

that faith. But the House will do well to remember that a stage may come when it will compel people to abjure their faith in respect of certain matters. I say that day may come much sooner than many of us expect, because that will only mean the fulfilment of the ideal which the Constitution has set before us. But I think it will take some time. So far as this Bill is concerned, it does not contravene the Fundamental Rights, however strict a view you may take of Fundamental Rights.

Then, Sir, I may inform my hon. friend that it is proposed to make a motion for the circulation of the Bill for eliciting public opinion. That will be the next motion that I shall move possibly at the end of this week, at any rate before the session concludes. That, Sir, should satisfy my hon. friend. The House may discuss the Bill more carefully when all the comments are received.

MR. CHAIRMAN : The question is:

That leave be granted to introduce a Bill to provide a special form of marriage in certain cases, and for the registration of such and certain other marriages.

The motion was adopted.

SHRI C. C. BISWAS : Sir, I introduce the Bill.

INDIAN COMPANIES (AMENDMENT) BILL, 1952 —(continued)

MR. CHAIRMAN : Further discussion of the motion moved by Shri C. D. Deshmukh on the 22nd July 1952 :

That the Bill further to amend the Indian Companies Act, 1913, as passed by the House of the People, be taken into consideration.

Shri Bhupesh Gupta was in the middle of his speech the other day. There is a scriptural injunction to the effect "avoid vain repetition".

SHRI P. SUNDARAYYA (Madras) : Sir, I want to make a statement. Just now I have seen some detenus being brought with hand-cuffs and ropes and

they have been brought like this from Hyderabad jail upto the gates of the Supreme Court. I want to bring to the notice of this House and of the Ministers concerned that this treatment of the detenus is against the canons of any civilized administration and I wish that the Ministers concerned can just now go out and see how they are handcuffed and how they are roped and how they are being brought. This is an indignity not only on the detenus but also on the general civilization itself and I hope the Government will take immediate steps to see that such things are not repeated.

SHRI TAJAMUL HUSAIN (Bihar) : On a point of order....

MR. CHAIRMAN : Mr. Bhupesh Gupta will continue his speech.

SHRI B. GUPTA (West Bengal) : Sir, I shall try to keep in view your injunction on repetition. As I was trying to explain to the House the other day, the exemption sought here in this amending Bill is unmistakably in line with the concessions first demanded by the Americans and Britishers and then echoed by their friends in the business world in our own country. These concessions amount to a sort of capitulation to the Anglo-American interests and it is there that I have the strongest objection against this amending Bill.

I would like to refer to the reactions that were in evidence in the Anglo-American circles after the agreements had been reached. I would like to start with the reactions of no other than the American Ambassador in this country, Mr. Chester Bowles. Here I have got an article written by him in the "New York Times" in which he says :

"Another source of capital development is private enterprise. Recently the Indian Government guaranteed American and British private interests against nationalisation of their projected oil refineries for a twenty-five year period, and offered other inducements which would scarcely have been expected a year ago."

Mark the words 'other inducements'. We don't know the details but I suppose

[Shri B. Gupta.]

there must have been many other inducements.

Now, Sir, I would like to refer to what the British interests said on this matter. I would now refer to an observation by the diplomatic correspondent of the "Statesman" who wrote :

"Much has happened since to remove mutual misunderstanding specially after the recent agreement with one British and two American oil companies for the establishment of refineries in India."

Here again I should like to refer to another very important mouth-piece of the American industrialists, the 'Daily Compass'. It wrote 'To some extent Indian policy has actually leaned to the United States of America'. This is what the American and British interests said. Turning to their Indian friends reactions to this agreement, I would like to refer to our Ambassador to the U.S.A., Mr. B. R. Sen, who, speaking in Los Angeles said :

"We have shed our inhibitions about each other." I don't know what inhibitions he had ; but evidently they had been shed as a result of such agreements as the agreement with the Standard Vacuum Oil Company.

Then I would like to quote from the very latest issue of the *Eastern Economist* which represents a very powerful section of the monopolists in this country. I am quoting from the "Eastern Economist" of the 25th July. Commenting on the Company Law Amendment, it says :

"Thus one more step has been taken to demonstrate the extent to which the Government of India has been keen on creating the right climate for foreign capital and in providing all the reasonable facilities for its functioning in this country".

This is how the Anglo-American interests and their ambitious friends here are viewing the agreement and the situation arising out of it.

