to raise the resources in the country and the House knows this because this House—the thing must be green in the memory of this House—this House a little over a year ago gave the necessary power and we have been able to raise resources from taxation to an extent of more than Rs. 100 crores. So what we mean is that we have greater freedom of action so far as the raising of internal resources is concerned. But there is not that freedom of action so far as external resources are concerned. There lies the distinction between the two. We do not under-estimate

the difficulties of raising the internal resources, but we can overcome them, we can overcome these difficulties provided the House and the country give us the necessary co-operation.

So also about deficit financing and the subject of savings on which Mr. Shah made some points. It is true our savings of late have not been doing very well. But we have been trying to step up the savings recently and at the Finance Ministers' Conference we have tried to energise the State machinery and asked for their co-operation, to make it broad-based. But it is true, still, savings are far short of what they were last year. Actually during the last two months, they have been going up. It is our hope that if we continue these efforts, we will be able to do as much as we possibly can and reach a better figure.

Now one word about deficit financing. With all respect to the hon. Member, Mr. Bisht . . .

SHRI GOPIKRISHNA VIJAIVAR-GIYA (Madhya Pradesh): Could we not continue this after lunch?

SHRI B. R. BHAGAT: Sir, this is the last point and I would crave the indulgence of the House only for a few more minutes. I am winding up my remarks.

Usually my hon. friend Mr. Bisht is very constructive in his remarks. But somehow on this point of deficit financing he feels somewhat doubtful; he wants development with stability and says deficit financing is creeping in the corners or galloping and he has expressed his fears. There are no two opinions about the fears expressed. But I would only try to join issues with him and say that in the economic situation—leaving aside the food prices which have gone up a little—when we consider the entire cost of living, the prices of wholesale goods, or the consumer goods, the general tendency has been to stabilise. Everywhere in the world where developments have taken place taking the last

ten years—they have been going up. Compared to that picture, we can say that there has been the least element of inflation. The difficulty is we are developing. There are pockets of scarcity and there prices have been going up in certain sectors. But by and large, we have been trying to maintain stability in the country.

One last word—not even point. I agree that at all costs, the value of the rupee has to be maintained and I want to take this opportunity to make it clear that the Government is determined to maintain the value of the rupee what it is and this measure is only to see that no such danger to the value of the rupee occurs and materialises. The rupee is very strong and sound and it will be sound, because we are following a sound economic policy at home. The value and strength of the rupee are determined by our internal economy, by the general economic situation in the country, the industrial situation and so on. These are sound and will be sound. Also nothing does greater damage than this thought—How are we going to pay back our commitments? We are going to pay back all our commitments and as a country we have the reputation of honouring and fulfilling all our international commitments, industrial, economic and financial, and we will maintain that reputation. And that is the greatest guarantee to an outsider, that India as a country, as a nation, as a Government, honours her commitments and that will go to make the rupee economically as sound as necessary.

DR. R. B. GOUR: Sir, may I have one explanation? We are linked with the sterling and if the sterling is devalued, will that not affect our rupee, in spite of the resolute desire of the Government not to devalue the rupee?

SHRI B. R. BHAGAT: Sir, that is a hypothetical question which there is no point in considering.

SHRI AKBAR ALI KHAN: One word, Sir. As regards the jewelleryes of these princes and ex-rulers, since there is not much of a market for them in India, cannot these be sold in the foreign markets and then the money invested so that they may bring some interest and we may profit by that? I put it to the hon. Minister.

SHRI B. R. BHAGAT: I will not venture a ready answer to that, Sir.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): Next we come to the clause by clause consideration of this Bill.

DR. R. B. GOUR: That we may take up after lunch.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): Very well. The House stands adjourned till 2-30 P.M.

The House then adjourned at eight minutes past one of the clock for lunch.

The House re-assembled after lunch at half past two of the clock, THE VICE-CHAIRMAN (SHRI RAJENDRA PRATAP SINHA) in the Chair.]

THE VICE-CHAIRMAN (SHRI RAJENDRA PRATAP SINHA): We shall now take up the clause by clause consideration of the Bill.

Clauses 2 to 4, clause 1, the Title and the Enacting Formula were added to the Bill.

SHRI B. R. BHAGAT: Sir, I move:

"That the Bill be passed."

THE VICE-CHAIRMAN (SHRI RAJENDRA PRATAP SINHA): Motion moved:

"That the Bill be passed."

