

(iv) Ministry of Commerce and Industry Resolution No. SC (a)-2(89)/52, dated the 20th September 1952. [Placed in Library. See No. IV R. 159 (129) for III and IV.]

(v) Report of the Tariff Commission on the revision of prices of raw rubber, 1952 ;

(vi) Ministry of Commerce and Industry Resolution No. 3-T(2)/52, dated the 27th October 1952 ; and

(vii) Ministry of Commerce and Industry Order No. 30 (5)-Plt/52, dated the 27th October 1952. [Placed in Library. See No. IV R. 157 (4) for V, VI and VII.]

THE MINISTER FOR COMMERCE (SHRI D. P. KARMARKAR) : Sir, I beg to lay on the Table a copy of the Ministry of Commerce and Industry Notification No. 35-T(1)/52, dated the 8th October 1952, in pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934. [Placed in Library. See No. P-62/52.]

THE DEPUTY MINISTER FOR HOME AFFAIRS (SHRI B. N. DATAR) : Sir, I beg to lay on the Table a copy of each of the following Rules, under sub-section (2) of section 11 of the Salaries and Allowances of Ministers Act, 1952 :—

- (i) Ministers Sumptuary Allowance Rule.
- (ii) Ministers Travelling Allowance and Daily Allowance Rule.
- (iii) Ministers (Advance) for Motor Cars Rules, 1952.
- (iv) Ministers Free Medical Attendance and Treatment Rule. [Placed in Library. See No. P. 63/52.]

THE MINISTER FOR PARLIAMENTARY AFFAIRS (SHRI SATYA NARAYAN SINHA) : I beg leave to lay on the Table the following Ordinances promulgated after the

termination of the first Session of the Houses of Parliament, 1952, and before the commencement of the Second Session :

(1) The West Bengal Evacuee Property (Tripura Amendment) Ordinance, 1952.

(2) The Influx from Pakistan (Control) Repealing Ordinance, 1952.

(3) The Iron and Steel Companies Amalgamation Ordinance, 1952.

(4) The Abducted Persons (Recovery and Restoration) Amendment Ordinance, 1952. [Placed in Library. See No. P-60/52 for (1) (4).]

THE INDIAN TARIFF (FOURTH AMENDMENT) BILL, 1952

MR. DEPUTY CHAIRMAN : I have to inform hon. Members that under rule 162 (2) of the Rules of Procedure and Conduct of Business in the Council of States, I have allotted time till 4-30 P.M. today for the completion of all stages involving in the consideration of, and the passing of amendments if any, to, the Indian Tariff (Fourth Amendment) Bill, 1952.

We shall now take up the legislative business.

THE MINISTER FOR COMMERCE (SHRI D. P. KARMARKAR) : Sir, I beg to move :

That the Bill further to amend the Indian Tariff Act, 1934, as passed by the House of the People, be taken into consideration.

Sir, I do not propose to tarry or hold up the attention of the House for a very long time, because as the House will doubtless have noted the duration of the protection now sought for by this Bill works to nine months for the

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cotton textile machinery industry, one year for 26 industries, two years for the photographic chemicals industry and three years for the motor vehicles battery industry. Members might like to know why the protection is being extended for a short period, that is to say, till the 31st December 1953, in respect of 27 industries out of the 29 industries that are the subject-matter of this legislation. To this, Sir, the answer is that the new Tariff Commission, which has replaced the Tariff Board, was established on the 21st January 1952 and inherited from the latter a heavy back log of cases, namely, five cases relating to claims for protection, three cases of review of prices and 42 cases of the continuance of protection. In addition, Government have referred to them for enquiry and report 10 fresh cases for investigation and report. Owing to the number of important enquiries which the Commission have had to undertake during the last ten months, it has not been possible for them to hold regular investigations in respect of all the 29 industries referred to by me earlier. They have, however, completed their investigations and submitted reports on two, namely, the photographic chemicals and the motor vehicles battery industries. Their recommendations are that the period of protection for the former should be extended up to the 31st December 1954 and that for the latter up to the 31st December 1955. Government have, after due consideration, accepted these recommendations and the Commission is now engaged in reviewing the plywood and battens for tea chests, sericulture and aluminium industries, but have not yet completed their work. They have expressed the opinion that it would not be desirable to allow protection to lapse in the case of any industry without proper investigation and that the duration of protection in respect of all these 27 industries should, for the time being, be extended up to the 31st December 1953.

Sir, of the 29 industries concerned, protection has been granted to by 20

the mere conversion of the revenue duty into an equivalent protective duty. The significance of such conversion is more or less an encouragement to the industry. Once an industry is protected, the quantum of protection can be varied from time to time by notification under section 4 (1) of the Indian Tariff Act, 1934, without having recourse to legislation. In these cases there is no additional burden on the consumer. The extension of the period of protection for a year in these cases will not, therefore, be open to any criticism.

As regards the iron or steel baling hoops industry, although the rates of duty were increased when protection was originally agreed to in September 1948, the increased rates have not been brought into force as they were conditional on the fulfilment of certain measures by the sole concern engaged in this industry. Jute baling hoops are manufactured by the J.K. Iron and Steel Company. When recommending protection the late Tariff Board recommended that the location of the factory should be shifted from Kanpur to the neighbourhood of Calcutta, because, in their opinion, there are certain natural advantages to be derived by locating it in the neighbourhood of Calcutta. The other condition is that the concern should be converted from a private firm to a public limited company. After a good deal of effort, the management of the concern has succeeded in securing a suitable site for the factory at Rishra near Calcutta where a factory has been erected and it has commenced production on the 1st August 1952. The concern has yet to convert itself into a public limited concern. When this condition is fulfilled the industry will qualify for the protection and steps will have to be taken to give effect by a notification to the enhanced rates of duty, viz., 30 per cent. *ad valorem* (preferential) and 40 per cent. *ad valorem* (standard). The continuation of protective duties in this case may, therefore, be regarded as purely formal for the present.

Sir, I now come to the remaining eight industries where protection was

initially granted by an increase in the revenue duty in force prior to the grant of protection. These industries are—Soda Ash, Calcium Chloride, Photographic Chemicals, Coated Abrasives, i.e., emery cloth, etc., Sericulture, Plastics, i.e., electrical accessories made of plastics, Bicycles including parts and accessories thereof, and Cotton textile machinery. The rates before protection are indicated in the notes which have been circulated. Sir, it is not proposed to modify the present rates.

As the House is already aware, the Tariff Commission can *suo motu* make enquiries and report on the various matters, such as increase or decrease in customs or other duties in relation to the protection of any industry, prevention of dumping of goods, abuse of protection, etc. The late Tariff Board did not have this power. The Tariff Commission, unlike the Board, has been given wide discretion both in regard to the general principles relating to the fixation of tariffs and the principles relating to the obligations of protected industries.

Among the general principles to be taken into account is the effect a protected industry is likely to have on other industries, including cottage and small scale industries. The obligations laid on the protected industries into which the Commission have to carry out investigation at suitable intervals relate to such matters as the scale of output, the quality of the product and the prices charged for it, the technological improvements and scientific research, training of personnel and the use of indigenous resources. To sum up, the Tariff Commission keeps watch over the progress of protected industries. Sir, should the Commission find that the existing protection is inadequate or excessive in respect of any of the industries which are enjoying protection, it will be open to them to recommend a modification of the rates of duty. This, Sir, can be effected at any time, as the hon. House knows, by a notification under section 4 (1) of the Tariff Act.

Sir, I would like to content myself with those brief observations regarding

the protection that is sought to be granted. In the case of 27 industries, the protection is to be extended merely as a matter of form, because the Tariff Commission is seized of the things and they will thoroughly go into the question as to how far protection has been deserved, and what protection should be given in future. As far as the two industries I mentioned are concerned, the Tariff Commission, Sir, came to the conclusion which we accepted, which we thought was proper. Sir, in respect of these two industries there is, what I might call, protection for a substantial period. Sir, the hon. House is very well aware of the general principles that have always guided the Government of India in respect of protection. In fact, Sir, protection has produced, in our opinion, very good results; industries have come up, not always to a uniform standard, but generally the results have been very good. We have been able to give protection to these industries not only by a tariff wall imposed against foreign imports but also by other means available, e.g., regulation of import policies by having, recourse to supply of raw materials at very crucial moments like the last 3 or 4 years and the House will agree, Sir, that by these efforts the industry has in general progressed; the progress might not have been as satisfactory but certainly there has been progress.

Sir, the little fact to which I would like to invite attention of the House is the fact that we have been able to afford protection without increasing the burden of the consumer. There was some mention in the other House—the House of the People—as to the burden on the consumer. I would just like to avoid the temptation of trying to anticipate that argument of the burden on the consumer. The burden on the consumer is a mis-fire, so far as our protection policy is concerned. Those hon. Members who have studied the protective duties will find that in advanced countries the heavy burden on the consumers as a result of tariff walls. In order to help the industries, we have converted revenue duties into protective duties. Now,

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a revenue duty is based upon revenue considerations. We have not sought to put a burden on the consumer except in cases where—and those industries, happily for us, have been very few—the national interest did require that the consumer had to bear a little burden in the common interest.

Sir, I move.

SHRI C. G. K. REDDY (Mysore) : Sir, I just want to know one thing.

MR. DEPUTY CHAIRMAN : Order, order. I will read the motion.

Motion moved :

That the Bill further to amend the Indian Tariff Act, 1934, as passed by the House of the People, be taken into consideration.

SHRI C. G. K. REDDY : Before we discuss, could the hon. Minister tell us, in brief, the progress that has been made by such of the industries where tariff protection is sought to be extended, especially bicycle and other industries which have enjoyed protection for quite a number of years.

SHRI H. D. RAJAH (Madras) : Before this House can take up this matter, we would like to get from the Government further elucidation on points which I want to press before this House. Sir, the statement is vague—it is as vague as you and I are thinking about....

MR. DEPUTY CHAIRMAN : Are you making a speech ?

SHRI H. D. RAJAH : No, Sir. I want Government to give further information before we consider this. The information I want.....

MR. DEPUTY CHAIRMAN : He has given all the information.....

SHRI H. D. RAJAH : He can give still more than what he has given. Therefore, the point is.....

MR. DEPUTY CHAIRMAN : Order, order. Are you beginning your speech ?

SHRI H. D. RAJAH : No, Sir. I want to tell you what things, information.....

MR. DEPUTY CHAIRMAN : You can make it in your speech.

SHRI C. G. K. REDDY : Sir, would the hon. Minister give me a reply ?

SHRI D. P. KARMARKAR : Sir, I think our note gives a correct picture and, though the time was short, he should have read this note.

SHRI C. G. K. REDDY : I have read that. I want specific information especially about the bicycle industry.

PROF. G. RANGA (Madras) : Sir, I am ~~de~~gl, my on. friend concluded his speech by saying that the extent, in his view and in the view of the Government, to which protection has been given to all these industries has benefited them. That is a very important point and I agree with him.

I have read, Sir, carefully, the document circulated among us by the Ministry regarding the proposal to continue protection to certain industries. I found that every one of these industries which was sought to be protected has certainly taken full advantage of the protection not merely for its own progress but also in the interests of the country. They have made some progress but some of them have yet to make very much more progress and one feels that Government is not doing enough in those directions which were indicated by my hon. friend, the Minister for Commerce, which are outside the range of protection. Only this morning, at the time of questions, we came across the affairs of two industries : one is scrap iron and the other is tea.

SHRI D. P. KARMARKAR : Scrap iron is not an industry.

PROF. G. RANGA : No, it is not an industry but it is a part of the work of these iron and steel industries. So far as scrap iron is concerned, we do not have sufficient facilities, as he himself admitted, to utilise the whole of it for ourselves and by ourselves. When the

question was put as to what steps Government were taking in order to help our industries here to utilise the rest of it also in our country, he could naturally give only an evasive answer. When we came to tea, his answer also was not very satisfactory and that would be found to be the case with some of these industries here. Take, for instance, the lantern and the bicycle industries. My hon. friend has just now put a question. Their production is not so bad and their quality is also considered to be good enough but, at the same time, the total amount of production that they are able to put in the market when compared to the total demand available in the country is so inadequate. What are the reasons? I need not go into the criteria but I do find, and I am sure my hon. friend would agree with me, that in the compilation of the case for protection, the potential capacity for production is very much more; sometimes it is three times and sometimes it is four times more than actual production.

In respect of many industries, new factories are being encouraged to be started in different parts of the country, even before the factories which have already been established and are functioning, are able to produce up to their maximum capacity. Why should it be so? If we go on in this manner, what would happen is that the potential capacity or what you call established capacity of the industry for production would be very much greater than production today. But, in course of time, if and when all these factories begin to produce up to their maximum capacity, the market would be flooded with over-production. What steps, I would like to know, do the Government of India and the Tariff Commission propose to take to avoid any such contingency? What steps are the Government of India taking in order to help the factories which are already there to produce up to their maximum capacity? What are the difficulties that are being met with by these industries in the way of reaching up to their maximum production? We have had no explanation at all from the Tariff

Commission in regard to these facts, and I would like to have information from my hon. friend, if he could supply it during the course of the day, and even, I would like Government to study the matter and place before this House at a convenient date the necessary information and also the steps that they propose to take.

Secondly, Sir, I find that my hon. friend said that the consumers are not being burdened in any way, by any special or additional burdens, in view of the fact that the revenue duties are being converted into protective duties. On the other hand, the present procedure has the additional advantage of placing this matter before the Tariff Commission and making it possible for the Government of India as well as the Tariff Commission to vary it from time to time in the light of the efforts of the industries. I agree with him so far as the science of it goes, but, in actual practice, what we find is that the prices that are being charged for the products of these protected industries are much higher than they need have to be. After all, when the Tariff Commission goes into this matter it does not take into consideration the retail prices.

SHRI D. P. KARMARKAR : They consider everything that might help them.

PROF. G. RANGA : My hon. friend has been good enough to circulate a review of the work of the Indian Tariff Commission and they have given here 2 or 3 paragraphs in regard to the spacing between the wholesale prices and the retail prices. In the case of some of these industries—I need not mention all those things; all that information is found here—the spacing is as much as sixty per cent. and in the case of a large number of these industries, it is more than 20 per cent. It ought not to be, and I would like to know what steps are being taken to see that the spacing is narrowed to the maximum possible extent. Otherwise what would happen is this. The Tariff Commission goes into this matter—I speak subject to correction. It

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generally examines the cost of production at the manufacturers' end and then compares it with similar figures in other countries and then arrives at the amount of protection which would enable our manufacturers to cover their own costs of production. But, on the other hand, if the retail prices are also added on to it and if the retail prices are more than those found by the Tariff Commission—in the case of a large number of these industries running from 20 to 60 per cent.—certainly the consumers are being over-burdened and over-charged. Something has got to be done, devised, first of all by the Tariff Commission, and achieved by the Ministry in order to bring down the cost of these retail charges.

Thirdly, I am glad, Government has taken sufficient care to insist upon the Tatas (Are they the people?—It is about iron and steel) that they should have their place of manufacture shifted to somewhere near Calcutta and they should also convert their manufacturing concern into a public concern. But at the same time, even while they are making these changes, what I would like to know—what the Members desire to know—is whether the required protection is not being extended to them to the extent that they are considered to be entitled to until these two conditions are completely fulfilled. One condition has already been fulfilled and satisfied, that is, the changing of the place of manufacture from the existing place to somewhere near Calcutta. Only about the other thing—the firm has to be converted into a public concern. I take it that the manufacturers have already agreed to effect this reform. Now is it not possible for the Government to take some steps before this desired change is made in the constitution of the concern to see that protection is given to this industry while, at the same time, the undesirable results of its being a private company could be avoided? This needs examination, Sir, and I urge my hon. friend to give his attention to this matter.