Now before I pass on to the terms of the agreement as we can make out from the various press reports including the Government's press note, I would like to refer to the Report of the

Company Law Committee. It is true that certain recommendations have been made with regard to Section 91-B of the Companies Act and the Committee has suggested certain amendments to various sections of the existing law. A suggested amendment to this particular section 91-B is also there incorporated in the schedule of this Report. But the amendment sought in this particular Bill does not automatically arise from the amendments proposed by the Committee. Of course the Company Law Committee has made a broad recommendation that the Central Authority should have the power to exempt any public company from the operation of this section if Government inform the Central Authority that such exemption is in the public interest.

Now, Sir, my case is this. The Government of India may make an exemption provided it can be made out that it is in the public interest. I don't find anywhere in the Company Law Committee's Report that they had a proposition of this sort, as in the agreement that has been reached with the Standard Oil Company. If they had a proposition of this sort before them, I don't know what they would have said. I therefore submit that they did not have in contemplation any such big agreement which would result in the installation of very powerful foreign interests in the economy of our country. Had it been otherwise, I don't know what they would have said with regard to this matter.

Now this is a very broad recommendation relating to the various companies that operate inside India. Here the position is different. We are dealing with three powerful concerns of the British and Americans, who have established their domination all over the world and whose operations in other countries are something which one shudders to think of. I leave this point at that.

Therefore it is no use just referring to the Report of the Company Law Committee because it does not throw much light on the subject except very generally.

My case against the Finance Minister is this that it is against the public interest that the exemption has been sought. If I can prove it, I would expect that he would withdraw this Bill and retrace his steps. Now we don't know the full terms of the agreement because we have not been supplied with them officially. Even so, certain things have appeared in the Press and this is what I gather from them. If I go wrong on any material point, I hope the hon. Finance Minister would be good enough to put me right and I will always stand corrected by him in matters of fact. The first condition is that the refineries will not be nationalised for twenty-five years. That, of course, has been admitted by the Government. Secondly, the Company will enjoy tariff protection for ten years after which its case will be referred to the Tariff Commission. The third is that the Company shall be allowed to import machineries at the reduced tariff rate of 5.25 per cent. The fourth condition is that there will be no duty on crude oil that the Company imports. Fifthly, the Company will make its own arrangement for the import of crude oil and the distribution, of the refinery products in India. It will also make its own arrangements for the export of surplus products outside India. The sixth condition is that the Government will help the Company in acquiring land. And of course, the exemptions that we are now dealing with will enable the company to operate freely in this country, keeping the entire control and management in their own hands. Now, it has been admitted that all the ordinary shares will go to the foreign interests—to the Americans and we can only have cumulative preferential shares. These cumulative preferential shares again we are going to have to the extent of 25 per cent. of the total capital. What does this mean? It means that Indians are not going to have any say in the control and management of this concern, although the company will be floated under the Indian Companies Act in this country. Indeed this is a very queer proposition. An American concern will set up its firm here under our municipal law and the nationals of our country will be debarred from

having any control or say in its management or administration. This is a point on which comments have already been made by business circles. The "Commerce" of December 1951 writes, "Indians will have no voice in its control and management." So it is clear that it is going to be a *pucca* American company in which our nationals will have no say. They will have nothing. They will, of course, be hewers of wood and drawers of water to bring profit to the American millionaires. Beyond that we have no status. That certainly is something that is derogatory, I should have thought, to our national honour, and derogatory to the interests of our country, and something which should have been avoided at all costs by the Government of India which likes to be called a Government safeguarding the interests of the people. The hon. Finance Minister has stated that Indians will be given training in jobs at all levels. But this assurance, I know, means nothing. Once the business gets going, once they get their foot-hold here they will soon discover, as did the British before them, that Indians are not suitable for the high technical and executive positions. And since the control and management of the concern will remain in their hands, there will be nothing to safeguard our interests. May be, some Indians, some docile Indians, will be taken in and placed here and there, just to show that Indians are being given posts; but we know that the personnel at high levels will all be composed of Americans. Also we have seen that when the Americans come here they are given fat salaries and some of them even get it income-tax free. I understand that an American has been brought over here as an executive officer on a salary of Rs. 10,000, free of income-tax! This is what will happen. The hon. Finance Minister may think otherwise, but it is not a question of what he thinks, but of what actually happens. Once you let them get entrenched in our country and get all these for them as a matter of their legal right, these things that I have referred to are sure to follow. That is a point which I would request the hon. Finance Minister to bear in mind when he replies to my submissions.

[Shri B. Gupta.]