SHRI BHUPESH GUPTA (West Bengal): Mr. Vice-Chairman, I did not have the advantage of listening to the Minister's introductory speech when this motion was moved in this House but I have taken pains to read it from the proceedings and I have heard his reply to the speeches that had been made. As far as this Bill is concerned, all that I should like to say is that half a loaf is better than nothing. I think that this step should have been taken much earlier. This is what many economists in the country and our Party have been demanding all these years, because there has been no justification whatsoever to lock up so much sterling, so much of our resources, in what is called a currency reserve. Even today Government proposes to keep up to Rs. 200 crores worth of currency reserve in foreign currency as a backing against the note issue of this country. Yet, the Minister in his speech said that the situation is past when it is necessary to link our note issue with currency reserves abroad. I do not see as to why in that case there should be so much money kept apart in foreign currency. It has been stated in his speech that it is necessary to meet certain contingencies as regards balance of payments. Here again, we are on fallacious ground. If it is not necessary to have any currency reserve because our rupee, according to them, is sound, then why should we keep so much money in foreign currency? The argument that it would be necessary with a view to meeting any exigencies in balance of payments shows that the Government policy is not quite clear as to how our foreign exchange resources should be handled. What is important, therefore, in this context, is to have a clear policy as to how we are going to deal with our export and import trade, which gives rise to balance of

payments one way or the other, sometimes favourable and sometimes adverse. I shall come to that point a little later, but before that I would like to ask the Government to learn lessons from the experiences of the past. I was not here in our country when the Finance Minister was making one speech after another in this House and elsewhere in justification of the policies that he had been pursuing as Minister for Commerce and Industry. Those speeches do not convince me at all. It appears to me that faced with very stark realities, it is not altogether possible for them to get away from those realities, and therefore they have to take some measures. Yet, there is a tendency to cling to the past, to adhere to old theories and also to old practices, of which this present Bill is an illustration. Now, I must say that Government is at the moment in a vacillating stage. Previously they were quite clear that their policy was right. When in this House we and others opposed their policies with regard to our sterling assets, hon. Members of the Treasury Benches got up one after another to justify with a great deal of gusto the policy that they had been pursuing. We have been warning from this side that this policy of theirs would lead this country's economy on to the rocks; they would not listen to us because they thought that wisdom lay only in the Treasury Benches. Now, faced with the realities, they are today doing a little rethinking. When the Finance Minister does a little rethinking, he looks back to some of his old days. He thinks of the past rather than the future when the Second Five Year Plan is supposed to have placed before the country certain good objectives. Trouble arises here. Therefore, you find that they are taking rather halting steps in this Bill. It clearly indicates that their mind is yet to be made up. I am sure that those who will be in Parliament three years hence or four years hence will have occasion to see that the Treasury Benches are doing things in a manner which would require rectification or

modification. Well, the time taken by them costs the people and the country quite a lot.

Now, about the currency reserve, I should have thought that the hon. the Deputy Finance Minister would try and justify why Rs. 200 crores should be kept apart in this manner, why the whole idea of a currency reserve in a foreign currency should not be abandoned altogether. Now, these ideas of currency reserve were developed before the War and became familiar with a number of bourgeois economists. Many of them sponsored this idea; especially the British economists expounded ideas of a currency reserve. But the background today has completely altered. Even so, they insist on a currency reserve, mind you when their sterling is in a precarious position, when they have raised the bank rate, faced with competition from rival capitalist countries, especially West Germany. The stability of the sterling itself is in doubt, but they would not be very much interested, they would not like the idea of backing up their trade with any backing in Indian currency. In practice, this sterling reserve has operated as a kind of lien on our economy in favour of Britain. I would like the Government to deny this. Now I know that all kinds of arguments will be put forward to rebut it but everybody who is familiar with the trend of economic thought in England, who cares to read their Financial Times and other financial organs of the City of London, knows that they view this matter from the point of view of what they call their 'enlightened self-interest'. This is how they view this matter. They don't have any altruistic thought about it but in our country we find our Ministers trying to justify the need for maintaining such reserve as if unless and until such reserve was maintained, our economy would be faced with difficulties and our foreign trade would be in a precarious or difficult position.

[Shri Bhupesh Gupta.]

We are not prepared to accept this. This is an outmoded theory. Many economists—I am not talking about those who believe in the socialist economy or Marxist economy if you like but many other bourgeois economists of progress—think that a currency reserve of this kind is unnecessary, is a kind of luxury which an Indian economy cannot afford today. I have come across articles published in the A.I.C.C. Economic Journal or elsewhere, by the Congress leaders, by writers of Congress persuasion, even by some leading Congressmen, who had maintained that this foreign currency reserve should be altogether scrapped. I have not yet come across a very valid argument against that position, against that point of view that the currency reserve abroad in Sterling should be scrapped. I don't know whether while publishing such articles in the A.I.C.C. Economic Journal the Editor of the journal had any particular view. In any case he had not cared to present any counter arguments against that view. I therefore assume that the arguments advanced in that journal have certain validity with that journal and the journal had been hard put to give counter arguments. In any case I have not come across any which says to the contrary. Therefore this is an outmoded theory. I say clearly that this idea of currency reserve abroad is an outmoded theory. The question will arise as to how do we handle our trade if we don't have the currency reserve? It will be also said that unless and until we have the reserve, people will not have confidence in our rupee and naturally we will stand to lose by that. This kind of argument is moth-eaten. This we have been hearing for a long time since the time of Josiah Stamp and other financiers of British capital and we have too long been treated to such facile arguments. But today we are an independent country. We have taken to the path, as they call it, of independent development of our economy. We