In the case of a number of industries which are dependent on the import of

sulphur, the Tariff Commission has stated that though protection is being given to them, not much progress is being made. I would like to know what steps are being taken by this Ministry as well as the External Affairs Ministry and at the highest possible level of the whole of the Government of India in order to help our industries here to get sufficient quantity, or at least the maximum possible quantity of imports of sulphur from the world pool. Unless, Sir, Government as a whole, and especially the External Affairs Ministry, together with the Ministry of Industries and Commerce, go into this matter and put in their weight in the negotiations that have to be carried on with other countries in the world that are interested in the distribution of sulphur, in the allocation to the various countries, this kind of protection can only be nominal. And quite a large number indeed are dependent upon the use of sulphur. I do not know whether they are all being treated as separate industries in other countries, but in this country, situated as we are, poor, ill-equipped and unprepared, each one of these appears to be quite a big industry in the eyes anyhow of the Tariff Commission.

But I find there are only two or three big concerns which are interested in many of these so-called industries. Out of these two or three, only one is big enough, and the others are too small. Hitherto, the policy has been for the Government to wait for the various concerns to come into existence first of all, then set up their own factories and run and control the concern for one, two or three years, and then go to the Tariff Commission and make out a case that they do need protection. This procedure, according to me, is not satisfactory. Many of these industries are of key importance for India. We do not know when the next war will come. We are living in a kind of world where all the disadvantages of war are visited upon us—underdeveloped countries like ourselves. Under these circumstances it is most essential that Government should go out of the way to take the

initiative and get the possibilities of developing many of these industries investigated first of all. It is absolutely essential that these industries ought to be started. Then you should take the necessary steps to reach the required businessmen in this country instead of encouraging foreign businessmen or foreign industrialists from other countries. These industries should be started with a definite promise that from the very beginning, from the moment that they start manufacture and begin to put their commodities on the market, they would be given the required protection. If, on the other hand, they were to pursue the present policy of waiting till the private enterprise takes the initiative, spends lakhs and lakhs of rupees that is necessary with the necessary risk, and goes into this business, and burns up its own liquid resources and other facilities—suppose it takes two to three years—I do not think that much progress can be made in this country. We are fighting against time, and we cannot afford to pursue the present policy which Government has been pursuing. Therefore, I would like Government to consider this direction also in which progress can be made.

Last but not least, Sir, is the complaint that has already been made in the past by several Members in the other House. I thought my hon. friend would give us some information anticipating criticism in this House. How is it that the Tariff Commission has not been able to go into all these matters? My hon. friend said that they have so far finished studying three or four industries. Is it not for this purpose of having sufficient resources and time also to go into all these matters that the Tariff Commission has been established? It was converted from a Tariff Board into a Tariff Commission. We thought that it would be given much greater authority and greater resources and also equipment. It was also suggested in the other House, and I am not inclined to disagree with that, that if necessary the personnel of the Tariff Commission might be increased. What is most necessary is that the Government

should strengthen it to such an extent in its personnel and in its establishment that it would be in a position to inquire into all these matters in time and expeditiously. In connection with the same point I would also voice the criticism that the last President of the Tariff Commission was promoted—I do not know whether it was a promotion or a transfer—from that job to another job in the Embassies, within a few months after his appointment as Chairman of the Tariff Commission.

SHRI D. P. KARMARKAR : To serve the larger interests of the country.

PROF. G. RANGA : Yes, to serve the larger interests of the country. Only, these interests are given the go-by. Now, such things are criticised, and rightly criticised. It is said that such things should not be done. Here was an expert. Here was a gentleman who was considered to be an expert, and therefore he was appointed to this exalted position. This was supposed to be a non-political position. From this he was simply shifted to a hundred per cent. political position. That is one thing which is wrong, according to me. Anyone who is appointed to the Tariff Commission, and especially as Chairman of the Tariff Commission, should be helped to remain entirely non-political and entirely without any idea of promotion to this place or to that place or of being shifted from one job to another during his tenure of office. Otherwise, we cannot expect from him, and also from his colleagues, that much of impartial consideration of all the very important matters that come up before them as is absolutely necessary. Again, no other person—I speak subject to correction—has been appointed as permanent Chairman. We were told in the other House that they have been in search of a suitable person, and that they have so far not been able to find a suitable person.

SHRI C. G. K. REDDY : They should advertise.

SHRI D. P. KARMARKAR : I do not think that is correct.

PROF. G. RANGA : They have been searching for a proper person. Who is that proper person ? If they could not get any bigger person than any one of those who are available today for being appointed as Deputy Ministers and State Ministers and Ministers here, then certainly they could have selected any one of them and appointed him to that place, even if they could not go beyond the pale of this group. If that group which is already there is really not considered good, it only gives room to the fear that Government is searching for somebody all the time and making so many people look up to the chance of becoming the Chairman of the Tariff Commission. Is it not a fact that the Tariff Commission has other members also ? They have been considered to be worthy gentlemen, competent people, efficient people, and scientifically brained people also. They have already been there. Any one of them could have been picked up and made Chairman of the Tariff Commission.

SHRI D. P. KARMARKAR : I would not like to interrupt my hon. friend, but since I find that he has proceeded on incorrect information, I must say that nothing was said in the other House to the effect that we were searching and waiting and trying to find someone. In the other House hon. Members criticised the Government saying that if the present personnel of the Tariff Commission was not able to cope with the work, more could be added, and Government said, "Yes, if we find more are necessary, we shall add more." That was all.

PROF. G. RANGA : So far as the first criticism is concerned, evidently it has gone home and the sooner they make this appointment, the better it will be. And it would be best also for those people who are hoping against hope in their own boudoirs that they might get a chance of being appointed Chairman of the Tariff Commission. Secondly, if and when any such vacancy occurs, I would like it to be accepted as a sort of general convention by Government that the next person in seniority on the Tariff Commission

should be considered to be the best fitted person for being appointed as the Chairman of the Commission. Government should not allow scope for all kinds of speculations and hopes among politicians. But if politicians are good enough—and I do not see any reason why they should not be considered to be good enough to be appointed to the Tariff Commission—it would be best if they were first appointed as members of the Commission, and then they should await their chance of being promoted to the Chairmanship of the Commission.

12 NOON.

DR. D. H. VARIAVA (Saurashtra) : I heartily support the proposal of Government to give protection to certain industries, but at the same time I wish to put certain points before them.

It has been decided, and properly, to continue protection to photographic chemicals. But one of the things which is very important in photography is films, and as far as I know, India is not manufacturing any films, I am open to correction. In India, this is one of the most important items. We have to import films for photographs, X-ray, cinematograph, etc. So, if the Tariff Commission can take up this point and give proper protection to this industry, our trade is bound to develop. We know that during the last two wars, those who wanted photographic films were put to great trouble and expere, and I think even all the big hospitals suffered from want of photographic films for X-ray purposes. I think this is a very important point.

I am also thinking of the cinematograph industry. This is the second biggest industry in the world that we have in India. Therefore, if we start the manufacture of films here, I think it will be of great help both to the industry and to the country.

Batteries for motor vehicles have been given protection. In this connection I should like to bring to the notice of the House the fact that it is commonly said that the batteries made in India

are not as good as foreign batteries. Another point is that they are not allowed to import certain items from foreign countries. I think Indian batteries last for six months. They are guaranteed for only about six months, whereas in the case of foreign batteries the guarantee is for two years. I might mention here that when I bought a car in the year 1934, the battery which came from England lasted for seven years. But, afterwards, during the war, I had to buy batteries in India, and I must say that within a year I had to buy three sets of batteries for the same car. Recently I bought a battery for my car, and my driver says, "This is an Indian battery; you will have to have it charged before you return from Delhi." I think the Tariff Commission should see that when protection is given to the battery industry, better quality batteries are produced. This is a very big industry. Lakhs of batteries are required for vehicles here. The Tariff Commission should go into this matter

When we are discussing the question of protection, I think I should refer to the drug industry. The adulteration that takes place in drugs is a great scandal. Especially when Government has taken over the manufacture of penicillin and such other important drugs, I think the Tariff Commission and the Government should go into the matter and deal with drug adulteration, because it has assumed a scandalous proportion. Such important drugs as penicillin and sulphur are being adulterated. Fakes are being sold, and there are instances where people have died as the result of adulterated drugs being administered to them. I think the Government should certainly look into this matter and see that this adulteration is stopped. I know that the Government is trying to do it. I think they are going to bring forward some legislation. But the Commerce Minister should also look into these things. I once more say that a country like India, which is just trying to build up its industries, does need protection and the protection should be given, as my friend Mr.

Ranga said, after due consideration for the better production or fuller production and better prices.

SHRI C. G. K. REDDY : I will just concentrate on two things and I should like to know what the hon. Minister and the Government have to say about them. One of those things is a thing for which no answer comes usually from the Government. It is with reference to the protective tariffs—imperial preference as we call it. Now, Sir, as we go down to the amendment of the Act, we find in the Act, in the case of jute baling hoops or any other commodity, 30 per cent. *ad valorem* duty for British manufacture and 40 per cent. *ad valorem* duty for non-British manufacture. Thus there is always a difference. Last time when we were discussing the amendment to this same Act in May—I think the last day of the first session—I raised this point and several others, I think, have raised it time and again in this House and in the other House. Although we have been told that the advantage that accrues to Britain and to India is mutual, we have not come across any definite statement on behalf of the Government as to in what manner and to what extent our country gains by these preferential duties. That is a matter which I wish the Government would tell us definitely, so that the charge may not again be put at the door of the Government that they are affording preferential treatment to our ex-masters without there being any need at all. Last time I think the hon. Minister for Commerce and Industry generalised it by saying that, after all, we have the G. A. T. T. and we have the same advantage as other countries. But I do not think that the preferential duty, so far as the British manufactured goods are concerned, comes within the G. A. T. T. It goes even a little beyond that because we have a special preference so far as Britain and Commonwealth countries are concerned. So, in so far as this is concerned, we should like to know from the Government how this reciprocity—which is the answer of the Government to the criticism—works to the advantage of India.

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Secondly, Sir, soon after the hon. Minister finished with his introductory remarks I tried to elicit some information from him with regard to the progress that some of these industries have made during the time this protection has been afforded to them, especially such industries which have enjoyed protection for a number of years. I particularly asked about the bicycle industry. The hon. Minister said that there is no more information that he could give—no more than what has been put before us today. By that I would not be wrong, I think, if I were to conclude that he has no progress to report.

SHRI D. P. KARMARKAR : Sir, what I said during the course of the discussion was that I just asked for a little time. Nothing more.

SHRI C. G. K. REDDY : I do not think my conclusion will be altogether wrong because I will try to prove to the best of my ability that my conclusion will be quite correct, that is that no progress has been made so far as this industry is concerned. I do not want the hon. Minister to contradict me by saying that we are producing a few thousand more cycles. When I say 'progress of the industry' I mean all-round progress—not necessarily in number. I should like to know, for instance, a bicycle manufactured by that famous and patriotic firm—The Hind Cycles Ltd.—which used to have a life of about a month or two in 1947—whether that life has been extended in 1952, whether today if you buy a bicycle of Hind manufacture, you will be able to use it for more than two months. That is the sort of progress that I should like to know from the Government.

As far as I can gather, both from this pamphlet that the Government has been so kind to distribute to us and the other material that we have and also from the article that one of the Members of the Tariff Commission—I think, Dr. B. V. Narayanaswami Naidu—has written in the *Hindu* of the 9th, I find that the story of protection to the bicycle industry is not a very happy story. I choose this bicycle industry

because the bicycle, Sir, is a thing which is used by our common people. I do not choose this bicycle industry merely because it has been afforded protection as the hands that keep the Congress Party going, are the hands—Messrs. Birla Bros.—that keep the Hind Cycles going. This is the common impression and may be, I am sub-consciously aware of it. It is more because I find that it is a matter of conveyance, the lowest strata that uses its own conveyance are those common people who use the bicycle and naturally we should like to know in what manner, side by side with developing this industry, we are also playing fair with the bicycle purchaser and the bicycle user.

Now, Sir, as we go down into this article, I find that sometimes the Tariff Commission has anticipated a certain quantum of production and on that has fixed the tariff rates but that production has never been reached. For instance, now we have the estimated domestic demand which is 3 1/2 lakhs of cycles per year. So far as the two original concerns were concerned, the Hind Cycles and the Hindustan Bicycle Corporation, the rated capacity of these two was 60,000 and 35,000 respectively. Since then we have three more concerns which have come into production more or less especially during the last year, e.g., the Atlas Cycle Industry and others. Now, in spite of the fact that this industry has been enjoying protection for so many years, even so far as the quantum of production is concerned, we have not come to a stage of self-sufficiency. Now, I may be wrong, Sir, but what I feel is that the principle behind protective duty is firstly—and of course foremost—to see that our industry flourishes and we give some help to our own indigenous industries. But side by side with that we must also see that self-sufficiency is attained at the earliest possible moment and that we do not penalise the consumer to a very large extent.

I was very much surprised to hear from the hon. Minister who is piloting this Bill today a very extraordinary statement when he said that the old argument of penalising the consumer has misfired.

It may have misfired in his own mind but I do not see how it has misfired in the world of economics. I may not be well versed in economics, specially the particular brand of political economy which this Government has embraced and continues to sustain. But all the same I have always felt that when you put in a protective tariff, it ultimately is shifted on to the consumer. Now take for instance the Hercules cycles especially. In this case I think the protective tariff is 62 per cent. Well, that 62 per cent. is not paid by Messrs. Hercules Cycles. Certainly not. It is not being paid by Great Britain. Most certainly not. It is being paid by our consumer here, the consumer who needs the bicycle very badly and who cannot afford anything more and it is really a question of penalisation. I am prepared to admit that a certain amount of penalisation, to a limited extent and also for only a very limited period of time may be necessary in the larger interests of the Indian industries. I do not rule out that possibility altogether. But when we see the industry which seeks to serve the common man, the bicycle user, which has been given protection for the last seven years, when we find that this industry has not progressed either in the matter of cost or in quality or in any other manner, when I find that such things happen, is it not right for us to say that most definitely and most unjustifiably it is the penalisation of the poor vehicle users? All the money that is received as revenues because of this protective tariff, so far as bicycles are concerned, have been collected most unjustifiably from the persons from whom we cannot collect. Morally, I do not think this right; nor do I think it economically right that you should take the money from the bicycle user, especially when you have not any measure to see that that industry which you seek to promote and which you have been protecting for the last six or seven years delivers the goods, in common parlance. Now, I should like to know especially with regard to this bicycle industry, what progress has been made and in what manner that progress has been made. Does the industry manufacture any of

the parts? Has it any subsidiary industries? How many of the concerns have manufactured their own steel tubes? How many of them have manufactured their own ball-bearings and component parts? If I remember, and I am speaking subject to correction, even last time the hon. Minister told us that these concerns were mostly assembling the parts and that they hoped at a not very distant future to manufacture all the parts here also.

Now, Sir, is it the intention of the Government, or for that matter of the country, that in the name of helping the indigenous industries we should encourage the establishment of more and more cycle fitting shops? If my hon. friend the Minister would extend this Act to Delhi, he would have to protect the thousand odd fitting shops that we have in this place today. That is what it comes to. Today, these concerns are only assembling the parts here. Any shop in India will do that. Now, is it the idea of the Government, or is it in the interest of the country, that we should make the lot of the bicycle user, the common man, more hard and use the provisions of the Act for the protection of those assembling shops, to these fitting shops of bicycles? I do not have sufficient information, and I may, therefore, be contradicted. That is why we should like to know from the Government what further information they can give us to justify these duties, the protective tariffs that have been extended to the bicycle industry during the last five years.

Before closing I should like a categorical statement from the Government in so far as the supposed advantages that ensue due to the continuation of Imperial Preference which has been the subject of much criticism in this House and even in the Press.

SHRI C. P. PARIKH (Bombay) : I have great pleasure in supporting this Bill. Many Members who spoke have recognised the need for protection. Our country is full of raw materials and man power. Therefore, many industries could be established in this

[SHRI C. P. Parikh.]

country. Before we assumed power, the Britisher had tried to develop industries on as small a basis as possible. Now, owing to the protection that has been given, the evidence is forthcoming that sufficient number of industries are being established in the country and are growing. But when the industry is given recognition, in the initial stages there should be proper control in order that the industry which is given protection is not abused. Certain remarks had come from the public as well as from the Press, that the quality should be controlled and that the prices should be reasonable if protection was given. But there is no machinery at present in India to assess the quality of the products of the industries so that they may every year make progress in the matter of quality. Before the industry sells the article and before the consumer makes the payment, some machinery should exist to see that all products are improving and we should assess the quality of improvement in terms of our resources and our technical skill.