Let me now go on to the other aspects of this subject. This oil deal has not got only one side. After all, the matter is such that it has got economic and political aspects too. Here I would like all hon. Members, including the members of the Congress Party, to tell me whether, in what I am going to say I am talking through my hat or whether I am placing certain facts and arguments which need the most serious consideration of all the parties, including Congressmen. First of all, there will be heavy investments in this country, running into, as the hon. Finance Minister himself has stated, some Rs. 60 crores. This is no small sum for a country where you find that the total invested capital in joint stock companies is very small. I do not have the latest figures, but relying on the statistics provided by the Government, I find that in 1947-48 our total joint stock companies capital stood at Rs. 569.52 crores. May be, it has increased a little now or may be, it has not. I do not know, because I do not have the latest figures. As compared to that Rs. 60 crores is no small amount. It comes to a little over 10 per cent. This is a very important factor to be considered. In our economy we are allowing these companies to have this large proportion of investment. Already we know foreign investments in this country amount to about 44.7 per cent. of our total investments. This is a matter which has got to be considered. They will have greater and greater control over our entire economy, besides the monopoly control over one sector of industry—the oil industry if it is to be given that name—over which they will have absolute monopoly and control. The hon. Finance Minister should realise that even British investment in one sector—where it is the largest namely, the tea industry—amounts to only about Rs. 51 crores. And now the Anglo-Americans in one sector alone are going to get—the three firms together I mean—more capital invested than what the British succeeded in getting in their largest industry, namely, the tea gardens. Sir, I do not want to dilate upon this point.

I will only say that this will firstly enable them to exercise economic pressure on us and then political pressure. We have experiences of such things happening in other places where American capital has gone. I know the Finance Minister will assure me that such a thing will not happen here. But I would like to ask him to name a single country where American capital has gone without bringing in its wake political and economic control. If he cannot name any such country, then he owes it to us to explain what are the reasons for which he thinks there will be a different course in India, because we feel that there will be no exception to the general rule which is the rule of American monopoly and capitalism. I would like to know from the Finance Minister why he thinks otherwise. It is no use expressing pious sentiments. It is no use doling out assurances. You must tell us what steps you are going to take to prevent such a thing happening, to check-mate Americans from controlling our economy and then exerting pressure on the political life of the country. We should like to know the terms that have been included in the agreement in order to secure ourselves against such an eventuality.

Sir, I know our Finance Minister is a very intelligent person, also that he is a very able person. But intelligence and ability are not the only tests in politics today. The Americans have made mince-meat of even men like Sir Stafford Cripps, the British Chancellor of the Exchequer. It remains to be seen whether Shri Deshmukh would be able to stand up to the Americans. If he does, all credit to him. But so far we have had no indications to be hopeful that he will be able to stand up to the people whose sole aim is to conquer the world. If the hon. Finance Minister will kindly look up the utterances of President of the American Chamber of Commerce, he will see that they expect the dollar to conquer the world. They speak of the dollar invasion. They talk about it quite freely. I would like to see how the present Government will stand up against that invasion, if it remains to be seen.

These are heavy investments. What will happen? As a result of their

monopoly control over a particular sector—and also because of the control of our foreign trade since so many things will be imported and exported. They will earn tremendous profits. They will not only control the Indian market as such but they will dictate terms for our consumers. They will dictate prices for international markets. We fear, Sir, as a result—I cannot give a correct detailed estimate of this position but it looks as if, given this free role in the matter, they would at least earn about Rs. 20 to Rs. 25 crores in gross profits. This will enable them to drain away from this country no less than between Rs. 15 to Rs. 20 crores to America and Britain. That is to say, the same process will begin, the process by which India has been sucked absolutely white, the process which has brought us so much of suffering and so much of poverty, the process of draining India's wealth out of the borders of her country. This is something which should not happen today and there is nothing in these agreements to indicate that the hon. the Finance Minister is going to stop the draining away of India's wealth by the foreigners. If our resources are going to be plundered in this manner how are we going to prosper and how are we going to live? I would like the Finance Minister to realise that Rs. 20 or Rs. 25 crores is no small amount for a country whose *per capita* income per year is not even Rs. 250/-. It is a big sum. I would like the Finance Minister to tell us as to what consolation we can have when we consider this Bill because of this kind of dangerous and grim prospect before us.

Now, it is not merely that. More things are coming. Here is a circular letter issued by the S.V.O.C. I believe hon. Members will have received it. They have started what they call a magneto meter survey of 73,000 square miles in Bengal, at the head of the Bay of Bengal, in order to locate, by initial survey, oil resources. What is it that they are going to do? They are going to find oil resources. When they discover that, they are going to graze them by all means because the oil refineries.....

SHRI B. RATH (Orissa): There has also been a secret deal.