function according to our laws of the land. We are developing trade with other countries and not merely confining to countries of the British Commonwealth, although the bulk of our trade goes there even today, but the trend of development is surely in certain other directions as well. We are also trying to build our economy on some better foundations, that is to say, we are interested in building our heavy industries and other industries although the Finance Minister could like to have this process first crippled and then reserved. I am not talking about the objective that is before the Plan. At the same time we are pledged—I am talking of the commitments of the Government—to bring about an improvement in the economy. Why then must we stick to the currency reserve in England? What is the need for it? Am I to understand that unless and until we have this reserve, the legitimate trade that is in our interest as far as Britain and India is concerned, will go under or will suffer? Am I to understand this? If so, let the Government state it. I think that the trade with Britain is such that brings more profit and advantages to Britain than to India and I think that if Britain wants to take any retaliatory or rigid action over this matter, they will think twice before they take such action because it is they who would stand to lose more than we stand to gain. This is the position today. Now the hon. Minister should be aware of the bargaining position which the Government enjoys today vis-a-vis Britain. I am aware of the economic ties. At the same time we should be aware of the economic difficulties which the British economy is facing. Today they will not easily think of taking action or restricting the kind of trade that we need for our development purposes when they know that there is going to be European Common Market which threatens the British economy, when they are facing competition from West Germany in the West and from Japan in the East. These factors are there.

They are finding themselves in an extremely difficult position to hold their ground. They are in a weak position. All that I say is, in the world economy as it is now, Britain is in a weak position. Therefore Britain would not be in a position to take some retaliatory action or to behave unreasonably over the question of currency reserve. This has to be understood clearly. What is the harm in taking advantage of such a situation? Why should we not do it? Britain takes advantage of the situation. The US takes advantage of a situation and as far as West Germany is concerned, it is taking advantage of the situation in which the world is today. Why should not we take advantage? This is the question that I put to the hon Minister. I hope the political consideration will not be brought in here. We are thinking in terms of economy, we are thinking in terms of economic co-relation. We are thinking in terms of how we can press the interest of our economy in the world market against the odds that are there. That is how we view this matter. Therefore I say this outmoded theory should not be given any quarter. I don't think that it is going to serve any purpose. I accept that only small funds will be locked. Then the question arises, having locked up 200 crores worth in Sterling, it all depends on how you are going to use it, if you are going to use at all. It is said that it is necessary to meet emergencies. What kind of emergencies have to be met by that? Government should make it clear. Is it for luxury, is it for generosity or as a gesture to Britain? If it is so, let them say that it is only as a gesture because we have been closely tied with Britain that we want to keep some money with them. Or if you say that it is meant primarily to meet certain emergencies, Government owes an explanation to the country as to what are the emergencies likely to arise which are to be met from the funds so separated or so earmarked? Government should give an explanation. The hon Minister

has said something which does not explain anything at all. Some kind of generalities he has indulged in. Situation is such that you need to be a little more concrete, talk in concrete terms. We should be a little business-like in your speech rather than a philosopher in your utterances. This is what the situation demands. I am afraid even from the Deputy Finance Minister we have not got that kind of approach over this matter.

Before I touch other points, I would like to say that regarding this money, since the Bill is going to be passed, you should make it a point to see that not a penny out of this reserve is utilised in the future for strengthening the private sector in our economy, that is to say, the monopolist elements in our economy. Because I would not like the reserve to be utilized for meeting the balance of payments to satisfy Messrs Birlas and others. This is what I would like to make very clear. I can understand if some money is set apart to be spent—and it should be spent—for developmental purposes. Here, I would ask the Government to ensure that these funds are utilised for the development of the heavy industries in the public sector. It is the public sector that should have a precedence over these funds that are being set apart. This is my suggestion because I fear that these moneys will be utilised again for meeting the deficits of the balance of payments or for financing the trade which is not always in the interests of the country, at any rate, for the development of our economy. This has been our past experience and there is no denying the fact that the foreign exchange crisis is the creation of the past policies of the Government. I have heard some Ministers speak about it. Some of them try to deny it. I read an article by Mr Iengar in the Financial Times India Survey. In that article, he had quietly admitted that under Mr Krishnamachari—he did not name him, under his regime, he was the Secretary of the Com-