There may be some industries which have been established for some hundred years or so and to produce a good quality which other countries have produced in fifty years we may require more than five or ten years. If we want to produce anything within a few years which a foreign country has produced after years of experiment on that quality, it may not be possible. But if we make yearly improvement the grounds of complaints will not be there. Therefore, I think that if any concern is doing its best to improve its quality, we should be satisfied.

Therefore the hon. Minister for commerce has to see that some machinery is established to improve the quality and has to know what are the handicaps from which the industry suffers, and therefore adopt the possible ways of removing these handicaps.

Secondly, it is said that after protection has been granted some industries are started and that they are making huge profits. The protective tariff sometimes makes wide differences in its

effects. In some cases, the protection is too much and in some cases it is too little. In order that the protection should not give a concern under profit, the protection that is given should be properly scrutinised so that the consumer is not exploited.

The main thing is that if such a control is exercised then the consumer or the public will have no reason to grumble. Because some qualities do not improve, we have to import foreign qualities at cheaper rates. The consumer will not buy the indigenous higher-priced article. Criticism on this can come in only on these two grounds. If the concern is making profit, we may impose the condition that the quality should continually improve. If some such provisions are made, I think the country will have no longer to complain against protection. I have already pointed out that protection should be adequate. The Tariff Commission is not granting adequate protection in many cases and many countries have their own industries established for so many years and with so many advantages that they can compete in some cases by selling at 25 per cent. of our cost price. The essential commodities that we require should be produced at least in 5 or 10 years according to the resources at our hand. Therefore protection should be adequate in all cases in order that the industry is able to stand on its own legs. We find in many cases that our industry is given protection and still it is not able to make due profits. If the industry is not making due profits on account of inadequacy of protection, that industry cannot expand. If we want quality articles to be produced in the country, then the protection should be adequate. Also, if profits are more, there are so many ways of diverting it into proper channels by restricting dividends, etc.

The other point is time limit. Sometimes protection is given for a short period. The industry should be sufficiently assured that the protection is given for a long period and for a period till our installed capacity and our production is fully upto our requirements. That must be the aim and ideal of our policy and that must be known to the

industry. I can give you many instances where licences are given for importing stuff from foreign countries when our installed capacity is sufficient to produce them. Why is this? It is difficult to understand. When we can produce in this country those articles, even if the cost is a bit higher, it will mean saving our resources and exchange. We shall be able gradually to improve our quality and by internal competition the prices also will fall down. When the production is less, then the only conclusion is that protection is inadequate. I will give you the instance of soda ash. The soda ash requirements of this country are 115,000 tons. The factories at present produce 50,000 tons and the imports are made to the extent of one lakh tons. How can these factories exist and how can they expand or improve their quality? First of all, Government have to make up their mind whether they want soda ash to be produced—and produced adequately to meet our requirements—in this country or not. When you have decided on that, then we should see whether the factories are working properly. Then sufficient protection should be given and also all facilities so that handicaps do not exist. When you allow imports, these concerns have no inducement to expand because they are not just well up in doing the thing and so they fear that if imports were there, they would be nowhere. So the only way to improve is to give them adequate protection and stop imports wherever necessary. We should pull on even with a little inferior quality if we want that article to be produced at any time in this country. Without that, there is no hope.

Then the main thing is, the Tariff Board is enquiring into matters referred to it but it has so many things on hand that it is not able to finish the enquiry in the time required. As the hon. Minister has pointed out, so many cases are pending. I think so many more are pending because the Tariff Board have to investigate into all of them, and delay is inevitable. Firstly, we must see whether we require these articles to be produced in this country and, if so, the

number of members may be increased in order that all demands may be reasonably met and in as short a time as possible.

With regard to the potential capacity I just gave the example of soda ash but there are hundreds of industries which are similarly placed. If we want to expand we shall have to take a broad view in order that all our resources are used. We are importing about Rupees 800 crores worth of goods. Out of that, if the Sea-borne Statistics Book is read, we will find that many articles which are imported can be produced here. We think we can produce them to a degree that we are able to export to foreign countries. I will give you the example of textiles. It was given protection but now it is able to export and has the first market in the whole world in a competitive capacity. Secondly, I will give the example of sugar. We were importing sugar and protection was given to our sugar. Now the production is 25 per cent. more than our requirements. I can cite a number of cases where the article was not produced in the country before but is now produced in sufficient quantity and exported. Therefore, instead of paying for exchange we shall be gaining exchange but we have to proceed in the manner indicated by me.

Prof. Ranga said that potential capacity of our country to produce many things was there. I entirely agree with that. Our country has enough raw material. Only the competitive cost at present does not compare favourably with other countries because other countries have 50 years' establishment and they have also been established by protection, State aid and many other things. We are simply starting industrialisation for the last 3 years when there is Government sympathy and it is not for the industrialists that we are starting these industries. It is for the sake of the country, it is for improving the wealth of the country that we are starting this and because the State cannot undertake these things, we have to give proper facilities.

[Shti C. P. Parikh.]

The Tariff Commission is enquiring into the conditions of industries that are referred to it but I am sorry to say that there are many industries for which reference is not made to the Commission. Many articles can be produced in this country. They can be produced either on cottage small scale or large scale basis but against foreign imports we cannot stand. Even though we are exporting cloth, we are still importing luxury cloth. These are required by the luxury classes and so that is being allowed to be imported in the shape of embroidered or printed cloth. There must be an entire stoppage of these goods if we are to produce them here. Yarn also is imported into this country. We have sufficient installed capacity to produce whatever we require. We export cloth of about 1,000 million yards. Even then yarn is imported. It may be said that I am interested in cloth. But with regard to other goods, why are we importing them? Take for example, raw silk. Our sericulture industry is there dying on account of the import of raw silk. Can't we do without raw silk? We can easily do without it. We should be able to say that if they are produced in this country, then only we shall use them. That must be the aim and object. I will go to many other things if time permits but it will not be fair. Our forests are there—they are not exploited, and we are importing wood. With regard to Indian batteries, my friend has said they are not of good quality and that the motor car owners have to change them 3 or 4 times a year. I say if they are not good and consequently if they have to be changed often, we will have to do it. It is a question of whether you can improve the quality or not. We must tell them to pull on with it. Many people who were not using cars are at present using them. If we are suffering some inconvenience, we should forego it. Cars over Rs. 12,000 are imported into this country—I cannot understand it. Why not 4 seater cars only be imported? Why should you import 5 and 7 seater cars? Can't we put a limit to certain things? We have to lead an austere life if we desire to save exchange.

Take the case of the sewing machines which are still being imported from outside. What is the necessity for importing them when sewing machines can be adequately manufactured in this country. I have seen sewing machines and their parts being manufactured in our country even as a cottage industry quite capable of doing the job expected of them. We do not require such accurate and speedy machines as would replace one or two persons. We require sewing machines to serve our purpose. The "Usha" machine is quite capable of doing that. It is quite good in quality and many people have said that the quality had considerably improved. We must have patience if we want to see these articles produced in sufficient quantity and quality in our country.

Take the case of lanterns. We are importing lanterns and even lamps. Go to Connaught Place and find what a lot of articles are being imported. We should try to do without those things which we cannot produce in this country. I think protective duties or revenue duties are not sufficient. We must have prohibitive duties. I can give the example of how America encouraged its woollen industry. In order to encourage the production of wool they levied duty to the extent of 500 per cent. Similarly, we must, if we can produce the article in this country, levy a duty on their imports to whatever percentage it may be necessary. I say this, because the consumers only require food and clothing and all other things are more or less matters of luxury, and I think that as long as India does not produce such things we should try to do without them.

The same is the case with colours. As we all know, Sir, years back our country used to have all the rainbow colours. They used to make them out of vegetable colours. But now we import colours worth Rs. 10 crores. Can we not do without many of these things? Sir, we must have a bold policy for establishing these industries

in our country and we must adopt methods which are modern and also suited to our country and which we can employ with ease. What are the things that we can do without importing and which can be produced in our own country ? The Tariff Commission is not expected to know. Therefore, the Government must have some suitable machinery to find out what are the things that can be produced in our own country. Some guns, as we are told, were produced in Hyderabad. The Communists produced them. There is enough talent and resources in our country to produce many things and we must find out ways and means of producing them. We can develop many industries as cottage industries. At present there is only the handloom industry. There are mills in Japan where there are about 2 lakhs spindles and there are also concerns there run on a cottage industry scale with only 3,000 spindles, and these are quite capable of producing the quality of cloth required. Therefore, it is not as if we cannot produce these things. We must find out not labour-saving devices but capital saving devices. We must know how to save capital. That is the main thing. We have enough man-power in this country and we must utilise it. If we do that I think our production will be much greater.

Now, with regard to iron and steel. Iron and steel is a principal commodity which is required in India, and that is imported on the quota system. All these things should be allowed to be imported free at whatever price one can get them from foreign countries. We should try to get iron and steel rods and plates as much as we want, but not screws and nuts and things of that nature. These things we can make from the rods and plates that we import. We can make trunks out of these plates. At present we import trunks worth thousands of rupees. Can we not check this import ? Can we not stop the importing of certain things which can easily be manufactured here ?

Then, as regards machinery, even these we can make if we get the neces-

sary rods and plates of iron and steel and we will also be able to make many parts of machineries. Therefore, I would request the hon. Shri Karmarkar to allow the free import of iron and steel from whichever country we can get them, by private channels and private concerns. Iron and steel will be able to make sufficient quantities of machines and machine parts and by spending about Rs. 7 crores in this manner we shall be able to manufacture from them goods to the extent of Rs. 20 crores and we shall be developing an industry by which machinery which we import to the extent of Rs. 100 crores could gradually be made in this country and we will be able to reduce the imported manufactures to a very small sum.

An hon. Member asked the question as to why British goods were given preference in the matter of duties. Sir, in the matter of imports British goods are given preference not due to political grounds, but because there are so many things touching on the British connection and these the hon. Member himself knows.

SHRI C. G. K. REDDY : And which you wish to continue.

SHRI C. P. PARIKH : I cannot very well go into all these details. But I can say that no other nation favours us so much as the British and the Americans. If the list is examined, we find wherefrom we get the technical know-how and even essential materials that we so badly need. When our merchants go to other countries, they are unable to get the things that we are able to get from Britain and America. It must also be remembered that our sterling balances are also tied up with Britain.

SHRI C. G. K. REDDY : But why ?

SHRI C. P. PARIKH : That has been there for the past seven years and this Government cannot improve the position now. We had seventeen hundred million £ and there are many ties which we cannot avoid.

SHRI KISHEN CHAND (Hyderabad) : Is the hon. Member giving correct figures ?

SHRI C. P. PARIKH : Yes, at present we have 700 million sterling. We started with 1,700 and we have eaten up 1,000.

AN HON. M EMBER : Already swallowed up!

SHRI C. P. PARIKH : Yes, and they allowed us to swallow that up.

AN HON. MEMBER : What a great concession !

SHRI C. P. PARIKH : When we want to get our raw materials for our industrial development, we have to see from which country we can get them, whether it be America or Britain or Russia.

With these words, Sir, I support this motion.

SHRI P. SUNDARAYYA (Madras) : Sir, protective tariffs are intended to protect and develop our industries. Now, when Government comes up for further extension of the protective duties, we should ask the question whether the protective duties that have been granted have been useful for protecting those industries. If we go into the details of those industries for which Government is now asking for an extension of the protection, we will find that the purpose for which the protective duties have been introduced has failed.

(BEGAM AIZAZ RASUL in the Chair.)

In fact, the Government protective duties have not enabled the industries to protect themselves against foreign competition though the assumed object of the protective duty is the protection of national industries. Government have not been able to protect the industries because they are afraid to take any action that goes against the interests of the British capitalists. That is the main thing and that is why no protection worth the while against British capitalists is there for

our industrialists. We can take instance after instance showing how their anxiety not to get involved with the erstwhile masters, the British capitalists, and take action against them prevents them from taking any drastic steps. Even now, in this Bill itself, they have come with nearly 20 items for which they want to continue the Imperial Preference. In the other House, the Minister concerned pleaded that Imperial Preference even now is to our advantage. But, he has not explained nor has he got facts to prove his contention that Imperial Preference which the Government is continuing even now, is to our advantage, to the advantage of our people and our industry.

I take only 2 items and show how the Imperial Preference, which they have been given, is squeezing our industries and making them not compete with the British. Take soda ash. The speaker before me also referred to the fact that though our requirement, as given in the note which the hon. Minister has circulated, was 4,15,000 tons, the capacity of our own industries was 54,000 tons. In 1951-52, Government allowed 85,000 tons to be imported of which 65,000 tons were from the United Kingdom and you must know that with regard to soda ash the U. K. has got a preferential tariff even when compared to the others. The result is that there is so much of imports into the country and naturally you cannot develop the soda ash industry to the fullest capacity ultimately eliminating foreign imports altogether.

Take the question of the pencil industries. Now, our estimated requirement is 5 lakh grosses and the factories that are in existence have got a capacity of 5,48,000 grosses. Though the rated capacity is 5,48,000 grosses, the actual production in 1951 was 2,42,000 grosses only. That means that they have not been producing even half as much as they can produce and still Government allows 1,50,000 grosses of pencils to be imported.

Take the question of sheet glass which was discussed in the last session also. Our requirement is 32 million sq. feet and the industry's capacity is 15 million sq. feet. Government allowed from the United Kingdom and Belgium—even though it is from U. K. and Belgium, most of it came from U. K.—39 million sq. feet in the year 1951-52, which is 7 million sq. feet more than our estimated requirement. Naturally, the local industries could not compete and they produced only 11 million sq. feet. Now, today, the whole industry is in jeopardy.

Take the case of iron and steel wood screws for which, again, preference is asked. Our requirement is 2,500 tons and our capacity is 2,000 tons but our actual production is 398 tons, 1/5th of our capacity. The reason for this low production is that Government allowed 2,700 tons to be imported in one year, 1951-52. Similar is the case with belting. Our capacity is 2,300 and our requirement is only 1,200 tons. But, actual production is only 675 tons which is nearly 1/4th of actual capacity. Government goes on allowing, year after year, increased imports of belting. This once again makes the industry a total failure before the competitors.

In all these things, what is it that we find? In some cases we find Imperial Preference given to the U. K. ; in other cases, when there is no competition from other foreign countries and when the only supplier is the U. K., though there is no Imperial Preference as such, Government has provided facilities for very large quantities of imports and this makes our industries unable to produce to their full capacity, leave alone eliminating foreign competition. Of course, Government may now take advantage of these figures and say that they have given protection ; but in spite of that—also that the foreign goods might be costing more than the indigenously produced ones—the foreign goods are purchased because the quality of the goods produced

here is very bad and, for that reason, they cannot make the purchaser pay. Here, when we support protective duties in the interests of indigenous industries, in the interests of development of our industries, we also want the Government to take action, at the same time, about the quality of the indigenous goods put in the market. If the proper machinery is not there, it is for Government to bring in the machinery, by import. If particular technical difficulties are there, it is for the Government to see that those difficulties are there, it is for the Government to see that those difficulties are removed so that our own industries can produce quality goods.

The second thing which we always demand from Government whenever they ask for protective duties is to curb the profit motives, the high profits which some of the unscrupulous industrialists, capitalists, may indulge in at the cost of the consumer, taking advantage of that situation of the people of which there are many instances. Therefore, we demand of the Government that if a protective duty is given, the prices must be fixed in such a way that will allow a reasonable profit to the capitalist and at the same time are such as to be within the purchasing power of our own people. As far as I know, the Government, in its orders, have nowhere fixed this as a preliminary condition in giving protection.

I will come to the next point because of Government's failure to fix prices, not only the indigenous capitalists and industrialists take advantage of these and do not improve their quality or sell the goods at reasonable prices by which they can eliminate the foreign competitor, but also the foreign capitalists take advantage of these things. Government has allowed foreign capital to be invested in India and they take advantage of the very same protective duties.

Now, take cocoa and chocolate for which again protection is sought to be given. We know in the case of cocoa powder and chocolate industry,

[Shri P. Sundarayya.]