SHRI B. GUPTA: Since you have got the oil refineries, have the oil resources as well, and then you don't have to import crude oil from outside. The Finance Minister will trot out this argument. It would mean that our resources, the resources of our country—the coal mines have gone out of our hands, plantations have gone out of our hands and other minerals have also gone out of our hands—would be passing into the hands of British and American companies, in the year of grace 1952 after all the experiences of the past. This is a prospect which is certainly very alarming to any Indian, no matter what party he belongs to.

I would like to put another question. How is it that these companies are taking a survey of our land? We from Bengal are very much perturbed about it. After the survey, if the blue prints are there, I do not know how things will turn out as far as we are concerned if a war breaks out. This survey, I submit, has some military and strategic reasons behind it and we cannot think of allowing the foreigners at all to come into our land and take surveys and photographs of our lands and resources. This is something which should be put a stop to and I would request the Finance Minister to see that this kind of agreement is not taken advantage of to carry on such surveys which have certain political military and strategic implications.

Now, Sir, there is another thing which the Finance Minister has not told us. This oil deal, as I have said, is not without some strategic implication. The Americans want to build oil dumps in India. If war breaks out as a result of what they are doing, their bases in the Middle East, whether in Saudi Arabia or in some other country, will not be very safe. They will be very vulnerable. That is why they want to build supply bases in countries, which are comparatively safe and where they can build them peacefully. That is also another factor which must be taken into account. Probably, the

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Finance Minister would say that my fears are unjustified. Well, then, let him allay my fears by giving me only a few simple assurances. I would ask the Finance Minister to give me an assurance on the floor of the House that not a drop of oil produced in the Indian refineries will be used for the aeroplanes which are raining death and germs in the fields of Korea ; that not a drop of oil will be allowed to go to fuel the mechanised units that are carrying death and destruction to Korea, Viet Nam, Malaya and other countries of South East Asia. He should tell us that not a single drop of oil got out of the sweat and toil of the Indian labourer, shall be used to crush the liberation movement of the peoples of those gallant countries. Let the Americans hear from the floor of the House such an assurance.

Probably, somebody else will say that these things are not very material in an economic contract, in a contract of a business nature. We know of Americans starting business; and they have bigger business. That is something which frightens us.

It may also be said that America is not belligerent. Legalistically, that argument may be sought to be justified. But, coming to facts, I will say that America is a belligerent nation. America is waging an illegal war against Korea and in other parts of the world. Of course, in Korea, it is doing it under the false colours of the United Nations. If you allow these imperialists to have such an installation which has strategic importance and strategic and military consequence in our country, you are not following in practice, faithfully the policy of peace that you profess. Now, Sir, it is an impossible proposition. We are crying from the house-top that we are for peace and, at the same time, knowing full well as to what Americans mean, we are allowing them to start oil refineries on our soil which is of very great military and strategic importance. After all, S.V.O.C. is one of the biggest suppliers for American war machine. It is not in the nation's interest and in the public interest to take cover under the Companies' Law and to pass this measure by presenting it as if it is in the interests of the public.

Now, Sir, this will also create complications in our international relations. There are countries which are tagged to the United States and there are countries which are outside the orbit of capitalism and which view the world situation in a different manner. But if you want to develop good relations with those countries, how would they like this thing when you are allowing the Americans to start oil refineries, which after all are really supply bases in the context of the world situation today, on the soil of India. Have that in mind ; I do not say, you give an immediate answer, but I say, have that in your view. Think about this matter ; it is not so simple as it looks because it has grave international implications. It may help Mr. B. R. Sen to shed his inhibitions, but it certainly will not relieve us of our great anxiety and fears.

The hon. Finance Minister has said that there are no political strings attached to the deal. The Finance Minister is a worldly-wise man ; he has experience ; he should know that political strings are not there just hanging. They are surreptitious ; they are subterranean. They arise from economic relations and politics after all is the quintessence of economic relationships. You cannot avoid political strings. You know the British came to India under the garb of economic and trade relations and then they conquered the whole of India. Now America is going round the world dangling their aids and loans and once they get into a country, they develop certain other relations which arise from the very fact of their 'help'. You cannot possibly escape the obvious that is happening everywhere once you fall into the trap.

Now, Sir, the Americans we know very well—and I know that a learned man like the Finance Minister also knows it—that once they get you under Wall Street, you are inevitably under Washington's State Department. That has happened with regard to England ; that has happened with regard to France. These two countries were great countries. But today they are lying

prostrate at the feet of Washington's State Department. Why ? Precisely because they fell into the trap of these loans and aids—Marshall Aid and all kinds of aids. Now the same thing will happen here. Once you go in for this kind of business, you cannot escape the nemesis ; you cannot escape the fate which has overtaken such great countries as France and Britain. Therefore, I would like the Finance Minister to consider this matter from that angle also.