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merce and Industries Ministry—there had been continuous liberalisation of imports. This liberalisation of imports which had been indulged in by him as the present Finance Minister and formerly as the Commerce and Industries Minister, has largely contributed to the creation of the present foreign exchange crisis. There is no harm if the Government admits its mistakes. All men are liable to it. Even the Treasury Benches are not denying this thing. If you have committed certain mistakes, then you should own them and learn from them. We ask you whether you are prepared to learn. If you do not show the inclination to learn, then we shall say, you are adding crime to crime, one crime to another. The first crime is that you committed a mistake and the second is that you do not own your mistake. This is how we shall view this matter. Therefore, I think that we must learn something out of it.

Mr M C Shah who has been pushed a little behind now for no fault of his, I believe—and I have all sympathies for him—has given a very sad picture of the economy. He has dealt with the figures with regard to foreign exchange and he is fairly well on this subject. And it always appears to me that the moment you are out of the Treasury Benches, the better you speak. He has done a good job in his speech. But, at the same time, he says, "I do not find fault with the Government." Why do you find fault with him? Who is responsible for the foreign exchange crisis? Is the Opposition responsible for creating the foreign exchange crisis? Who has created it? Sir, this kind of crisis is a very material thing. Who can make and unmake such a crisis? Who are the people behind it? If it is the British, tell us that it is the British. If it is you, then admit that you have done it. If it is both, then say, "We both have created the foreign exchange crisis." You must find the source and then you must

locate the causes as to how this crisis was created and who was responsible for it. I can understand the embarrassment of finding out the persons responsible for creating the crisis, because that will be embarrassing for the Government. But certainly, you can find out the causes and the policies that led to that crisis. What is the harm there?

Therefore, I say that the whole policy with regard to the foreign trade and relation with the foreign economy is to be reviewed today. It is essential that we review it and review it boldly because you cannot hide the fact that we are in the midst of a serious situation created by certain policies of the Government. Of course, in this matter, Britain and the United States of America have their part to play. But I am talking about the Government. Today they must discuss this and it is essential that they go into that a little deeper than they have done. It is very important. You cannot meet the situation until and unless you review your foreign trade and make drastic changes in the handling of your foreign trade. We can handle our foreign trade in a manner that would minimise the foreign exchange crisis. It is possible, it is not at all impossible. But that requires a little change of policy and there, the Government refuses to make any fundamental changes in the policies that they pursue. I ask them to think about this matter and make the necessary change. I would ask them, why the Birla Mission was sent in that manner abroad? It went there for financial transactions and we have known the results. Assuming that the Birla Mission succeeded even in its objectives pursued abroad, am I to understand that the foreign exchange crisis is going to be solved? Their whole scheme is one of inviting the foreign private investor in the private sector so that, together with him, they can be strengthened. Mr Birla has got hundreds of crores. India's economy is developing or is about to develop and he should release those

hundreds of crores and not invite the foreigner to invest. He wants partnership with the American, West German and the British investors. Now, if you allow these people to come in, then again there will be a drain on your foreign exchange resources because they will take away the profits. They will remit money earned as profits out of this country and this is being done even today on an alarming scale. They want to accelerate that process.

Here, I would like to know again from the hon. Deputy Minister whether he would enlighten us on this fact—how much foreign exchange did the Birla Mission cost? Sixteen or fourteen gentlemen of the big money with the blessings of the Finance Minister toured the western world. The Mission knocked from door to door in England, America and West Germany and came back empty-handed. I would like to know the Mission's cost, because it was a magnificent circus of big millionaires, with all the blessings of the Government. At the same time, we do not know how much it cost in foreign exchange. Nothing, we have got nothing out of that which is of interest to our economy except certain sermons, certain lectures, certain pressures, certain dictations to our economy. But, at the same time, we know that we have been 'minus' some of our sterling and dollar reserves because these fourteen gentlemen toured the U.S.A., England and other countries of the west. You should tell us how much this has cost you.

Now, if they have succeeded in the plan, it will not ease the situation; it will aggravate the crisis. Even though temporarily, it looks as if the situation has eased, ultimately, it will lead to even greater deterioration in the entire economic situation because foreign investments in our country—capital investments and equity capital investments—would result in the deterioration of our economy and its diversion from the right developmen-

tal channel and in draining of the resources of the country. This is the plan—long-term plan—of the Birla Mission and this has to be kept in view.