60% of the production is in British hands. C. & B. Martin produced 11 tons per day and Cadburys 700 tons per annum, out of the total production of 3,500 cwt. in 1951. Though the actual capacity of this industry in India is 9,200 cwt., 60% is in British hands. All the same, 6,000 cwt. have been imported during 1951-52. What is the picture that evolves from these figures? In the chocolate industry, because you allowed imports from outside, which is mainly from U. K., the British firms send 6,000 tons of their chocolate here, take advantage of the protective duties and sell it at very high prices, thus making profit.

Some of the British capitalists start their subsidiary industries in India and evade these protective duties by selling at the same price. The result in both these cases is that the British capitalists make profits, with which our indigenous capital cannot compete. That is why, most probably out of a rated capacity of 9,520 cwts. even 3,500 cwts. that are produced may not be by the indigenous industry. It means that it is mainly the British concerns, those that are established here, that might have produced and our own industries, developed by indigenous capital, have most probably not produced anything at all, or produced only a very little quantity. So much so, it becomes more profitable to become the sole distributors or agents for their chocolates, in this country, than actually developing these on our own.

Now, take another industry—the aluminium industry. In the other House, the Congress Members even have supported this and pointed out how the aluminium industry in this country, most of which is being controlled by Canada or another British concern, is run and protection is sought to be given to these without either price fixation, without either profit being controlled—nothing of these things—and they give protection to these British industries.

Or, take the question of bicycles. Apart from the quality, my hon'ble friend of the Socialist Party, or Praja Socialist Party has referred to the bad quality of the cycles which have been produced by the local manufacturers. It is for the Government and us to see that the quality is improved and that our prices are also reasonably fixed, but at the same time, the policy of the Government in giving protection, in allowing the foreign bicycle companies is to start factories in India, like Sen-Raleigh in Calcutta, or in Madras, the Hercules Company, the so-called mixed companies. These companies have got a dominating voice, which is a device on the part of the foreign capitalists not to allow our own industries to develop fully and be in a position to manufacture bicycles with its accessories and parts, by reducing our industries to nothing more than assembling parts. You allow these companies here and still ask us to give protection to this foreign industry!

Similarly with regard to motor batteries. Which is the company that is dominating in this trade? It is the Exide or the Oldhams. They are dominating even in these motor car batteries.

Now, we know with regard to the cotton textile machinery, how American-British domination in these factories is being built.

Take the question of small industries like fountain pen ink itself. The rated capacity of our own seventy companies, according to the reply which the Minister has given in the other House, is about 15 lakh dozen bottles per annum and many of these companies are only small concerns. In spite of these things, the Government has recently allowed the Parker Company to establish another concern here. This is not the way in which the protective duty is to be used in which the Government can hope to build up our own national industries.

THE VICECHAIRMAN : Will the hon'ble Member continue his speech after lunch?

The House stands adjourned to meet at 2-30.

The Council then adjourned for lunch till half past two of the clock.

The Council re-assembled after lunch at half past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI P. SUNDARAYYA : Sir, in the morning.....

SHRI C. G. K. REDDY : Is there a quorum ?

MR. DEPUTY CHAIRMAN (*after a count*) : Yes, there is a quorum.

SHRI P. SUNDARAYYA : Sir, in the morning I pointed out how the Government's policy of protective duties has helped foreign capital, and how the policy of Imperial Preference, especially in relation to British manufactures and manufactures of British Colonies, enabled the British to start industries in India and take advantage of even these protective duties to the disadvantage of our own industries. In connection with this I will just give a quotation from a communication from the All-India Manufacturers' Organisation :

"There are classic examples of slow death and extinction of Indian industries due to the operation of foreign plants in India, match industry, pharmaceuticals, tooth paste, paints, textile machinery, parts, cosmetics, bicycles, automobile spares, fine chemicals, dry and storage batteries, chocolates and typewriters."

They also suggested that :

"foreign capital will have to be prevented from taking any undue advantage of either assistance granted to the indigenous industries or facilities provided..... We have asked Government that the Tariff Commission should pay particular attention to these factors in the course of their inquiries into applications for protection to industries."

But the Government has failed miserably even to protect these industries, and it does not pay sufficient attention even to the All-India Manufacturers' Organisation. Therefore,

our demands, before we can really support these protective duties, are these. First, abolish Imperial Preference given to British and British colonial manufactures. Secondly, confiscate British capital, and do not allow any foreign capital investment on private account in our country, because, as I have stated in the morning, when you allow foreign capital to start industries here, they take advantage of whatever facilities we give to indigenous industries and, taking advantage of those facilities, they smother the indigenous industries. Our third demand is, ban imports in all such industries where indigenous concerns can supply our requirements, of which I have given a number of examples in the morning.

But the Government, while taking these steps, must not forget to take the most important step, and that is, fixing the prices of all that is produced, in the interests of the consumer, so as to cut the profiteering indulged in by many of the capitalist concerns. Moreover, they must see that the standard of quality of the material that is produced is good enough to serve the purpose for which it is produced.

These are our concrete suggestions. Merely coming with this Bill and asking us to extend protection for a year or two is not really going to satisfy us. Government should consider these matters, and the House will also consider them when detailed consideration is taken up with regard to these matters.

SHRI B. K. P. SINHA (Bihar) : Mr. Deputy Chairman, there is general agreement, it seems, in this House that a policy of protection suits this country. After the speech of the hon. mover of this Bill and the support which some Members of this House have extended to this measure, I think I would be treading on treated grounds if I were to dilate on the virtues of protection. The difference between the Government and the Members sitting opposite arises when questions of detail come in. The hon. Member who preceded me is

[Shri B. K. P. Sinha.] ready to extend support to the protectionist policy of the Government provided Imperial Preference is given the go-by, foreign capital is confiscated, prices are controlled, profits are controlled, and so on and so forth. While I listened to the speeches from the Members on the opposite side I was rather surprised that the ghost of the dead past lived too much in men who always claim to look to the future, and one of these ghosts is Imperial Preference. Sir, if there were a friend here to investigate and examine the subconscious of some Members on the opposite side, he would come to the conclusion that the opposition to Imperial Preference was based on its past history and past associations. There are some to whom the word "Imperial" is anathema. I wish they would realise that though preferences are there, they are no more Imperial, they are Commonwealth. And even if you term them "Imperial", as Shakespeare said, "What's there in a name? If you call the rose something else it will smell as sweet."

Sir, this question of Imperial Preference has long been debated in this country. It was opposed by nationalist opinion, by popular Indian opinion, on the ground that India had no fiscal autonomy, and in the absence of fiscal autonomy, if we were to adopt a policy of protection our industries would languish and our hopes of industrialisation would come to an end. The Fiscal Commission considered this matter. In the minority report of the Fiscal Commission, which reflects popular nationalist opinion, they said they would be prepared to accept a policy of Imperial Preference provided India had the same fiscal autonomy which the other Dominions in the Empire had. And now, after we have attained the same fiscal autonomy, after we have become independent, the objection disappears. I therefore do not see any point in clinging to the past and attacking Imperial Preference day in and day out. Today we are not writing on a clean slate. For good reasons

or bad, this policy has been pursued in this country for the last two decades. Trade has assumed a set pattern because of this policy. Because of our past history and because of this policy, trade has assumed a certain pattern. Today the question is not what advantages we derive from Imperial Preference, or—as I would prefer to call it—Commonwealth Preference; the question is, what do we stand to lose if we are to give up this policy.

SHRI P. SUNDARAYYA : I have pointed out what we stand to lose.

SHRI C. G. K. REDDY : The hon. Member seems to adopt a negative attitude.

SHRI B. K. P. SINHA : Not a negative attitude though sometimes in life positive attitudes do not help.

SHRI D. P. KARMARKAR : That is their standpoint.

SHRI B. K. P. SINHA : It is a positive question whether we are going to retain it or to give it up. This Commonwealth Preference at least gives, in a certain sense, a certain amount of shelter to some of our industries. Would it be wise, would it be proper, to throw away this shelter, this protection, simply on grounds of emotion, simply because the ghost of the past still lives in us? These questions affect the well-being, the life and death, I must say, of millions of people. Certainly the whole future of the country is concerned when questions of such sorts are being discussed. Therefore we should not consider these questions on emotional grounds.

Today in the morning the question of the tea industry was raised. Tea industry has some preference in the Empire market. Even with that preference it is facing bad days. What will be the fate of that industry if that preference were to go? There are certain countries in the Empire itself, in the Commonwealth itself, which are competing with India for the Commonwealth markets, for the U. K. markets, so far as tea is concerned.

If we were to abandon this policy, our trade in tea would diminish to an equal extent. Today we are sorry for the 20,000 tea labourers who are going to lose their jobs or have already lost their jobs but if we abandon this policy, tomorrow we may have to provide for at least a lakh of people who would be thrown out of employment. My friends would say that if we are abandoning the sheltered market, there are other markets in this world. But it requires time to develop trade relations. Trade is not developed for the mere wishful thinking. It requires so much of spade work, so much of ground work, so much of organisation. Can we have it in a day? Shall we throw away the advantage that we have today? To me, Sir, a bird in the hand appears always more valuable than two in the bush. But I feel that there is ground for revising the details of preferences. The preferences came near about two decades back. The last agreement with the U. K. was in 1939 which is already near about 15 years old. Since then this country has been partitioned. There has been a war which has disturbed the channels of trade. Indian economy is not complementary to the British economy in the same sense in which it was before the war. Moreover our schemes of preferences are every day being modified by the general agreement on tariff and trades.

These are certain considerations which lead me to press for an examination in detail of the scheme of Imperial Preference or Commonwealth Preference which is in force today. I feel, Sir, that the thing should be examined in detail and changes made where they are to the advantage of this country. My friend, the hon. Mr. Sundarayya, said, 'Confiscate all British capital; do not give protection to foreign capital'. I again say that the ghost of the past lives in us. We are living in the fifties. We are not living in the early part of the twentieth century when there was plenty of capital which my friend would call finance capital in England, France, Germany and the U. S. A. which sought avenues of

profitable employment in other under-developed countries. The European capital market is practically dry. Berlin is gone; Paris went after the first Great War; London is gone after this war. But there is one capital market—New York. And creditors or investors in the New York market after their experiences in Europe, especially in Germany after the first Great War, are very loath to loan capital to foreign Governments. It is not possible, therefore, Sir, for this Government to raise loans in foreign countries and invest those loans in our industries here. Government to Government loan is also meagre. It is rather a trickle. And if we try to obtain loan on a Government to Government basis, my friends would cry "Help! Murder! Political strings are attached to this." Therefore, the only source from which this country can raise capital is private investment. Foreign investors are proverbially shy. Distance in case of foreign capital does not lend enchantment to the view. Little foreign capital has been coming to this country after this Great War and that little has been coming only from England—mostly from England or some other countries of the Commonwealth. Today the question is not of keeping out foreign capital. Our problem is how to lure foreign capital inside this country for, I am sure, my hon. friend will also agree that without foreign capital and with this political system and with this social system it is not possible to build up our industries.

SHRI P. SUNDARAYYA : Change the political system.

SHRI B. K. P. SINHA : Oh, that is it. Yes, yes. But you never expressed it. The cat has come out of the bag. I know my friend has in mind the Socialist countries, the countries of the Soviet bloc. They could do without foreign capital to a large extent just because there were no voters to trouble them. They had no big elections, no political masters and because they have a police system which we do not have. If we have all

[Shri B. K. P. Sinha]

that, we can tell the people to starve and export our agricultural commodities, our raw materials, get plenty of capital goods in return from foreign countries and in 20 years' time, after passing through famines, pestilence and civil war, build up our economy. But on the day that we chose this particular political system, on the day that we expressed our preference for this particular social system, we gave a go-by to that method of building up of our economy. And as I have said, Sir, with this system, political system, social system, we cannot but build up our economy on the basis of foreign investment. And when foreign capital is shy, we have to throw inducements and this protective wall is one of the inducements which draws foreign capital to this country. I know no line of industry in which British capital or foreign capital is not mixed with indigenous capital. There are many tea gardens owned by Indians. Or take, for example, cotton, wool, etc. In certain sectors there is indigenous capital and in certain others there is foreign capital. If we abandon protection so far as that particular industry is concerned, so far as that particular product is concerned, we do not put only the foreign capital to a disadvantage but we put our own capital also to a disadvantage. I, Sir, would never go in for the policy or the practice of throwing away the baby also with the bath water whatever my friends on the Opposition side may think about it.

Then my friend may urge and say "No, do not allow foreign capital in those lines in which Indian capital is already invested." As I have already said, our capital resources are not enough and if we make this invidious distinction, then I am pretty certain that foreign capital will not touch this country even with a pair of tongs. I therefore feel that the policy in this respect that the Government have been pursuing is a policy consistent with our political system, with our social system and very much to our advantage and in our interest.

My hon. friend Shri Sundarayya suggested that prices should be controlled and profits should be controlled. Nobody would differ with this suggestion. But there is a definite formula for calculating the protection rate. In that calculation those industries that get protection, get only a normal profit and a normal price. So, the quantum of protection does not leave much scope for large-scale profiteering or for raising the prices very high. On account of large-scale profiteering prices would rise and if prices rise beyond a certain stage or quantum, then foreign goods will begin to pour into this country in spite of the protective duty. The formula is established in such a way that it does not leave much scope either for profiteering or for raising the prices. Therefore, the apprehensions of my hon. friend in this regard, I think, are not very justifiable. If he had known the formula and the method of working out the formula, he would not have advanced this suggestion.

My friend then referred to the large imports at the cost of protected indigenous industries. I feel that there is some substance in that criticism. I have myself felt sometimes that if imports in such volumes are allowed, then our protected industries may find themselves in a peculiar position. When some goods are placed on the O.G.L., there is such a large import that all the industries in those lines here find themselves in difficulty. But then there is one thing to be said in favour of the Government and that is, this import policy is based on grounds of considerations of foreign exchange. When foreign exchange is plentiful, or when prices in particular lines rise starting inflationary trends, then Government may have to allow the import of one or two items. It may be that in implementing this policy, they may have not achieved ideal results; they may err. We on this side of the House do not claim infallibility. It is the privilege of those subscribing to some other ideology to claim that. It is possible that in implementing this policy, Government may have allowed imports to such an extent that

our industry languished. I feel that there should be no repetition of such mistakes ; and this can be achieved by a proper agency of co-ordination between the import Department and the Department that grants protection to industries. If imports were regulated, then these questions would not arise and Government would be free from such criticisms.

Sir, my friend, Mr. Reddy, has spoken about the quality of the protected goods. Nobody disputes that. Quality has to be improved and Government have been doing all that is possible to see that the quality of the protected goods improves. However, I feel that to keep a proper watch over all the protected industries, Government should expand the personnel of the Department. It is only then that the Tariff Commission could do all that is possible for it to do.

My friend was referring to some particular make of bicycle whose life according to him was one month. Mr. Reddy is a thin man but he appears to be made of solid steel. I have also used that particular make, and it lasted me for months.

SHRI C. G. K. REDDY : It might have been specially made for you.

SHRI B. K. P. SINHA : Any way, Sir, I am surprised that my friend's cycle broke within a month.

I feel, Sir, that this measure deserves our full support and I accord my full support.

SHRI H. D. RAJAH : Sir, this principle of protection is governed mainly by three factors. This has been, as pointed out in this House, a legacy of the British rulers which we continue in some form or other. I can classify this protection in three forms : (1) to help the indigenous industries to come up ; (2) to subsidise the industries which are threatened by foreign competition ; and (3) to have industries of our own for which subsidies are to be given. Now, taking these three main factors into consideration, I find that the

criticism of the Communists is well justified with regard to one item, namely, that the British merchants come into India for a sort of alliance with the local capitalists and want to establish a sort of assembly plant and say that the goods are produced here for our public consumption and that they should be protected. In that process what happens is this. The imported commodity is allowed to come and is in the market. The commodity that is produced in our country, which is protected out of the Indian taxpayer's money, is also sold at the same price as the commodity that is imported into this country every time with the result that the consumer who is the biggest donkey is carrying all the load on his head. That is a very anomalous position to which no Government can subscribe. The idea of protection and the idea of helping our indigenous industries and allowing them to flourish on a large-scale basis are ideas governed by our national sentiments.