Then, Sir, the Americans do not talk about these things when they sign contracts, because they know what their contracts mean. As long as Dollar domination is there, they know the rest will follow. I would like to draw the attention of the hon. Finance Minister to the views of certain eminent persons in the Administration of the United States. First of all, I would like to refer to the proceedings of the Senate Foreign Affairs Committee of March this year where the Secretary of the State Department, Mr. Acheson, gave evidence. He was asked by Senator Green whether the Foreign Aid legislation should not contain a statement saying that American people were sympathetic to the aspirations of the colonial people for freedom. That was the question he was asked and Mr. Acheson said that he—I am now quoting his words—"he would deprecate the insertion of such an expression in legislation." That is to say, Mr. Acheson, Head of the State Department, would have nothing to do with this kind of thing with even sentiments being expressed in legislation. He was quite blunt there. Now the same gentleman said something about India in the course of the same proceedings. He said that "in nations like India, Pakistan and Iran our economic and technical aid is of a substantial size to meet the needs of the urgent situation." He went on : "if there were no danger of internal subversion, we shall probably carry out technical co-operation in those countries at a slower pace....." This is what he said on March 13 of this year. Then let me quote the supreme authority of the United States of America, namely, the

President. President Truman, speaking on the same subject, expressed these views in a nation-wide broadcast : "India is faced with a kind of threat which overpowered China. We have a chance to help stop that threat not by sending guns and planes....." Then he went on to say : "We are backing India up with technical assistance and fertilisers and supplies... .." Now coming to the nearest spokesman of the Washington State Department, the United States Ambassador in India, Mr. Chester Bowles, this is what he said : "Thus, America has the unique chance to share now, before it is too late, in a village-by-village attack on the poverty and misery where communism breeds, and support the only means by which communism can be defeated among Asia's millions. Today, as Asia's future hangs in the balance, we must think and act with the broadest wisdom and understanding. After the history of communism in China, the loss of India, with the inevitable loss of other Asian countries as well, would be an incalculable disaster." What does this mean ? Reduced to simple terms, it means that the Americans are out to make another KMT China out of India. They are very sorry about the loss of Chiang-kai-Shek's China and therefore they want to make another KMT China out of our unfortunate country. That is the proclaimed aim of the Americans themselves or why should they rub in the question of China every time ? After all we should know what all this means to us, to the colonial people who are striving to be absolutely free from their bondage. Now, Sir, I wish to say this, through you, to the hon. Finance Minister. Let him deny it. I say these utterances are there ; they cannot be explained away by facile interpretations. The same words are there ; the same policy is there. Only the scene has shifted from the Kuomintang China to India. They want to turn India into a playground for their imperialist game and the Standard Oil Company which we are now inviting here, this American capital which we are getting now, is a springboard for the foul intrigues of that imperialistic power. Let the Finance Minister face the truth. The

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lessons of history bring out this truth, let him not attribute any altruistic motives to the Americans. Their motives are as plain as pikestaff. Let us not cover them. Let us face the truth and realise the dangers that looms ahead. Let the hon. Minister take courage and speak the truth and stand up to the challenge that the Americans have flung at our country.

MR. CHAIRMAN : Mr. Gupta, you asked for half an hour, but you have exceeded it very much.

SHRI B. GUPTA : In three minutes, I will finish, Sir. Now, I wish I could speak longer on this subject. (*Interruptions*). I know what the Americans, when they come, will mean to us.

SHRI H. P. SAKSENA (Uttar Pradesh) : But we are not colonial people. We all are an independent nation.

SHRI B. GUPTA : But, do not go the Chiang way even in a state of absent-mindedness.

In conclusion, Sir, what I want to say is this, that this is just an invitation to imperialism, and an invitation to war-mongers. The object is to tie us to all their games and designs which bring war. The hon. Finance Minister will ask : "Unless we get money from abroad, what am I going to do ? Where shall I find the money ?" This may be a reasonable argument. I am not blaming the Government for raising this point. But I would only like to tell him that money can be had. China is developing her industries. For want of time I will not read this out—but under the Sino-Soviet Treaty, 300 million dollars have been loaned to China at an interest of one per cent. per annum and that money is going to be utilised for developing basic industries, machinery industries and other industries, so that China becomes really industrialised. Now, that is not the way the hon. the Finance Minister is going about his business. We are not against foreign loans as such. But his is a different way. I tell the hon. the Finance Minister that he can get loans and capital even from internal sources.