They want to utilise the foreign exchange difficulties for their own ends, for strengthening their position, for checking the development of the country's economy of independent trade and for inviting the foreign capitalists with whom they want to come in partnership. We are opposed to this process. This process has to be changed in the interests of conserving our foreign exchange reserves and in the interests of properly handling the foreign earnings of the country, for the development of our economy and for the reconstruction of the vital sector of our economy. This is what I say very clearly.

Now, Sir, this is one aspect of the matter because you know that the bulletins that have emanated from the governmental or semi-governmental agencies clearly indicate that the investment by foreign capitalists is growing side by side with the remittances abroad. Now, we are in the midst of a foreign exchange crisis. We are called upon to make supreme sacrifice. The people are harangued that they must make sacrifices. At the same time we find the Government have entered into an agreement with the United States, which is called the Indo-US Investment Agreement in which they give guarantee for remittances and all kinds of advantages to the foreign investor. There is no restriction whatsoever to it or the foreign remittance which is going on increasing year after year. I would like to know from the Government, what comes in the way of putting restrictions? They will at once say, "This is not our policy. We are a democracy." We are a democracy.

Well, I think that the word 'democracy' should not be misused in that manner. Because we are a democracy, therefore we must act according to the

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wishes and the interests of the people, and the interests and the wishes of the people demand that the remittances abroad should be drastically restricted, if not altogether stopped. You can put a moratorium at least for the time being. Why aren't we putting some moratorium on remittances abroad? They will say that the foreign investors will not come. Well, we do not want these foreign private investors to come to this country. We want loans and assistance. We want export credit and all that. But we do not want another set of foreigners to come to this country and dig in our economy and earn profits and take them out of the country. Now, Sir, as far as we are concerned, we are absolutely clear about it, and we stand on a solid ground. But as far as the Government are concerned, they are afraid that if they adopt such measures, Birlas and others will be in difficulty and the foreign investors will suffer. I think that our economy should not be guided by considerations such as these, because if you stop remittances and if they do not send investors, we do not stand to lose anything. We can negotiate in the world market for loans and assistance at reasonable rates of interest. We can, on the strength of our economy—and that strength should always be developed—negotiate for import of machineries and other things on the basis of deferred payment and credit or against our exports. This is how we should proceed. There should be a change in the entire approach. I do not say that the whole thing you can do overnight. It takes some time. It will take time especially under this Government. But then some beginning has got to be made.

Now, Sir, the hon Minister has said that he believes in the promotion of export trade. We have been hearing this fine talk about promotion of export trade for some time now. How much promotion has taken place actually, we would like to know. Their idea of promotion of exp

trade is to encourage some big capitalists in the private sector to develop markets. But here the thing is entirely left in the hands of the capitalists and the Government does not come into the picture as far as our export trade is concerned. Today, you must realise that the world is divided. In one part of the world you have monopolists dominating the economic scene and in another part of the world you do not have monopolists, but you have socialised sectors of economy and the Government are alone handling the trade. Therefore in order to develop export trade it is essential for you, even from the point of view of practical expediency, to make some basic change in your trade policy. What I mean is this that the Government must develop export trade under itself, in the public sector, and the Government itself should be the exporter of certain commodities in such markets which offer advantages to us. Now this is very important today. If you do that, then I think to a great extent our foreign exchange difficulties and crises will be solved. And I think the Government should take certain measures in this direction. Well, I am told, and I read it in the press also that the Government is thinking along these lines, and sometimes, some Corporation is also set up to go in for foreign trade. But I would like to know from the Government as to why the Government is not changing its policy in order to take over the foreign trade in export materials from those who are controlling it now. Our jute, our tea and certain other commodities are there in which we can easily develop foreign trade under the State sector. Of course, the big capitalists will get annoyed if we do so and the foreigners will get annoyed, but it is better to annoy them than to annoy the millions of our country by allowing the capitalists to hold our country's economy to ransom. This is what I would like to say. From whatever angle you judge this issue, it is essential to have the State sector in export trade with, for instance,