3 P.M.

We have been fighting for Swadeshi. Swadeshi was the keynote of our political struggle. When we talked of Swadeshi, what did it mean ? Our nationals should produce certain things for the consumption of our people at a cheaper price. We must shut out foreign goods. Look at Malaya—a colony of the British where you can get a stuff which is sold in the Indian market for 4 times the price that the Malaysians are made to pay. What is the secret behind this ? Take a simple rubber, take a pencil which is subsidised by us. You get a pencil for 5 cents in Malaya. I have to pay for a pencil three annas in India. What is the secret ? The fundamentals are not tackled before protection to the industry is considered by the Government. I have again to point out that the nationals who are running the industries are a *prima facie* factor in every other country. When they give protection, they look into the nationals who run the industry. If industrial protection is sought by the Indian nationals who are seriously threatened,

[Shri H. D. Rajah]

I can understand the case. Mr. Sundarayya pointed out about the chocolate trade. It is in the foreign hands. He pointed out about the glucose factory. The glucose factory is in the foreign hands ; therefore we are giving protection to foreign-owned concerns. The question of foreign capital being associated with our development in this country is a separate question. Will the Congress Party which is wedded to the principle of giving protection indiscriminately without going into the question of nationals, revise their mentality and their outlook as to what they should do for our Indian nationals, and how our industries should develop ? I can understand two methods of regimentation. One is giving protection to industries which are purely national and owned by Indians 100 per cent. The second is the policy to bring foreign capital and associate with Indian capital to produce certain goods and industrialise this country on certain terms ; I can understand that. I cannot understand for a minute that you will subsidise the foreign owned industries in this country with a view to swindling the general consumer public. That is a matter which must go deep into the Government's mind and if they are true to their salt, they will have to revise it now before thinking of giving protection to all and sundry industries. That is a matter which we have to seriously consider and ask the Government to answer.

With regard to facilities that the Government may give for the growth of an industry, I am one with them. Naturally as people struggling, we are wanting in technical knowledge and know-how and even in capital. I can understand the Government providing facilities for people to engage themselves in the productive enterprises of our country, producing consumer goods for the people and selling them at a cheaper rate. Any idea of a protection or duty either based upon revenue of a protective nature or revenue nature must ultimately reflect

on the paying capacity of the citizen of our country. Therefore, if we have to consider the question of protection we have to consider the question of the means by which the protection can be kept and maintained. Ultimately anything in mathematics, in balance sheet of companies if you put it you will find rupees, annas and pies. It is the consumer from whom all the money is taken. Therefore, when the consumers' interest is to be taken into account, how the industries are developed, what are the bases on which these industries are developed and what are the methods by which these industries come into existence are all pointers which we must not neglect to understand. Now we will see the expenses. An industry is struggling and wants protection from Government. Government have no machinery to go into the expenses that are shown as expenses for developing that industry. Then there is the question of margin of profit, the question of managing agency commission and then dividend to shareholders. All the accumulated fortunes of our middle-classes can be found in these big industries that are developed by the industrial magnates, ultimately ruining themselves and the people who have invested the capital. They exhaust the capital and after the capital is eaten up by various processes they come to Government for protection. What does that mean ? I will not refer to the T. I. Cycle Factory but to the Hindustan Motors in this country who will come on bended knees to you tomorrow for protection. That is exactly like the cycle factory—only an assembling factory. For that assembling, spare parts are brought from England and made to be assembled in the form of cars and what is the consumer resistance in this country ? The consumer resistance is the consumer who cannot pay and purchase a car. Why do you allow such industries to be planted in this country where a crore of capital has been given to it and ultimately the factory is to be closed down ? The T. I. Cycle Factory, the Raleigh cycles—they are all doing only similar things ; they bring the handle bars, cross bars, cups

and all kinds of things. Everyone of those items is manufactured in England, dumped on this country for twice the value and a cycle is costing us £15 here whereas the same costs in England £5. Ultimately, it is something like the dog eating its own tail. Where will it end? It was stated somewhere that people cannot swindle each other and when they go on swindling each other, what is ultimately left? A high price level and a low standard of life and the people in between struggling for want of food and shelter and a sort of situation in the country where democracy will be challenged. I want to prevent that. Therefore, as my friend, Communist Comrade Sundarayya, said and the answer given by a friend there, every aspect of this problem revolves round politics. When they revolve round politics there must be humaneness in politics and that can come only when you deliver the goods cheaper to the public. They are suffering because they have been swindled all through. This must stop. This protection must be rational. If you want to have a rational basis of protection, you must go into every aspect of every industry—the men who own the industry, the nationals who own the industry, the capital that is put in that industry and the way that company has come into the industry. Then only one can think of giving any kind of protection—whether you call it protection, subsidy or help. Then the tax payer will feel very happy about his situation. I may tell you here a personal incident which is very important from the national point of view. I happen to go to Australia and a friend of mine took me to an apple garden. I found thousands of trees being planted—only apples. I asked him what was his income. He told me it was £10,000 from the apple garden every year. This is equivalent to Rs. 1 lakh in our country and that apple is dumped on this country but I cannot sell one plantain in Australia because I can't open a branch of the Plantain Fruit Show in Australia because I am an Indian. Because I am an Indian I will not be allowed to go there and establish a branch of my

Plantain Fruit shop and take some plantains from Malabar. You know Malabar *Nendrangai* is an important plantain fruit and people relish it and it grows in plenty in Malabar and if I want to export these to Australia, naturally I would like to have a branch of my shop in Australia—and simply I can't sell these in Australia because I am a black man and there the white people are not prepared to allow you to open an office by me there.

MR. DEPUTY CHAIRMAN : We are concerned with industries here.

SHRI H. D. RAJAH : But, Sir, this is also an industry—fruit preservation and the industry of tinned fruits. I am referring to this matter because it is also an industry—the fruit-preservation industry, and in that connection I was referring to *Nendrangai*. That is one of our valuable fruits and that I cannot sell in Australia because you are not subsidising the export of it and because of other difficulties.

SHRI P. V. NARAYANA (Madras): You may also tell the House what *Nendrangai* is.

SHRI H. D. RAJAH : Yes, *Nendrangai* is a variety of plantain fruit which can be exported to other countries and also used in these parts of the country by all of us with delectation and happiness. Therefore, I say that this fruit industry also must be able to stand on its own legs and this industry must be allowed to grow in this country and so you must ban the import of tinned fruits from Australia into this country. I may tell the Minister of States, Shri Karmarkar, that he must go deep into these matters and not merely touch on the superficial sides and give some doles to certain people in the form of protection and say, "Here you are, take it and get away." That is not the way that it should be done. I have to point out these matters specifically so that our nascent industries, our fruit industry may strike

[Shri H. D. Rajah.]

deep roots in our country. If you want them to do so, you have to see that the foreigners are not allowed to compete with them and destroy our industries. Now, Sir, look at the Tariff Commission's report. You will find that the production in the year 1952 is not satisfactory as compared with last year. They have made a special reference to the set-back in April due to the want of purchasing power of the people and the fall in prices. What does that amount to? It amounts to this, that in spite of your bolstering up the industries and the support that you have given them in the form of protection you have not been able to achieve your purpose. You take a man up eight feet high and when you leave him, he topples down. He should not topple down like that. Any industry that is encouraged and protected should develop in such a manner that it can stand on its own legs. The man who has been taken up 8 feet high must, even if you leave him there, be able to hang in the air, he must not topple down. That is how our industries must develop. I do not want this sort of spoon-feeding only.

DR. SHRIMATI SEETA PARMANAND (Madhya Pradesh) : May I know in what sense the hon. Member is using the word "industry".?

SHRI H. D. RAJAH : I want this spoon-feeding to stop. Our industries must be able to attain a permanent standard and be able to compete with foreigners. How can I expect our tinned fruits to be bought at Rs. 5 a tin when people can get tinned fruits from Australia for Rs. 4? Tinned fruits must not come from Australia to my country. From the point of view of the consumer I have to insist that the Government must go into the matter deeply. Our fruit industry must be developed to such an extent that they can compete with foreign industries. Our Government must have scientific experiments conducted to devise methods of how best to preserve our

fruits. In this matter, in these relative spheres, you can discriminate between nationals and non-nationals. Let the national interests be developed and you may give any treatment you like to the non-nationals, if you are in your conscience sure that by doing so you are not selling the country to the foreigner.

SHRI GOVINDA REDDY (Mysore):
Mr. Deputy Chairman.....

MR. DEPUTY CHAIRMAN :
Just a minute. May I know how many more hon. Members wish to speak?

(Some hon. Members stood up.)

Well, we shall have ten minutes for each Member, as the debate has to close at 4.10.

SHRI GOVINDA REDDY : I heartily welcome this measure. This is a very important measure because it seeks to continue protection for over 29 industries and in a measure of this kind this House can usefully employ itself by dealing with all aspects of the matter. There are two aspects, which, to my mind, are of particular importance. One is about the principles of protection, and I am glad to find that on that there is no difference of opinion in any section of the House. The other aspect is to examine what is the progress that has been made by the industries concerned during the time of protection and then judging from that progress, to decide whether the protection that had been given has been useful at all. We have to see if those industries have been helpful to the nation in giving more production of all the commodities which are essential for us. That should be one of the most important points which the hon. Members of this House should assist the Government in finding out. We have to see if the industries which have been granted protection have used that protection properly. I not, the hon. Members who come from different quarters of this vast:

country will certainly have information from their intimate connections with some of the industries which have been accorded protection and from their intimate knowledge they will be able to assist Government in this respect also.

In order, however, to examine these aspects of this subject, it is necessary to have some figures relating to the industries which have been accorded protection, figures relating to their production and the progress made by the protected industries. The hon. Minister has made an attempt to furnish us with some figures ; but those figures are inadequate. Also the copies supplied about these figures are so smudgy that they make very difficult reading. I would humbly suggest to him to instruct his office hereafter to prepare clean cyclostyle sheets of these figures. I would also make another suggestion to the effect that as the information furnished here, though good, is not adequate, fuller information should be supplied to us. I would suggest that the information supplied to us should include the industries themselves, the firms, the private enterprises and also the public enterprises which have been accorded protection. This, in my opinion, is very important because of the fact that before the Tariff Commission any industry which seeks to get protection does not always come with true facts. I do not mean to say that in all cases they are not true, but in some cases at least, they make up facts and go before the Tariff Commission. And the Tariff Commission, because of its very nature and because of the limited time and limited opportunities it has to go into all these details, will not be able to scrutinise all these details. Therefore, if details of these particular firms or concerns are furnished to this House, hon. Members will certainly be able to compare their own experiences with the figures furnished to them and come to a judgment. I have some cases in point, and those cases relate to the industries which

have not fully availed themselves of the help that has been given to them by the Government, although they have continued to be under protection since the year 1945. I have not been able to venture any suggestions concerning them simply because my facts do not tally with those that have been supplied to me by the Government and I would like to sit with the hon. Minister and compare notes and before that I do not like to venture any suggestion. It is also difficult to make any suggestions without the names of the firms and concerns which are enjoying protection but which have not deserved protection. This involves an odium and so before ascertaining the facts I would not like to venture any statement. I would, therefore, emphasise that the Government should furnish us details in this respect. In that case Members will be able to make very useful contributions for the consideration of the matter by Government. Government cannot get that information from any other quarter, only Members of this House will be able to furnish Government with that information and put Government wise.

I would like to make another suggestion to the hon. Minister. These particulars should be furnished to us fairly in advance. These sheets reached my hands very late and they concern as many as 29 industries and it is very difficult for one to go through them and make comparisons.

And so, in a matter of this important nature, where protection is concerned, where national industries are concerned, it would be worth while for the Government to seek the active association and active assistance of this House and co-operate with this House by sending in information early.

Well, Sir, one important point, which is a relevant point in connection with protection, is that protection, if at all it comes, must come very early. There is one case in point

[Shri Govinda Reddy.]

which I would like to submit to the notice of the hon. Members and that is the case of the Bhadravati Iron & Steel Works. You know very well, Sir, the position of the Works and the contribution it is making to the production of steel. It is one of the major steel producing industries in the country. By some mistake—I do not know at what end, at the Centre or at the State itself that I have not been able to find out—the price of iron and steel produced in Bhadravati was under estimated so much that the prices that the Government had fixed hardly balanced the cost of production. The State Government made representation, continued to make representations and the members of the public also continued to represent to the Central Government to go into this question and make a change. Well, it took over two years. Sir, I believe it is over 3 years, for the State Government and members of the public to impress upon the Central Government the justice of this case. The Government at last recognised the injustice of this case and I am glad to say that they revised the prices and the retention prices now are fair with regard to this industry. During those years, Sir,—and they were very pressing years for steel production—during those years, the industry found itself very hard to get on. It was incurring a loss every year and if such is the case, if the Tariff Commission goes about so slow in a matter of such pressing nature, in a field which is of the first essential to the country, it is very difficult, Sir, for industrial concerns to derive advantage out of the protection that is accorded to them.

Then, Sir, protection must be with a view to fully develop these industries, not simply to accord some protection and satisfy themselves that they have given protection. The hon. Mr. Rajah made that point very well. Imports have got a large bearing upon the success that an industry can make under protection. One case

in point is the sericulture industry. You know, Sir, about that industry and we have made several attempts on the floor of this House to bring to notice the plight of this industry. Sericulture industry has long enjoyed protection ; in fact, it is one of the first industries to get protection at the hands of the Government. Government have accorded protection to this industry but, at the same time, they have not taken care to see that this industry is sheltered under the protective wings. Government have after according protection to this industry, after knowing the enormous silk needs of the country amounting to about 4 million pounds or so, knowing the importance of this industry, from time to time allowed imports from outside and I would like humbly to suggest to the Ministry that there would be no use giving protection to an industry with one hand and at the same time help the industry to be killed by allowing indiscriminate imports to come in. Well, Sir, you know very well to what plight this industry has been reduced within about a few years. In my State, Mysore, Sir, the silk producers have been closing down their concerns, they have incurred severe losses and I do not wonder if some of them run into bankruptcy. Well, if that is the state of a protected industry, I would like to ask “ Why accord protection at all to the industry ? ” So, Sir, in order to build up an industry, it is very necessary that the Government should protect it not only at the time that protection is accorded but until such time that the industry.....

(Time bell rings.)

becomes a full-fledged industry.

I would crave your indulgence, Sir, for a minute more to answer two points that have been raised, leaving out the other points I wanted to make.

One point is about Imperial Preference. A storm has been raised in the Lower House and that point

has been raised here by the Opposition Benches. I do not think, Sir, that there is anything wrong in preferential tariffs. It is a principle which every nation is following: U. S. A. is following; Great Britain is following and Canada is following; Australia is following. If preferential tariffs confer an advantage to a country, why should not they be followed? Of course, my friends look at that question from a coloured version and that is because it has its roots in the past when India was dominated by the British and they think that the same conditions are there. Because of our association with Great Britain and because of the fact that the bulk of our trade is with Great Britain, the Government have not been able to do away with preferences and the Government have not found that these preferences are working to a disadvantage. On the other hand, Government have found that at a time when manufactured articles are scarce, when machinery is scarce, when every country is importing machinery by according these preferential tariffs, we have been able to attract machinery and machinery of a variety. So, there is nothing wrong in that. Of course, if it works to a disadvantage, if it could be shown that it affects our fiscal policy and our trade, then, certainly, this House would be one with them in condemning it.

The other point was, Sir, about the consumer's interest. My hon. friend Mr. Reddy was mentioning bicycles produced indigenously. Sir, in case of protected industries, the consumer's interest always conflicts with protection. That is generally true because these industries will be in their infancy, their cost of production will be high because these industries will have just been set up, their quality will also not be so good. It is in that case that the consumer will be hard-pressed.

There is an interesting incident here which I crave your indulgence to narrate within a minute.

MR. DEPUTY CHAIRMAN : You have exhausted your time limit. Please wind up.