Why not take away the money which the Princes have got ? You will get hundreds of crores from the Indian Princes. Why not stop the payment of privy purses to the Indian Princes ? You will get Rs. 4.5 crores. Why not take over all British industries here ? You will get their profits to develop your industries. There you will have big capital accumulation. Unless the hon. the Finance Minister realises that it is very necessary for us to develop the State sector of industries, and that can be done by immediately taking over British industries, we are not going to solve the problem of capital. Capital will always be shy if our hon. Finance Minister fights shy of getting at the British capitalists that way. Therefore, this fighting shy business does not help very much. Why don't you go after big income-tax dodgers and take their funds ? You will have a capital of 60 crores or more. We need not go out and stretch our hands to the American billionaires to be tied to their apron-strings. We can have the money from our internal sources if the hon. Finance Minister will only have the courage to take it.

I would therefore conclude by saying that the Finance Minister should rise to the occasion and should not reel off petty arguments. Let him rise to his statute—if he is really a man of statute—and take this measure back. Do not come to us with this measure at all. Take the line I have put before you, and then if you want to raise any loan, you will get sympathy and co-operation in finding the necessary money for industrialising our country for the enjoyment of the country's resources by the people of our country. But you will not succeed if you let in Americans and British to burgle our country and put shackles around our necks once again to our eternal shame. I oppose the Bill.

IO a. m.

SHRI SHRIYANS PRASAD JAIN (Bombay) : Sir, I rise to support the Bill which has been moved by the hon. the Finance Minister. I feel that the step is in the right direction. We badly need foreign capital for the

expansion of our industries. Arguments have been advanced against investment of foreign capital in our country. No doubt Indian capital has invested about Rs. 500 crores since the termination of the war, and they (Indian businessmen) have done a wonderful and creditable job. But we want more things to be done, and whatever resources we have got are not sufficient to have greater industrialisation in this country. To achieve our object we should do the utmost to attract foreign capital on reasonable and honourable terms and without injuring the interests of the country.

Some Members have argued that foreign capital will result in our degeneration and will be subversive to our interests, and instances have been quoted of Emperor Jahangir period and of recent happenings in the Middle East. I do not share those views. The analogies quoted do not apply to our situation. We have got a Government of our own, fully conscious of our country's requirements and interests, and we cannot for a moment imagine that they will betray our country and our national interest. We will have to concede that there must be safety for the foreign capital so that it may flow in here, and we should not grudge the quantum of profit if it is on a reasonable level. But if there are any political strings, we must stop at that. The Government has in the past given assurances that this is not going to be the case, and I am sure the Government is quite alive to the situation and has taken care and will take care in future also in this respect.

In some quarters apprehensions have been expressed that if this policy is pursued, indigenous capital would suffer and there is a danger of its being ousted. In this connection I should like to point out that though there is no immediate danger in relation to the proposed oil refineries there may be some danger to our existing and future new industries. My appeal to the Finance Minister is that the Government should see that there should not be any competition and such foreign

industries should be allowed to function in this country only where it is not possible for indigenous capital and personnel to take them up. Although the full text of the agreement is not before us and the note circulated by the Finance Minister does not throw any material light on the subject, I understand that in one of the companies Indian capital will be allowed to the extent of 25 per cent. and in the other company, to the extent of 10 per cent.—that is Rs. 2 crores out of Rs. 22 crores—and that too in the shape of preference shares, without any voting rights. I would suggest that this is not very fair. If in the initial stage we are not in a position to invest much more than what has been stipulated in the agreement, it should be open to us to put in more when we want to do it and when we can do it. Also we should have a voice in the management in order to look after our interests, and we should see that Indian trade and commerce get a major and substantial portion of the business. They should deal with our banks and with our insurance companies, and a good deal with our shipping companies, and the distribution and sale should be entirely in the hands of Indian businessmen. Above all, we must see that sufficient Indian technical and administrative personnel is trained and employed in all grades. The period of training should not be unnecessarily long. Foreigners used to say that our people are not so efficient as they are. But I have every confidence in our men. I am sure that if proper opportunities are afforded, they can shine equally with any foreign element. I do not share the belief of a member of the Government that foreign businessmen are superior to Indian. The results already achieved by Indian industry in adverse circumstances are proof positive against that notion.