other countries having socialist economies, because there the trade is in the hands of the State. The Government-to-Government level trade is essential. The matter cannot be left in the hands of private people. It is also better for the Government to come into the picture because the Government is always in a better bargaining position than private individuals or capitalists. Of course, I do realise that there will be some pressure by the private capitalists to see that the Government of India does not adopt such a policy. You will see, Sir, that there was an embargo on trade on the part of the Western countries with China, and in spite of the American embargo, France, Japan and even England, are stealthily developing trade with China. Notwithstanding the embargo, the Government-to-Government arrangements exist there. We also find, Sir, France declaring itself for a greater volume of trade with China and England going through the back door and developing trade with China, because they think it is necessary for them to develop trade with such countries. Therefore, if the Government comes into the picture as far as export and import trade is concerned, for a time there may be resistance or a show of resistance, but on the whole it will not be possible for Britain and other countries to continue without such trade. It is in the interests of all to have bilateral or multilateral trade agreements of this kind. This is what I would say. Therefore, Mr Vice-Chairman, I would urge upon the Government to consider this point and see the importance and urgency of developing trade—foreign trade—under the public sector. And any promotion of trade cannot be done in the world market until and unless the Government itself becomes the greatest promoter. If you allow things in the hands of monopolists, they will promote their own interests, not the interests of the country. Incidentally, you may have some accumulations in foreign exchange on account of their trade, but they will be guided by their profit motive. they will be

guided by their own interests and by their own self-interest. Therefore it will not be advisable to rely on them and to leave the initiative and leadership in the hands of big capitalists. Is it not a fact that when they were getting import licences freely, these gentlemen of the big money utilised to their own advantage these licences to import such machineries as need not have been imported at that time, and ran through to the bottom of barrel our sterling and other reserves and faced the country with a fait accompli of that kind? I would, therefore, urge upon the government to retrace their steps and to leave no initiative whatsoever in their hands and speedily develop the public sector in our foreign trade. We have seen how other countries by taking our foreign trade have improved their position in the external market. Why cannot we do that? We are a vast country. Our prestige is high abroad and we are in a certain advantageous position also from the point of view of economic relations than other countries. So, why cannot we do that? Therefore, the Government must give up the present policy of leaving things to the capitalists and allowing foreign and Indian monopolists to dominate the foreign trade and create foreign exchange crisis and difficulties. All these difficulties are their own creation to strengthen their position in the economic field and to retard the development of the country's economy.

Then concessions. Here is a measure to reduce the foreign currency reserve abroad. At the same time concessions are being offered to the foreign capitalists by the Government. Mr T T Krishnamachari has been making speeches. He is perhaps the most talkative Finance Minister the world has ever had.

(Interruptions)

SHRI SATYENDRANATH BOSE (Nominated): On a point of order, Sir, is Mr Bhupesh Gupta addressing the House on the third reading of the Bill? Let us look up the rules on the subject

SHRI BHUPESH GUPTA: I am very grateful to my friend Mr. Bose who sought enlightenment whether I was addressing at the third reading stage of the Bill. I thought he would be knowing the stage in which he is. As far as I am concerned, I am asking the Government how to handle the situation. Well, apparently, he is satisfied with the situation. If he is not satisfied, if he is not so cock-sure, he would have been sitting on our side. What I am asking the Government is how to handle the situation today. My point is that this Rs. 200 crores reduction itself is well over the very limit. I am suggesting certain steps which should become concomitant of this measure. I think you may consider this advice and see what is right and what is wrong. Therefore, it is quite relevant to the third reading stage. He is a very experienced parliamentarian but he has spent most of his time in the Assemblies under the British rather than here.

Now, we are in a difficult position and we are told that we should lend everything to the government to tide over this crisis. Therefore, I say these concessions will not do, concessions to foreigners will not do and concessions by the Government to the monopolists abroad will not do. Mr. Krishnamachari is making too many concessions. He has all along been speaking about concessions. I think he is after ruining the economy of the country. The manner in which he speaks, it looks as though he is the greatest suitor of the big monopolists abroad and I think that he has outbid everyone in the flirtations that are going on. I think that will not help because, even if the foreign capitalist came forward, that would ruin the economy of the country. Therefore, turn away from this policy and say that no concession of this kind would be offered to the foreign capitalists. On the contrary we should concentrate to preserve our foreign exchange reserve. This is what I would like the Government to consider.

Now, Sir, with regard to internal resources I do not want to go into the details very much because I would not like to irritate or tire Mr. Bose who has got somewhat confused about the discussion. But it seems to me that it is by augmenting internal resources that you can improve the situation and whatever currency reserve is necessary, we can hold it in our own country. Our rupee has got a great name abroad. It is acceptable in other countries, especially in a number of countries in South-East Asia. If this is done, why are we going to have currency abroad? We can have some reserve, if at all necessary, at home, in gold or certain other securities, at home, and not abroad. Even at home we can reduce it, because the standard of the rupee or the validity of the rupee depends not so much on how much currency reserve we hold, either abroad or in our own country, but on the general health of our economy. We have known a number of countries which have been able to meet a similar crisis without foreign exchange reserve, without currency reserve. We have also known a number of countries which have done very well without any currency reserve at home. Now these things have got to be taken into account and I would not like the Government to be carried away by certain outmoded, back-dated economic ideas. Now the foreign exchange gap is wide. We require foreign resources for the Plan. Calculations have all gone wrong. Therefore exertions have to be made in a number of directions and these must become big exertions. That is what I would like the Government to do.