SHRI GOVINDA REDDY : I will finish in a minute, Sir. It is rather a sense of patriotism that should come to our aid and having that sense of patriotism you must be able to bear any high price. Lord Linlithgow visited the South and examined a woollen industry. When he saw the woollen textiles produced there, he asked the price of it of the man in charge there. The man was hesitant because the price was much more when compared to fine woollen textiles imported. Then Lord Linlithgow said, "Don't be ashamed". He opened his coat and showed a jersey, which was home made. He said, "Do you know the cost of this? It is 5 times more than that of the mill made. But still, I have got the patriotism to wear it. You must do it. Don't be ashamed." That is the spirit Sir, I am afraid, with which we have to aim although it would be quite a hardship on the consumer to pay costlier things.

With these words, Sir, I welcome the Bill.

SHRI KISHEN CHAND : Mr. Deputy Chairman, I am surprised to hear the speeches of Members on the Congress Benches. There was a time when these hon. Members were fighting for *swadeshi* or Indian rights and now they are speaking for British rights. The hon. Member has said just now that we have had long association with Britain, that we have got about 1,700 crores as sterling balance which is absolutely wrong, and so, we must go on giving preferences to British trade by giving preferential treatment in the duty. On goods of non-British origin, the duty is 40 per cent. and on goods of British origin, the duty is 30 per cent. Protection is given to indigenous producers to develop indigenous products, to help Indian industry; but, what is actually happening? We are encouraging foreigners to come and start industries in our country. You know,

[Shri Kishen Chand.]

Sir, that nearly 50 per cent. of the capital invested in India is owned by foreigners. We have got fiscal autonomy but in real practice there is no fiscal autonomy. When 50 per cent. of the capital invested in India is owned by foreigners, when they are trying to somehow influence all our policies from outside and inside, where is the fiscal autonomy except in name? Some Members have just now quoted the example of the bicycle industry. I suppose the hon. Members know that the price of a Hind cycle is about Rs. 130 and that similar bicycle assembled in India but carrying a foreign name like Raleigh bicycle or Sen-Raleigh, costs Rs. 250.

This will show that by giving protection we are not encouraging Indian industry. The price of Indian bicycles still continues to be Rs. 130 while the cost of the imported goods in India under the name of Indian firms is fixed at Rs. 260. What we are actually doing is that we are helping the British industry in India by helping them to establish factories in India. Is that the idea of protection? Are we helping the indigenous industries in this way? As some Members have already pointed out, we must immediately stop foreign capital coming into this country; I would go even to the extent of confiscating all foreign capital and repaying it from the sterling balances. That is the only way we can give protection to our Indian industries. We want indigenous industries to develop and that will only be possible when we encourage Indian capital to come forward, Indian management to come forward, and stop foreign capital and foreign managements in our country.

Secondly, I come to the items included in the tariff protection. If we go through this list, we find all sorts of articles, some of which are primary articles and some are secondary, that is they are used in the manufacture of other goods. For instance, take soda ash. Soda ash, is not a primary article, it is used for the manufacture of glass. We want to give protection to the glass

industry. If you give assistance to soda ash industry by protective duty naturally, the price of glass will be greatly increased. Therefore, any benefit that the glass industry derives by protection is nullified by the increase in the cost of production. Formerly there was a rebate allowed but that rebate has been discontinued now. Therefore, by the protective duty on soda ash you are hitting the glass industry in this indirect way. Some members have drawn attention to the condition of the tea industry but due to the protection given to the plywood industry, the cost of tea-chests will go up and the tea industry will be harder hit. When tea is being sold in the outside market the cost of packing will go high. Naturally the producers will get a smaller price. Take the case of the cotton textile machinery. As some members have already pointed out, we want the textile industry to develop. If we give protection to the cotton textile machinery, the cost of machinery will go higher up, and ultimately, the cost of textiles produced in our country will go up. In this way, if you go through this list you will find a number of anomalies. As already pointed out about bicycle industry, giving of protection to this industry is very good. But we must see that the bicycles produced in India by foreign companies do not sell at high prices. Their price should be brought down to the price of the Indian manufacture. In this way after examining this list, I submit Sir, that the explanations given by the hon. Minister do not justify the continuation of protection and therefore I oppose this Bill in its present form.

SHRI RAMA RAO (Madras) : Mr. Deputy Chairman, I find myself in agreement with a good deal of what Mr. Sundarayya has been saying. I am in free India and I have shed some of my ancient heresies. We were once opposed to discriminating protection because it happened to be rather too discriminating. We then wanted full blooded protection. Today I am not a wholehogger. To the extent that I am able to formulate the policy

of imports, as I please and when I please, I retain to myself the fullest liberty so to arrange the organic policies of this country in the realm of economics as not take too much risk with legislation of a permanent character. Some of our friends have been discussing in a somewhat academic manner, foreign capital, imperial preference, the guiding principles of protection, so on and so forth. But the fundamental question today is different. We are faced with a new ideology as typified by the Five Year Plan. To that extent, therefore, whatever industrial or economic or tariff policy we formulate, it must fit into the framework of the Five Year Plan. Now, what is that Plan? First and foremost, as my friend over there has said speaking the full milk of the Gandhian philosophy, is the duty of austerity and patriotism. Austerity? Yes. We have learnt so many things from Englishmen, but we have yet to learn the lesson of austerity. England has saved herself in a miraculous manner after the war and saved her self-respect also in a miraculous way by going in for the severest austerity. What are we doing in this country? When I examine the list of goods we are asked to protect I am ashamed. Some of them are utterly useless. And yet, we are asked to extend protection to this wonderful list. I think, if we sincerely believe in the Five Year Plan, we ought to get rid of most of these articles, we should go to the extent of using the import control policy for this purpose of prosecuting programmes of austerity.

Then there are the agriculturists. You cannot put too much burden on them. If that is conceded, your approach must be not industrial but agricultural. You have to give them the largest amount of consumer goods so that they may get all that they want in a cheap manner and go on with the agricultural and agrarian revolution. We are laying emphasis on cottage industries. That is a fundamental part of the Five Year Plan. I ask why we should give protection to Birlas and other people with regard to the bicycle industry. In Japan, this is a domestic industry. Why should

not the State of India organise cottage industries in a similar manner? I think we are getting absolutely rotten bicycles. My friend, Mr. Sundarayya, has raised the question of protection. He has tried to argue that it has not done much good to the country. While it has done some good it has not been effective in the sense that it has not served the fundamental purpose of protective policy, namely, to build up an industry in such a manner that it can do without protection in the shortest time possible. Take sugar. Take iron and steel. Take textiles. The British gave protection to these industries for very good reasons. Sugar did not compete with British industry. As regards iron and steel, they discovered at the end of the first world war that it would be dangerous to have an India without a steel industry.

Therefore they built up the Tata industry; it served them excellently in the second world war. Take Cotton textiles. Our industry competed with Manchester, no doubt; but the British took very good care to see that they got Imperial Preference over it. Only the other day we were reading about the sugar industry. Sugar in India is the costliest in spite of so much protection granted to it. As regards iron and steel there was a merger the other day. I would invite the attention of the Commerce Minister to a leading article in *The Times of India* in which this question was discussed in a somewhat dispassionate manner, I believe, in any case, the leading article clearly states that the whole thing amounts to a premium on inefficiency. I leave it at that. So far as cotton textiles are concerned, having received so high protection for many years, today the owners are objecting to our levying an excise duty on the industry in the interests of the handloom weaver. Where has yesterday's patriotism gone? So, let us be careful to see that those industries which you want to protect really become efficient and can do without protection in the shortest time possible.

[Shri Rama Rao]

Sir, I have made it clear that I have shed some of my old enthusiasm about protection. This world is suffering too much from the disease of economic nationalism. Are we going in for it? Or are we going to manufacture only such things as are essential and as are in the interests of the country and leave the rest to themselves? Protect whatever you essentially want, leave out as much as you can, and above all get back to the Gandhian philosophy. I am very much afraid of what has been happening in the U.S.A. A General has been elected. For what? Not to save the world, but to bring about a war. And who has elected him? The greatest democracy in the world, I am asked to believe. But really it is a plutocracy. The United States of America may be a political democracy, but in reality it is a plutocracy. Why? Because of the tremendous amount of protection that has been given to industry, and the large play of finance capital in the realm of politics. Now, I ask : Are we going to build up such big industries in this country only to have monsters rearing before us? By all means protect the country's interests and develop the country industrially. But do not do anything which may prove foolish.

Sir, I have heard a good deal about imperial preference. I admit that conditions have changed, and the old objections to it ought not to hold. Mr. Krishnamachari was saying in the Lower House the other day that he had examined the figures and found imperial preference was not half so bad as many people conceived it to be. I challenge him to produce the figures. They ought to be placed before us. I am convinced that, if it is so, it ceases to be imperial, and only becomes preference and nothing more. The main thing before us today, however, is the plans of a Commonwealth Conference. What is going to happen there? First the sterling balances. You know that Mr. Winston Churchill

has been very much against the settlement on the sterling balances. This House, I am sure, will agree with me when I say that Mr. Deshmukh has put up a magnificent fight in the interests of our country. Another battle now awaits him. Members must have followed the recent controversy in England about imperial preference and what is known as G.A.T.T.—General Agreement on Trade and Tariff. All over the world English Tories want to stress Imperial Preference again. Though we are in the Empire, we are in the Commonwealth, and it is just possible, therefore, that our position will be sought to be exploited. New forms of preference are coming into existence. To what extent India may be squeezed into them, you cannot tell. It is therefore necessary that we are clear about this matter. While we may continue Imperial Preference if it is good for us, we shall not walk into another kind of parlour this time.

Sir, most of the debate today would not have taken the turn it has if we had been in a position to know exactly what we are being asked to do here. Every one of us has accepted a roving commission, and we are discussing, as if in the days of Bright and Cobden, the question of free trade or protection. But if there had been an efficient Tariff Commission we would probably have been able to give more help to Government, as my friend Shri Govinda Reddy said by way of detailed criticism of the various items that have been brought before us.

PRINCIPAL DEVAPRASAD GHOSH (West Bengal) : Mr. Deputy Chairman, the question of protection has been discussed for the last few hours from almost all possible points of view. We all know that there is an age-long controversy between the utility of protection *versus* free trade. Two generations ago protection was looked upon more or less as an exception to be applied in certain special circumstances while free normal trade

was looked upon as the natural thing in the course of international commerce. The main arguments for protection were those of the building up of infant industries, and, also of shutting off foreign imports as far as possible to preserve national wealth. Those arguments have not lost their validity even today.

I should like only to point out one thing in this connection with regard to these infant industries. We all know that India despite its vast size and hoary culture, from the industrial point of view still looks upon itself as an infant. It may be unfortunate; but the fact is so. And for the upkeep and stimulation of these infant industries certainly something has got to be done. Now there are two well-recognised ways of promoting and encouraging infant industries. One is protection, and the other is subsidy. From the consumers' point of view, direct Government subsidy to industries which are struggling to survive or struggling to grow, is better. And the difficulty that arises about protection is this. In India, industrialisation has proceeded—I suppose—say, for the last 25 or 30 years. At least in some branches of industry the tale is longer; and therefore it cannot be said with much regard for truth that in all Departments of industry we are in an infant stage. What happens generally is that a tendency grows, for an infant industry which has been given help either in the shape of protection or of subsidy, to become fond of this spoon-feeding process. That is to say, an industry which is helped to stand on its own legs, to rest on its own legs by protection or by subsidy, generally looks upon this subsidy or protection as a sort of eternal crutch on which it would be able to rely for many years to come. It is almost like the old story of *Oliver Twist*—once you get something, you always want to get something more and more. Now this attitude really is very hard for the consumer. I should say that the Tariff Commission as well as the Government should be particularly

careful when they draw up the lists of goods which they are trying to protect by protective duties—by tariffs. They ought to take particular care that the impression does not get abroad that once a protective tariff is granted in favour of any particular special class of goods, well, that protective tariff will go to stay for ever. Every year, I should think, a very particular scrutiny and detailed investigation ought to take place of the conditions actually, prevailing in those industries which have been granted protection for some years past. We have had examples cited by our hon. friends here who definitely allege that there have been industries which have been noted for their inefficiency, which have been noted for the bad quality of the stuff, they produce. Still they get on with protection, and they look upon this protection as something like their natural right. That should not be. There should be a detailed scrutiny at every stage at least year after year. That is a healthy procedure. Before protective duties are continued, it should be the duty of the Tariff Commission as well as the Government to see that actually the protective duties are serving the purpose for which they have been imposed—not to the detriment of the consumer's pocket. That is the main thing to which I would like to draw the attention of the hon. Minister.

Another thing to which attention has also been drawn by some hon. Members is very pertinent and that is this. Whom are we out to protect? We are really out to protect industries which mean business, which really are intended to help the growth of our industrial life. We are really not out to protect persons who are profiteers, that is to say, persons who are big profiteers, big men, moneyed men, who have got a pull in various departments of the Government and who somehow or other manage to get protective duties in favour of the ventures fostered by themselves. Now this sort of thing ought not to be allowed to con-

[Principal Devaprasad Ghosh]
 continue. Hind cycles factory has been mentioned. Hindustan motor company has been mentioned. It has been alleged that their factories practically are no better than mere assembly plants. In such circumstances the Government and the Tariff Commission ought to be more than careful to see whether actually these assembly plants financed by big financiers do really stand in need of protection and if they do stand in need of protection, because of their inefficiency, whether it is in the interests of the public to accord them and continue according them protection which they had been granted for some years past. I do not want to add much more because this Bill has been thrashed out practically from every point of view. But I would once again appeal to the Minister and through the Minister to the Government that in continuing these tariffs to particular industries from year to year much attention ought to be paid to the real condition of the industries, and the impression should not be allowed to gain abroad that *once* a tariff is imposed, that tariff will *go on* in favour of them for ever.

DR. RADHA KUMUD MOOKERJI (Nominated) : Sir, I do not wish to waste the time of the House by going into the details of industries of which I have got no direct experience. I contend myself only with submitting a few suggestions on the working of this Protective Tariff Amendment Act. There is a vast mass of scientific literature on the subject of protection and we are indebted to the German economist, author of the National System of Economics and practically the founder of the protectionist school of economic thought. Since then there have been many changes in the economic sphere.

For the present, I wish the Government to keep in view certain fundamental principles which in the light of this Act should be applied. The first principle is that protection must be for a limited period. It should not

be given to the industry which requires it eternally. During the period of protection the industry must be able to build itself up and stand on its own legs. After all, free trade as an economic principle is much more sound than any system of artificial protection.

The second point that Government should consider is that protection must not be at the expense of the consumer and therefore there must be a complete investigation of the ways by which the interests of the industries and the consumer could be reconciled under a system by which the industry could be promoted not at the expense of the consumer.

My third point is this that there should be a periodical examination of the output of industry in both quantity and quality. The industry that is protected must be required to submit a report to show *how* it stands with reference to its output. It should also be clearly understood by the industry concerned that protection may be withdrawn if it does not come up to the standard required by stipulation.

The fourth point I would say in the scheme of protection is this. I find there are many minor industries which figure in the schedule but the primary economic interest of the country is to build up its greatest national key industry, viz., the steel industry. Now we have left the steel industry to private enterprise and from figures it seems that whereas India's annual requirements in regard to steel amount to about 3.5 million tons, actually the installed capacity of the Tatas amounts to only 1.5 million tons per annum and the actual output has fallen below 1 million tons. The question is, "Should not the Government go into the subject of the steel industry very thoroughly since Government is not able to command the resources by which it can afford to add to the steel plant that is already working in the country." Therefore it seems to me that Government must thoroughly

understand the situation with reference to this important national steel industry. They must know the possibility of protecting this industry more efficiently and how even by a system of protection the output of steel can be increased. Recently we had a merging of the two institutions of SCOB and Indian Iron. Even with that, the total requirements of steel cannot be met by the steel industry while Government has mercilessly left the steel industry in the hands of private enterprise. Government therefore must know on what grounds this industry is not able to produce our national requirements. Then there are certain other key industries into which I need not go in detail but I would like to say that there should be a machinery set up by Government of which the duty should be to consider whether in the actual working of the protection system the real economic interests of the country are best promoted with due consideration for the interests of consumers in a poor country like India.