Although this Bill has been originated in connection with oil refinery companies, its applicability is not restricted to these companies. I suppose that if any Indian company is able to convince the Government and can make out a case, such exemption will be allowed to the Indian companies too. It has been further said that certain assurances

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and certain undertakings have been given to these foreign companies in relation to nationalisation and in some other respects, for example, export duties, tariffs, etc. I would like to suggest that if there are any other Indian companies in the field, they should also be allowed some concessions and facilities, so that in similar conditions they might also come up and prosper. My only submission to the hon. Finance Minister is that there should be no discrimination between Indian and foreign capital. I can assure you that Indian companies will rise to the occasion and will serve the country, if not better, at least equally with the foreign companies.

SHRI RAMA RAO (Madras) : Mr. Chairman, on this occasion I am reminded of a Telugu proverb which says that even if you take milk under a palm tree, people would say that you are drinking toddy. This Bill comes in a sinister context. Oil has always been an inflammable substance in international disputes leading to repeated wars. Behind this is the sordid chapter of the British exploitation of India. Just now the Middle East is ablaze. Thank goodness King Farouk of Egypt is out, but the trouble in Iran has not ended.

The Communists have the rooted habit of looking at history from the wrong end of the telescope and the arguments advanced from those Benches illustrate what I have said. There is really no danger to our freedom from this agreement. They should know the story of the South American Oil Fields. When the American interests went beyond a certain stage and began to interfere in their internal politics, they were thrown out. The Wall Street bosses wanted to set the machinery of the State Department of Washington in action, but not a dog barked. British railways in Argentine were expropriated on economic grounds, but nothing happened and the British, who realised that they were not in the first half of the 19th century but in the middle of the 20th, had to reconcile themselves to their fate and keep *chup*.

What exactly is the position ? Our natural resources are unknown. Our Geological Department is mere bunkum. It has not done much. It must be made obligatory on the part of the foreign interests coming into India to explore our national resources with regard to oil.

Fears have been expressed in this House about the coming of foreign capital. They are unfounded. Do we or do we not believe in the virility and the vitality of our freedom ? If we believe in it, then there is no reason why we should be afraid of foreigners coming here, and coming here on our own invitation. Our commercial, strategic, military and naval needs require their help. We may not like it, but we have got to have them with us. If you are inviting foreign capital, it is because we do not have this particular oil industry in this country. There was a time when we were writing very strongly against investment of foreign capital in India. At least 50 editorials must have been written by me alone on this subject and in this vein. But that was before we got freedom. To-day we are a free people ; therefore, I do not see why my Communist friends should be very much afraid of it.

May I however point out to the Finance Minister the need of some safeguards ? We in this House are under a great handicap when we are being asked to pass a Bill, the basis of which has not been placed before us, namely, the agreement between the companies and the Government. I do not say that it would be always necessary for the Government to do so. They are acting in their commercial sphere and they must naturally observe the secrets of commercial practice, but it would be desirable for the Government to appoint a Committee of the Legislature, take it into confidence and reveal to it the text of the agreement. It must not be forgotten that we have got to meet the criticism of our opponents. How can we do it unless we are in a position to know what the agreement is like.

It would be necessary also to see that the agreement is properly implemented. The story goes that Riza Shah once went to one of the offices of the Anglo-Iranian Oil Company and examined the accounts. He found a number of frauds. He went next to one of the oilfields and found that, instead of a 3" pipe a 6" pipe was being used. To that extent the resources—the underground resources of the nation—were being more rapidly exploited by the company than they should have been under the subsisting agreement. We too must keep an eye on such or similar malpractices by foreign companies in our country too. It would also be necessary to see that there is no hanky-panky with regard to sale of oil and distribution of the by-products.

I do not say they will indulge in it, but I have got a right to suspect. I do not know all the implications of the agreements, but it is very necessary that we should exercise the utmost vigilance.

Sir, I am not an expert. I know very little about oil. The only oil that I know of is the midnight oil I burn. I should like to know what exactly are going to be the locations of these oil refineries. Are you going about this business correctly? I know from my own personal experience that the oil tanks were the first to be attacked in Madras City by enemy naval craft. Is it necessary that these refineries should be established only on the sea coast? Is it not possible to install them somewhere else in the interior? I know the advantages and conveniences with regard to establishment of the refineries on the sea coast. I am not aware of them, but is this absolutely necessary?