Now, I would suggest again, finally, that we should not allow remittances of this kind to be sent abroad today. When I was going abroad I was told that I could not take more than £10. I liked it. I did not oppose it. I took just £10. But when some British firms send crores of rupees abroad, well, they are allowed to do so! Well, it is a discrimination against your own countrymen, against a poor man like

me, and others, but it is open to the British firms. They can send any amount they like. There is no restriction whatsoever. There is no Reserve Bank Regulation. There is no currency regulation, nothing at all, but when we go, there is restriction and there may not be the same restriction in the case of Indian capitalists. I think Mr. Birla and others should be asked to spend more money in the country rather than allow them to go abroad and spend foreign exchange. I say there you must strike. The foreign investors should not be allowed to send money. We must mobilise these funds for meeting the requirements of the Plan. That is most important today. I think these things the Government should discuss. Why the Government have not discussed with us? We are told that the Five Year Plan is in the midst of a crisis. We are told that the foreign exchange position is critical. We are told that the people must help the Government to pull through the crisis. At the same time when our Party makes a request to the Government to have mutual consultations, when we want to compare notes and have some understanding with them, with other competent people, so that collectively we can arrive at a decision and find a national solution, our proposal is brushingly rejected. We are extremely sorry that our proposals for a conference to discuss the whole situation, to devise ways and means of meeting the situation, should have been so brushingly set aside and rejected by the Government. That is why I say that you all are liable to the charge that you seek a partisan solution to your problems, that you are consulting only that section of the capitalists who are at your back and call, with whom you can get on well, and that you are not interested in listening to others who may have divergent points of view but still have certain suggestions, concrete suggestions, to make. I think it is causing demoralisation, and a foreign exchange crisis is far better, I believe, than the demoralisation that you are creating

in the countrymen. Once demoralisation goes on increasing, no crisis can be faced and no crisis can be fought. It is the people who by their combined experience and by putting their heads together, can find a solution to the problem such as it is. It is not by taking unilateral decisions, partisan decisions, or backdoor decisions with the millionaires that you can seek a solution to the problem. We have seen that all your dependence on the Birlas has produced nothing. The Finance Minister and Mr. Birla were together in the United States and moved hand in hand. One made a speech to praise the other and the mutual admiration society was in full swing. Both sought the cooperation of the United States and in the bargain we have got only dictation, most insolent dictation, on our economy. That way a solution does not lie. I would therefore appeal to the Government, even at this late hour. We do realise the importance of the situation, the seriousness of the situation, that it is essential for you not only to pass measures on these lines but to hold consultations with the parties in the Opposition, with other eminent economists and other people who can render advice in such matters and give a solution. But the decision is in your hands. It is not the Opposition that takes a decision in this matter. It is always open to you to accept certain advice and reject others. Nobody is going to compel you. But I think you should listen to their suggestions. We discuss these things here, it is true, but it is not the place where we can clinch business. The discussions here take on a particular character. If we sit across the table and discuss things, discuss things not from the point of view of trotting out arguments for and against but from the point of view of finding a solution, I think better results would follow. I am pained to hear that even the Prime Minister who is more conscious of the crisis, does not want discussions of this kind. Therefore, I do not know how much will be gained by this Bill. I wish you luck so far as it goes, but

[Shri Bhupesh Gupta.]
a good measure in bad hands promises very little, and what I want to see, what we would demand, is that you should really change the policies of the Government that lie at the root of the foreign exchange crisis. It is the big business who say that there is a foreign exchange crisis. They are deliberately, purposely and intentionally accelerating the foreign exchange crisis, in order to create a panic in the country, in order to see that they get ahead with their plans, in order that they could invite the foreign investor into this country, control our economy and further influence the policies of the Government. We are not any party to this big business slogan that you must keep this reserve. I think we have enough resources in material and man-power to face this situation and save the crisis. If all the parties will sincerely and patriotically address themselves to this task of finding a solution to the problem, I think that a solution could be easily found. Therefore, Mr. Vice-Chairman, I would appeal to this House not to be carried away by this big business slogan, because they have a purpose; they use this to bring in more exploiters into the country and strengthen their own position. We must warn the country against this. We can meet this situation. I hope that the Government will develop this mentality. I think the time is past when the Birlas can offer any solution to the Finance Minister. I think that the Finance Minister must change his policies and outlook in the matter, as our economy would suffer if he is allowed to get on in the way he is going. Thank you.