SHRI D. P. KARMARKAR : Mr. Deputy Chairman, I should begin by saying that I appreciate very sincerely the various points made by hon. Members who participated in this debate. To be frank, I was not at all disturbed by the various conflicting points of view made on the floor of the House. If anything these conflicting viewpoints very actively propounded in this hon. House would show how difficult the problem has been and the relatively few strong comments made of Government show actually to what extent we have succeeded in carrying on under very difficult circumstances.

4 P. M.

We are bound to have different points of view—some of them ideological, some others temperamental, and some arising out of an inadequate study of the subject—I say it with great respect—and some of them, I should like to add again with great respect, due to tradition which have been handed down from the hoary past.

Sir, I think I would do well to rivet my attention and the attention of the House to the few salient points that were raised during the course of the debate. I will leave, of course, the one point raised by Mr. Rama Rao. At one moment he wondered whether we were at all remembering what we were discussing about, and for another moment I really felt like agreeing with him.

I think we would have profited very much had there been a more elaborate discussion of the particular industries that we seek to protect by this particular Bill. Part of the ground, of course, has been covered, for instance the bicycle industry on which I shall dwell for a moment. It is equally possible that people who have ridden a cycle and people who have not ridden one for the last 30 years may have views on this industry. But apart from that, I find, except for one hon. Member who said he was opposed to this measure, I do not find any opposition to the measure. That makes my task very much lighter. Of course, my esteemed friend Mr. Sundarayya mentioned a condition for supporting this Bill. If I interpret him correctly, his remarks arose mostly from the ideological point of view, regarding the participation of foreign capital. But I think he also agrees that under proper circumstances, to proper industries, proper protection should be given in a proper way ; and I think there is no difference of opinion on that point.

I have appreciated very much the two points that were raised during the course of the debate. Firstly, I feel happy to say that Government fully agree with the point of view made regarding the behaviour of the industries under protection. Naturally, when we give protection to an industry, we do not want the nation to be defrauded and we do not want the consumer to be defrauded. That is one of the first considerations before grant of protection to an industry. We do not want to pamper any industry. In fact, we do not want to

[Shri D. P. Karmarkar.]

give protection to any industry because it is run by any particular concern. We protect it because we think that in that way the national interests are developed. The industries have to be developed and we have to save indigenous industries from foreign competition. That is the natural basis of all grant of protection. When we give protection we ought to ignore from our attention any particular party benefited by that protection. But ultimately the industry is a positive and tangible thing and somebody is running it and when an industry is given protection, and when that industry is developed, the party concerned will be benefited. He may be a small producer or he may be a large-scale producer, an industrialist or a capitalist. It may be that under present exigencies—I will revert to it later on—we do allow foreign participants, in running our industry, in financing our industries and partly managing our industries. But that has got to justify itself on its own merits. But in any case, when we consider the rights of an industry for protection, I think for the purpose of discussion, we should forget the party to be benefited. When considering whether protection should be given to an industry, we should ignore the party benefited by the protection, whether it is a big industrialist, or a small-scale industrialist, I think that is irrelevant for the purpose of protection. But Sir, subject to that, I am happy to say that Government entirely agree and there can be no difference of opinion in that case. In giving protection to industries there should not be any exploitation of the consumer so far as prices are concerned. So far as quality is concerned there should be no possible difference of opinion. The national interests should be served. No protection should be given to any industry for an indefinite period, but it should be able to develop itself in proper time. No industry should be allowed to take undue advantage of the protection given to it. It is a sort of solemn trust and the industry should do its

best to develop itself in the best interests of the nation.

Certainly, that is a case when the Nation, through its Government, must come very heavily upon that industry. and tell the industry 'Look here, you have not behaved yourself. You must behave in order to deserve protection'. Sir, there can also not be any difference on the point that there has to be some check on the profit margin, on the profits earned by any industry, or, as a matter of that, by the trade concerned. On all these points, Sir, I think, there could be no basic difference of opinion at all. These are all points accepted by Government in principle and hon. Members might be remembering that Parliament when it passed this piece of legislation wanted also that these industries be properly safeguarded. For instance, I find in Section 11 of the Tariff Commission Act.....

PRINCIPAL DEVAPRASAD GHOSH: May I interrupt for a minute? Is it the practice to have periodical stock-taking of the industries for which protection is granted?

SHRI D. P. KARMARKAR : It used to be done off and on but we now expect the Tariff Commission to do that and in particular I may inform that whenever any occasion arises—occasions can often arise, taking advantage of the scarcity of a particular type it might be that the profit greed might increase, with a view to counter such things, it is specifically provided that the Commission has to consider the question at the instance of the Central Government and action is to be taken where an industry is taking undue advantage of the tariff protection, charging unnecessarily high prices for its goods, or acting or tending to act in such a way which results in high prices to the consumers through limitation of quantities, deterioration in quality or inflation of cost of production and the like. Sir, in those circumstances, there has been power taken under this Act to see to it that the consumers' interests and the

national interests are safeguarded and we are sure, with the constant vigilance exercised by Parliament, Government will be in a position to render its duty to the Nation.

Sir, that is the broad line of agreement which Government happily finds itself in with regard to the various points made on the floor of this House. There have been some two or three points on which there could be scope for a honest difference of opinion but, on those points, Government's policy has been quite clear, for instance, the one regarding imports *vis-à-vis* our protection. I have very much appreciated the fervour with which the points were made by my hon. friend Mr. Chandulal Parikh. So far as the fervour was concerned, I need not hide my feelings that I entirely agree with him that on practical considerations today, I do feel that we like emotional sympathy for national industries until our industries are developed. But, I cannot exactly appreciate the point of view that he tried to make that there has been a marked tendency in the import policy of Government by which we had introduced larger imports than necessary. Sir, this is impossible on practical considerations. If hon. Members were to analyse our export figures and our import requirements during the last 2 or 3 years, they would certainly find how small is the margin for extravagance in the matter of foreign exchange. In fact, we can be charged with having imported a little less than what we need have. Sir, our import policy during the last 4 years has been the subject of many vicissitudes. As the hon. House is aware, after the war there was a lot of inflated money in people's hands which raised the purchasing power, and a great scarcity also of internally produced as well as imported goods. We were short of kerosene, short of matches, razor blades, etc. In order to remove that, Government initiated a liberal import policy in 1949, and, if I remember aright, we ran to a high deficit in the balance of trade to the extent of 192 crores. During 1950-51,

we put on our belt, made it tighter because we could not afford to import more materials. Then, again, during 1951-52 which was good in the sense that it afforded us a larger amount of import due to the Korean War situation we had a larger inflow of goods from outside. What is the result of this?

Now, in April 1950, it looked as if we had to import radios and other things. The trend of indigenous demand, was, in many cases, beyond our control, but I think, Sir, by and large, we have taken a prospective view of the conditions during the last 3 or 4 years and compared the scarcity of essential and non-essential goods required by the people. Compared with the position of the supply of goods, I think, by and large, Government's import policy has been fully justified. What an amount of difficulty we had to face when the announcement was made. An hon. Member mentioned about sericulture. Now what is sericulture? Ultimately, if you want to develop the silk industry, it is not only the grower of raw silk, not only the cocoon; we have also to see that the weaver of the raw silk prospers. We have also to see that the consumers are not suffering. Two years ago, on considerations of foreign exchange, we curtailed foreign imports. The prices which used to range about Rs. 35 per lb. shot up to Rs. 50. Our normal requirements, if we had gone on, would be about 48 million lbs., while what we could produce last year or the year before last, was only 2 million lbs. Raw silk imports we have made last year were 12 lakh lbs. leaving a large margin. If you look from the point of view of the silk grower, it looks bad to bring down the prices from Rs. 50 to Rs. 35 per lb. roundabout which, according to the Tariff Commission, raw silk has been selling in this period. During the whole period of July 52 to December 52 we have to view the question precisely from the point of view of the raw silk grower and also the weaver because his difficulties are growing. We have to weigh all these questions. The consumer has limited purchasing

[Shri D. P. Karmarkar.] power. The prices have to suit his pocket. We have to take into consideration all these things together. We are under the unenviable situation of receiving parallel representations at the same time.

DR. RADHA KUMUD MOOKERJEE : I have got a report from the silk manufacturers of Murshidabad district, which produced the best silk in the country for two centuries, that this industry is being ruined by the free and indiscriminate imports of foreign silk yarn.

SHRI D. P. KARMARKAR : I am afraid my hon. friend has missed the first half of my speech, but I cannot help it. I have been labouring for the last seven minutes to clear the point. As soon as it could be scented that there are going to be imports from abroad, immediately a very distinguished association of weavers, from Bangalore, which is a very important weaving centre, sends up a representation for greater imports because prices of raw silk are much higher. Another representation from weavers saying you should look to the weavers' interest because they want to sell their goods in the market at a reasonable price.

PRINCIPAL DEVAPRASAD GHOSH : I rise on a point of information. A few days ago, when I went to the market in Calcutta for cod liver oil, I heard—I am subject to correction—that further imports of cod liver oil had been stopped with effect from July 1952 ; also, Sir, that not merely cod liver oil, but the import of penicillin had also been stopped. This news made me stand aghast. These are very essential things. I was told that Government is starting a penicillin factory, and it is for its protection that the import of penicillin had been stopped by Government. Sir, But then penicillin produced in India is not sufficient for the requirements of the country, and so far as cod liver oil is concerned it is not produced in India at all. It comes from Norway in casks, and when in India, it is

bottled in local factories. I should think that if essential things, essential drugs, like penicillin and cod liver oil are stopped, it will be most unfortunate. Is it a fact that the imports of these have been banned? I would like to have this point made clear by the hon. Minister.

SHRI D. P. KARMARKAR : Sir, my hon. friend was very wise in presuming that Government must have done a reasonable thing. It is just likely that with a view to promoting the local oil industry—shark oil industry, etc.—the import of cod liver oil may have been restricted. As regards penicillin—I hope I am right ; I am speaking off hand—as regards penicillin, since we have now got a bottling factory, it is just likely that we have banned the import of ready made bottled penicillin from outside, because we have an adequate bottling plant. In any case, if my hon. friend has any point to make about that, certainly.....

MR. DEPUTY CHAIRMAN : That is beyond the point under discussion. The hon. Minister may proceed.

SHRI D. P. KARMARKAR : So, Sir, I will limit my remarks in respect of our imports. I should like to inform the House that we have a fairly well equipped and efficient Development Section in our Ministry. I should tell this House that we have found their advice very precious. It is not hasty advice; they give considered advice. Apart from some accident sometimes, owing to causes beyond our controls, where imports take place in excess, we do take care to regulate them, and we do correct the position, as we did in the case of raw silk imports and some other commodities. There is, incidentally another handicap. When I was in Bombay last, I was myself faced with the problem of a certain commodity. I was asked to ban the import of that commodity. I called the representatives, and had a discussion with them. Both wholesale and retail traders

were represented as far as this commodity was concerned. As soon as they came to know that we were trying to ban this particular commodity, there was a rise in prices, and I was told, "You have banned this commodity; you yourself have been instrumental in the rise in prices. Prices have risen; therefore, you must have a certain amount of imports." I should regretfully observe that Government, in this matter, has not received that amount of co-operation which is entirely necessary from sections of the commercial public. I should not like to generalise, but just as we owe a duty to the country, the commercial people too owe an important duty to the country. If by any accident we are on the side of creating a small scarcity, it is not for them to take advantage of it, because it means impoverishing the consumer, which means impoverishing the country. You cannot think in terms of higher profits all the time. If we liberalise imports, they lose heavily. And I particularly invite attention to the fact that Government many a time has been proceeding all alone in quest of establishing an equilibrium, which cannot be established without the co-operation of all sections of the people, especially the consumer, the commercial public, and the industrial public.

Now, Sir, with regard to Imperial Preference and all that, I wonder why people still talk in terms of Imperial Preference—unless they have love for the word "Imperial". It is no longer Imperial Preference, if we have any self-respect in ourselves. I am sorry: it does not imply anything—I was really stressing the fact that now the proper expression is "Commonwealth", because there is no Empire so far as we are concerned.

SHRI H. D. RAJAH : But, anyhow, preference is preference.

SHRI D. P. KARMARKAR : I was going to explain that, if my hon. friend would have patience. Our present policy, whatever it is, is

controlled by the trade agreement between His Majesty's Government of the United Kingdom and the Government of India. That is a document which contains facts. It contains an arrangement. There are lists of commodities on the import side, and there are lists of commodities on the export side. We have given them preference to the extent of about 20 principal commodities. They have given us preference in respect of some other commodities. As quiet business men having the interests of the country at heart we sit down and judge and calculate. This agreement has never had a chance. It cannot be said to have yielded any results. It was concluded in 1939, and then there was the war, and even if there had been a desire to put it into effect it would not have been possible. So we lost nothing by this preference. What happens is this. When considering this question of preference, we should not be guided by the fact principally that it is preference. Now, preference can be an advantage; it can be a handicap. We have to judge for ourselves. Take, for instance, coconut oil. In the matter of coconut oil, we give preference to the British colonial product. Assuming for the moment that that is not advantageous to us, it should be open for us to import coconut oil from wherever it can be imported. Indonesia, for instance. Indonesia suffers a handicap from this preference.

Now we have to have that fact examined. As against that supposing we have a little preference for tea 2d. a pound in the British market. How far that would be an advantage? I am sure we are not losers at all. No doubt other nations are a little care-free. We are not in a position to be a little care-free. We need not be guided by any political considerations. We should not try to bring political pressure into these things and it would be a fallacy for us to imagine for a single moment that the Government of India would be guided in such matters by political considerations. If at all there is a reaction, it would be just the other

[SHRI D. P. Karmarkar.]
way. But then situated as we are, we have to subject this document not to a hot analysis but to a cold analysis. We have to see as to how many items have been accorded preference and how do we stand in respect of them. This is a question of mutual give and take. We find that it will not be in our interests to scrap this document.

SHRI C. G. K. REDDY : May I interrupt the hon. Minister for half a minute?

MR. DEPUTY CHAIRMAN : Order, order. Let the hon. Minister finish.

SHRI D. P. KARMARKAR : So if at any moment we find by examining item by item that on a particular item we suffer or on the whole there would be no benefit to us, we can by all means scrap away this document. It could be done by six months' notice and we can say that we do not want any other agreement. There may be some people who feel we are wrong and some who feel that we are right. But if on quite a dispassionate consideration of the whole question we find that we are at a disadvantage, the Government will not hesitate to scrap this document. However, this will have the most careful consideration of the Government before they come to any final conclusion.

Sir, with regard to foreign capital much has been said and in effect one-third of the speeches delivered in this House have been on this aspect of the Bill and it is as it should be because foreign capital is a thing which if not carefully handled might become a handicap at some future date. In handling foreign capital we handle a subject matter which if it were not in the interests of the country might become a great handicap. On that point I may hardly reiterate that our policy by and large or wholly has been guided by the basic statement made by the Prime Minister. We have not departed from that policy. I shall not tease the hon. Members by repeating what that policy is but the

basic feature of that policy has been that if foreign capital has to come inside the country, it has to come on our own terms and on considerations based on national interests. We have to exercise the fullest right. The right is in us. We do feel on a dispassionate consideration of the facts that foreign capital also is very helpful, foreign technical aid is helpful, foreign personnel are helpful and to a little extent foreign management is helpful. That serves the best interests of the country and we have with open eyes permitted foreign capital and naturally this House will expect Government to be fully vigilant about the reaction of participation by foreign capital. I am happy to tell this House that Government have always given sufficient importance to this subject and will always consider this subject as a very important matter because ultimately we have to see that in proper cases foreign capital does come in. It does not come in tail-ends and it does not come in handicaps so far as it is concerned.

Whether we have been able to do anything for the good of the industry is a matter for the judgment. So far as 1952 is concerned, there might be difference of opinion. Well, the Government think they have dealt with it properly but that is a matter which is irrelevant to the principles which are always advanced for entertaining foreign capital.

Sir, there remains one point, which is a very useful suggestion. And on behalf of the Government I entirely appreciate that suggestion. It was that the Tariff Commission with its present personnel is not able to cope with its work at present and that we should enlarge it. Now, we shall assess the results of the Tariff Commission's activities at the end of the first year. Then, if we feel that they do require additional staff, we shall consider that. We shall give it the necessary co-operation. This body is created with a view to establishing a statutory body completely free of all influences and efficient in the management of its duties.

Then, I come to another aspect which has been referred to here; that is a physical aspect. It is with reference to the bicycle. Since it has been raised I propose to give some two minutes for this and conclude these observations.

Sir, observations have been made regarding, for instance, firstly, foreign participation. This is an industry where we thought that some foreign participation would help our industry. There has been, for instance, the Sen-Raleigh which has been linked with the Raleigh. Now, this subject I regret to say has been dealt with by my hon. friend Mr. Reddy for instance, if he will permit me to say, in a rather peremptory manner. Why do I say that? Because according to the Tariff Commission, our requirements of bicycles are to the extent of five lakhs. Now, the present installed capacity of the anticipated production in this country is three or four lakhs. Now, so far as actual production is concerned, the House will be happy to know that whereas in 1948 the production was 5,451, slowly, bit by bit, it has risen to 131,166 in 1952 up to September. I do not think it is evidence of any unsatisfactory progress looking to the fact that there was only one efficient unit in production till very recently. Now, there are other units coming into production. First came the Hind Cycle. Now, we have another with a capacity of 18,000. Then there is the Punjab Company with a capacity for 100,000. There are the bicycles concerns (Sen-Raleigh and the T.T.I. Co.) with 10,000 each. So, in all, the capacity is 417,500. There are plans which have to be investigated. Otherwise, it would be a great detriment effected upon the industry and to the consuming public, and it would be unconsciously promoting foreign interests in preference to our own. The manufacturers think that during the first year of production, there may not be that standard of efficiency. But it will not stay there and it would be very hard if protection is not given to them. But so far as the products for which

protection is given are concerned, this country could be proud of. Firstly, we have to take into account the materials available.

It may be in some matter the foreign makes might have achieved better results. It is one thing to say that this requires improvements and another thing to say that it can be broken in one month. I really would like to see the cycle broken by Mr. Reddy because even in the earlier days a cycle could not be broken in one month unless somebody makes it a point of breaking it. I think during the course of the next 3 or 4 years, if everything goes on well—and there is nothing that should deter its progress—this industry will greatly improve. This is one of the important industries. I think in fairness to the industry concerned, I should say this industry has been behaving well and it is one of the best industries.

SHRI S. MAHANTY (Orissa) : May I interrupt?

MR. DEPUTY CHAIRMAN : Order, order.

SHRI S. MAHANTY : Then I will ask later.

SHRI D. P. KARMARKAR : It is for the Chair to decide. I shall not enter into details with regard to other industries. Some industries have come up well. Take another instance. The other day a friend of mine brought a flask which was indigenously made and which looked very attractive. That has come out very well. Take fountain pen. We have manufactured something like 40 lakhs in number last year and they have been consumed but if I am told that it is an indigenous product and compared with Sheaffer which costs not more than Rs. 12/- then it is not a proper appreciation. It is now necessary for us to appreciate not blindly but what I might call discriminative appreciation of all that has been achieved in this country. Of course we cannot afford to pamper industries by making it too easy to defraud the public.

[Shri D. P. Karmarkar.]

At the same time it is entirely necessary to show appreciation of our own industry by ourselves patronizing it by our using them, by our speaking well of them as far as possible.

DR. RADHA KUMUD MOOKERJEE : What about the steel industry ?

SHRI D. P. KARMARKAR : My friend knows that recently a Mission has gone to the United States in order to evolve some additional capacity for producing steel. On that point there could not be a difference of opinion. It is a basic key industry and it is up to Government to do everything possible.

I shall not detain the House any longer treating on the various point that I have not been able to refer to in detail. Certain points raised by hon. Members are points that do require consideration. A number of points that have been made have been noted. Now all the factual points will be taken into consideration by our Ministry and we shall only be happy to give the best consideration.

I once again say that I appreciate very much the richness of the debate on this Bill and I hope by this time the only hon. friend over there who happened to oppose the Bill will also unanimously support the Bill because ultimately I thought this was a debate on a matter where, if we have to sum up, all this debate will come under 2 points—first the national industries have to be protected in the cause of the nation and secondly, national protection has to be utilised in such a manner as not to lead to abuse. If I have correctly summarised it, I find myself in entire agreement with that. With these words, I move the Bill.

MR. DEPUTY CHAIRMAN : The question is :

That the Bill further to amend the Indian Tariff Act, 1934, as passed by the House of the People, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN :

There are two amendments which have come late. Shri Sundarayya has given an amendment at 10 a.m. to day. Further it requires the sanction of the President under rule 83 and sanction is not being given. So I rule it out of order.

A similar amendment has come from Shri Kishen Chand. I rule it out of order for the same reasons. So there are no amendments.

Clause 2 was added to the Bill.

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

SHRI D. P. KARMARKAR : I move:

That the Bill, as passed, be returned.

SHRI B. GUPTA (West Bengal) : Mr. Deputy Chairman, we have had a fairly interesting debate over this important matter which concerns not only the industries of this country but also the economic development as a whole. Unfortunately, however, the speech that we have just heard from the hon. Deputy Minister

AN HON. MEMBER : Not Deputy Minister.

SHRI B. GUPTA : I am sorry the hon. Minister of State, in his speech has left us in doubt if anything tangible will come out of this measure. Sir, this is not the first occasion that this matter has been discussed by the Legislature of this country. In fact, for the last 32 years, this question has been discussed. Many committees have come and gone. They have made their recommendations, but nothing tangible has yet been achieved. Certain gains have been made here and there, but the basic policy remains unaltered. In the days when the British used to rule this country directly, the whole question of tariff policy and the protection policy, was conceived not from the point of view of national, industrial and economic development, but only as a means of

giving certain kind of *ad hoc* and temporary and perfunctory protection to certain industries so that those industries could stand against competition from foreign rivals. In those days, care was taken to see that the British interests were served well. Therefore this policy of protection stood side by side with what at that time was called imperial preferences. Today again, we find we have got a measure, lacking both in life and in perspective seeking to continue certain protections, at the same time leaving the question of imperial preference—now called by different names since certain things have changed and there has been a change of nomenclature—unchanged. We have got this measure which is supposed to give protection to certain industries ; but at the same time we have the continuation or perpetuation of the policy of imperial preference whereby Britain is treated as the most favoured country in relation to India's foreign trade. It is no use telling us that the import policy of the Government has undergone certain changes. After all, your import policy remains more or less what it was some ten years ago. If you look into the imports of machinery with which we are supposed to build up our industries, you will find that it accounts for less than 20 per cent. of the total imports of our country. Therefore, we are left in a state of utter backwardness, and we have got here this Bill of protection. Protection, Sir, has to be related to a policy of industrialisation of the country. Otherwise we shall be left absolutely undone before the foreign competition and left to the mercy of the capitalist markets. Take the case of steel for instance. After so many years of protection, we are still in deficit in regard to 50 per cent. of our requirements. Still we need the crutches of protection and we cannot stand on our own. That is the result of the British protection policy, the policy adumbrated and launched by the British here. One should have thought that the Congress Government, having come to power, would make an endeavour to depart from that lopsid-

ed protection policy which in fact pampers the British capitalist manufacturers. But we again find in this Bill itself that they have to be treated on a different footing compared with other countries and given all kinds of preferences.

How on earth can we stand on our legs if we have a ceiling protection policy which is supposed to safeguard our industry from the foreign traders, when he acts from his land as an exporter of materials to India and, on the other, we throw our doors wide open to the foreign capitalist to come right into our country and enter into unholy alliances with companies and set up concerns like Sen-Raleigh and others and then get into the business of direct looting ? Now, are we going to have this protection to pamper the British industries whenever they come here and set up this kind of installations, companies and concerns ? One would have thought that the Government would take care to see that the benefits of production, not an iota of them, accrue to the foreign exporters.

I know, Sir, that the Government enunciated an industrial policy in 1948 and that policy binds them to certain political and economic commitments above which they cannot get over, but that should be frankly confessed. We should be told that this is one of the reasons why the protection policy has been on the rocks despite all kinds of pious expressions of sentiments. This is the point. The protection policy is linked up with the subservience to British economy, linked up with Imperial Preference. That is the simple reason which does not let our economy stand on its own feet with the nursing care that the Government should give it and the country should give it.

Then, Sir, under the protection policy, certain industries are given protections. It is very important that certain industries which need protection in the national interests should be given protection but the liability or the responsibility of the Government does not end there.

[Shri B. Gupta.]

Once you give protection, certain duties become incumbent upon you. What are these duties? You should see that industries function in a manner which is in the interests of the country, that is to say, you should come into the picture and introduce some amount of control in production, in distribution. Otherwise, the industries so protected might abuse their protection for speculative ends, for artificially creating scarcity and for fleecing the consumers at large. We find that the Government washes its hands clean off after extending protection. What we desire the Government to do is to take vigorous steps with a view to ensuring that the protection policy is, at the same time, balanced by certain public measures, so that the consumers' interests and the interests of the real producers, namely, the workers, are served. There is no indication whatsoever in the old protection policy of this kind of measure. There is nothing here either. It is a very important question to check, to regulate the price policy. We know, Sir, that the market is rife with speculation, the competitive forces are running riot in our country and economy to a great extent is, in some sectors at any rate, in the grip of certain profiteers and monopolists. In that case, Sir, it is essential that the protection policy should be, at the same time, buttressed by a powerful economic price policy, a price policy which has to be determined not with a view to giving high dividends to shareholders or the Managing Agencies, but with a view to scaling down the prices gradually, to improving the quality, to reducing the cost of production and thus making protection itself beneficial to the people at large. There is no attempt made.

MR. DEPUTY CHAIRMAN : Order, order. Mr. Gupta, you are repeating your points. All these points were raised during the debate. Please avoid repetition.

SHRI B. GUPTA : This is another thing which is missing and, in conclusion, I would like to say that since this Bill is going to be passed, the

Government, after it has this measure, should really take some step. I know all kinds of things will come in its way, things created by the Government itself. At the same time, I would like to impress upon the hon. Minister that it is essential that vigorous measures should be taken to curb the powers of the foreign interests, the British interests, who are trying to take full advantage of this protection.

The protection of our industry should be absolutely national and patriotic, and all those in the private sector of our industry who are British or American should be shown the door. And then the doors should be closed to them. The Bill does not offer any such effective steps and safeguards. If you really want the protective policy to be effective you should see that this is done. What is more important is that the industrial policy of the Government has to be changed and recast. One cannot indefinitely live on protection, but it appears that the Government of India like to live on the policy of protection. It is essential that in certain industries, in certain sectors, the Government should take the initiative in launching schemes and industries. But if you look at the Five Year Plan—even the final Draft—you find that industrialisation has been left entirely in the hands of private industrialists. In regard to the question of developing our industry, helping our industry, I would like to remind the hon. Minister that every country in Europe had its protection policy which was continued simultaneously with the Government taking measures for helping the down trodden industries. But here you do not seem to have any responsibility beyond a declaration that certain *ad valorem* duties have been imposed. What is essential is that the Government should now, before it is too late, wake up and develop its industrial policy so that we do not have to live on the protection policy indefinitely. The State should go all out against foreign competition which is ruthless in its character and which is destroying our economy. I hope the Rip Van Winkles of Government will wake up to the dangers of foreign competition and forestall them before it is too late.

SHRI C.G.K. REDDY : I deliberately asked for a definite statement from the hon. Minister regarding preferential duties. I expected that he would set at rest all unjustified criticism, or lay down the ghost of our past, as one of our hon. Members said, but I do not know why he has not tackled it. I would like, even at this late hour, that he should let us know, if it is possible for him, whether any assessment was made by the Government, since Independence, of the advantages and disadvantages of the protective tariff to the various industries, or they are about to undertake such an assessment. If they have made any such assessment during these years, or are undertaking it, without any prejudice, regarding this protectoriff, they should let us know. If they have not started, one would like to know certainly, why this assessment was not made some years ago, as soon as we got political independence.

SHRI D.P. KARMARKAR : I would like to dwell on two points. Regarding raw materials, it has all along been our policy to help industry in the matter of supply of raw materials, and I am happy to tell you that industry to a large extent appreciates it. We have been trying to help in this matter by import of raw materials, unless reasons beyond our control predominate, as in the case of sulphur. We did not do anything in the matter of sulphur except tackle the I. M. C. for sulphur. But subject to such abnormal circumstances, it has always been the policy of Government to give the best possible assistance it can to industry, first, in respect of capital, then in respect of raw materials, and thirdly also in respect of advances from the Industrial Finance Corporation, so far as that was possible and so far as it was desired. It has all along been the policy of Government, as I said, to do its best to foster the development of industry.

The other point raised by my hon. friend Mr. Reddy is as regards the assessment of the effect of the Indo-British Agreement of 1939. As I thought I said in my earlier remarks in reply to the general debate, Government have had this matter con-

sidered. We are not in a position to make it public as to what the results of our assessment are. My hon. friend doubtless has read the Fiscal Commission's report where they have come to an intelligent analysis so far as they could on the basis of the material they had before them. For instance, in paragraph 315 and the subsequent paragraphs they give us an intelligent analysis as to the possible advantages accruing on account of our concessions to them and of their concessions to us. They have, for instance, gone into an analysis of the foreign trade. During the year 1948-49, in respect of concessions given by us, the imports from all sources of articles affected by concessions was Rs. 105,53,69,000 as against total imports from various countries, amounting to Rs. 316,79,48,000. Then, they said, the total imports of articles would be Rs. 517,99,76,000. On this would be based a calculation of the advantages on account of the concessions granted. Now, the real advantage in giving mutual concessions does not rest in the amount we save or we lose by the deduction of the concession in the import duty and by comparing that with what they lose on account of the concessions they give us. For instance, assuming for a moment that we have given a concession in respect of radios and other articles, if X be the import duty, we say that the import duty on a British article will be X minus 10. That is how preference is given. Take the consequent preference on their side. If they import tea at a particular rate from any other country, and if X be that rate, then on the tea which they import from this country the rate will be X minus 2d. You could work out the monetary advantages. It is just possible that the monetary calculations as to the advantage which they have gained from us and as to the advantage which we have gained from them, can be made. But that is not the point. The real advantage of mutual concessions would be to judge how far our exports have increased on account of the fact that they have given concessions to us, and how far their exports have increased in our markets on account of the concessions that we have given to

[Shri D. P. Karmarkar.] them, and what would be the articles in the case of which mutual benefit would result. Take tea, for instance. If we really derive an advantage in having preference in the Empire countries as against other tea-producing countries—may be 3d. or whatever is determined upon as a rational and reasonable concession—then, as an exchange, we shall have to give some concession to them in relation to what they get in the world markets. Take, for instance, cars. They will ask us for a concession in import duty, say, of 10 per cent. on British cars. Now, mutual advantage is not exactly a mathematical calculation that will give us a correct conclusion. It is not exactly as if, supposing we were to give a concession to them of, say, Rs. 10 lakhs, then they would in return give us a similar concession of Rs. 10 lakhs—it may be Rs. 5 lakhs—and therefore it may be said we were the losers. That would not be a correct criterion for judgment. The correct criterion is what would be the position as between us and the world, and what would be the position as between us and the Commonwealth countries. As I said in earlier observations, this matter is actively under consideration. Assessment has been done so far as it is practicable. As I said, it is not merely a mathematical assessment of the profits and losses on one side or the other, but an assessment rather of mutual benefits that accrue in terms of

expansion of export and import markets.

There is also another aspect to it. It appears as if by giving concessions to the United Kingdom we were injuring our industries. The other point made is about foreign participation. But the whole protective policy under which protection is granted through tariffs is in operation. For instance, if our production cost is Rs. 100 and if the U. K. product is backed by preference to the extent of 10 per cent., and is sold at Rs. 90 we make it difficult for the U. K. producer to compete in our market even with the preference in his favour.

We do not allow this preferential treatment to come in the way of the adequacy of the protection that we grant to any industry.

Sir, I have finished.

MR. DEPUTY CHAIRMAN : The Question is :

That the Bill further to amend the Indian Tariff Act, 1934, as passed by the House of the People, be returned.

The motion was adopted.

The Council then adjourned till a quarter to eleven of the clock on Tuesday, the 25th November 1952.