SHRI B. R. BHAGAT: Mr. Vice-Chairman, Sir, I think that in a few minutes more the hon. Mr. Gupta would have touched the one hour mark and I think it would have been . . .

SHRI P. D. HIMATSINGKA: He has just returned from Moscow.

SHRI B. R. BHAGAT: . . . a substantial achievement for a third reading

speech even for him. I think he has also been away, while the Finance Minister was away; he was away to some other quarters, and I think it is no surprise that he has brought a lot of inspiration and a lot of steam which he had collected there.

SHRI BHUPESH GUPTA: I have got nothing compared to Mr. Krishnamachari's inspiration.

SHRI B. R. BHAGAT: He has chosen the very first opportunity to let off that steam. It is a pity that he could not participate either in the first reading or second reading; otherwise he would not have attempted to convert the third reading stage into the first or second reading stage. I am sorry I cannot oblige him, because most of the points that he has raised have already been raised by some hon. Members and replied to by some other hon. Members. Both while making my speech and in my reply, I have replied to most of the points that he has chosen to raise, like the foreign exchange situation. He asked for a precise statement of Government's policy about the present situation. I think that oddly enough we agree and I have said it, although not in that express term, that jargon which I cannot use, that it is wrong to say that there is a crisis in the foreign exchange situation. Difficulties are there, but those difficulties were envisaged even when the Plan was framed. Even at the time of the framing of the Second Plan a big gap in foreign exchange requirements was envisaged. So, it is neither a crisis that has developed immediately nor a crisis that has been aggravated according to the hon. Member by the import policy. It is a situation which is quite natural, when the country is embarked upon a development plan of this nature. So, all the points that the hon. Member has raised have been amply covered. The need for introducing an element of flexibility is there. He asked the ephemeral question, 'Why this reserve?' I did not follow the content of that question. Perhaps he questions

the wisdom of locking up in foreign exchange reserve resources to the extent of Rs. 200 crores. Of this, Rs. 115 crores is in gold and Rs. 85 crores in foreign assets which in a time of emergency could be drawn upon. I do not know what the hon. Member means. I think it is more prudent to have some such thing for any emergency when it could be drawn down as we have done in the present Act.

As regards the question of foreign investment, he vaxed eloquent over this matter. He asked how much money the Birla delegation spent outside. I do not know, but some of our public men like to be guests of foreign governments. I do not know how much money they have spent. If the hon. Member asks a question, if it is available, we will collect it and give him. But it is not a very big sum. That is not a very big issue. I know that the hon. Member does not like private foreign investment, but the Government have a definite policy and that policy has, from time to time, been amplified and precisely stated by senior Members of the Government. It is not anything over which the hon. Member need worry himself or need let off so much steam. I think that there is nothing that the hon. Member has said in his long unusual third reading speech that needs any definite reply. All the replies have been given before. I only wish that he had participated earlier so that he could have been more precise in his points which could have been taken care of and replied.

SHRI BHUPESH GUPTA: I would like to ask a question whether it is a fact that recently the Government have increased the allocation to the private sector for the purpose of their imports of machinery and other things by Rs. 100 crores?

SHRI C. P. PARIKH: It is the reverse.

SHRI B. R. BHAGAT: Sir, I do not know wherefrom my hon. friend gets

this information about this matter of allocation. Firstly I don't think it is true, the insinuation is not correct. These allocations are made in the Licensing Committee or the Capital Issue Committee of the Cabinet. The matter goes to the Cabinet. There it is carefully scrutinised and I think even if there is a tendency it is in the reverse direction to the one pointed out by the hon. Member.

THE VICE-CHAIRMAN (SHRI RAJENDRA PRATAP SINHA): The question is:

"That the Bill be passed."

The motion was adopted.

THE OPIUM LAWS (AMENDMENT) BILL, 1957

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): Sir, I move:

"That the Bill further to amend the Opium Act, 1878 and the Dangerous Drugs Act, 1930, as passed by the Lok Sabha, be taken into consideration."

Sir, this is a simple and non-controversial Bill which has become necessary as a result of a decision of a High Court. The definition of 'opium' as given in the Opium Act, 1878 and the Dangerous Drugs Act, 1930 includes "the capsules of the poppy"—in botanical language *Papaver Somniferum* L. Until recently, the view was held that the crushed capsules of the poppy were also covered by this definition in the two Acts. This was also the view expressed by the Nagpur High Court in a criminal case which came before them. But in December 1955, a Division Bench of the Punjab High Court held in three criminal appeals that the crushed capsules of the poppy commonly known as poppy husk or *bhuki* do not come within the scope of the definition of 'opium', as given in the two Acts. As a result of this decision, the State Government are not able to exercise any control over the import into and sale in the State, of poppy