As a labour man, I would request the Finance Minister to see that, in any agreement he enters into with foreign companies, there is not a vestige of colonial economy. The idea of foreign companies generally is that Indian labour is cheap, that Indians are a nation of coolies, and

that Indian labour may be freely exploited by them. It has been said that if a jute mill^{is} opened on the banks of the Hoogly, a jute mill in Dundee would suffer. That has been the complaint of British labour. I am interested in British labour, but I am certainly interested in the self-respect of my people. It is the duty of the government of any country, particularly our Government, to ensure that the foreign companies pay the best possible wages, whether it be a clerk, a manager, or the ordinary workman. I should like to have an assurance from the Finance Minister that provision is being made in these agreements that this exploitative feature of colonial economy is not going to prevail here.

There is the Anglo-Iranian Agreement. What happened? The Anglo-Iranian Oil Co. thought that if the thousands of Iranian workers employed by them were thrown out of employment, they would go to the Government and say, "Please ask the British to stay. Otherwise, we would lose livelihood." But the magnificent, patriotic Iranian oil workers decided to lose their livelihood, being determined that the cruel exploitation of their country should come to an end. I know all such difficulties will arise from now on.

Sir, this Bill comes to us as a staggering revelation of the backward condition of our national economy. It may be necessary for us now to invite foreign concerns and let them exploit our resources. But how long are we going to allow them to do so? When are we going to exploit our resources ourselves? This is a vital question. Any agreement of this type must contain a lime clause under this head. Twenty-five years are stated to be the period for non-nationalisation of these companies. We must start making our own arrangements from now on to take them over.

PRINCIPAL DEVAPRASAD GHOSH (West Bengal): Mr. Chairman, Sir, the hon. the Finance Minister has just introduced a Bill proposing an amendment to the Indian Companies Act. In normal circumstances I would not

[Principal Devaprasad Ghosh.]

have taken part in the discussion on this amending Bill for the simple reason that my contact with companies and their shares has been of the slightest. Only when well meaning friends induce me to buy some seemingly good shares. I am persuaded to part with some of my hard-earned money, and some time later it was found that the friends have disappeared as also my money, leaving some due share-script behind in my drawers to convince me of my folly and of the truth of the old adage, "Save me from my friends." In normal circumstances I repeat, I would not have taken part in the discussion on this Bill. But this circumstances are not normal and this Bill is not an ordinary Company Law amendment. This Bill is, as the Finance Minister says, a consequential measure rendered necessary on account of certain agreements which have been entered into or which are at present being negotiated with certain foreign interests which want to start crude oil refineries in India. My task in putting forward my arguments in criticism of this measure has been rendered much easier by the very elaborate analysis which has been put in by my hon. friend, Shri Bhupesh Gupta. I must say at the outset however that my point of view is not exactly the point of view of my hon. friend which is of the leftist variety. I am not much interested in the question whether Russo-Chinese expansionism or Anglo-Saxon imperialism is the greater menace to the liberties of the world at this moment in this sixth decade of the 20th century. We may leave that question open. As to the importation of foreign capital, I do think that in certain cases foreign capital may be invited to our country considering the present nature and temperament of our indigenous capital. But then I am faced with a difficulty in the present case and it is this. We are inviting foreign capital not to exploit our resources, to utilise our resources, to develop our resources, but to set up refineries here for the purpose of refining crude

oil imported here from outside. It is not as if the sub-soil of India is oozing out oil at every pore, and we do not have experts and capital to refine this oil. That I could have understood. But I understand from the statement that the Finance Minister was pleased to make the other day that there is hardly any crude oil worth mentioning in India, or very little of that and is worked up by the Assam Oil Refinery in Digboi. I have seen this Digboi Refinery working, for I had been there some years ago. Hence as there is not much crude oil in the country, the crude oil required for these proposed foreign refineries will have to be imported from abroad. One wonders why India should go out of her way to invite foreign capital on most preferential terms. I shall come to this question later on—to set up such a business here. One could have understood negotiations conducted with foreign companies or combines for the purpose of trying to see whether oil could be extracted by the synthetic process from coal, because coal is one of our national assets. One could have understood that. I might tell you the history of Germany and her oil after Hitler came to power. As the House knows, Germany is not rich in oil resources. She has practically no resources in crude oil. In the few years between Hitler's rise to power in January 1933 and his declaration of war on Poland in September 1939, in these 6 years he managed to collect such an enormous quantity of oil that he was satisfied that he could launch the second World War. How did he do it? Foreign experts and German experts—Germany had many experts herself—were set to the task of extracting oil from the coal resources in the Ruhr basin. That is how he could accumulate so much oil in Germany. We could have understood if foreign companies were invited to exploit and utilise our coal for the purpose of extracting oil. But I do not understand what gain India is going to derive (apart from the question of capitalistic exploitation, imperialist domination and the like) from

foreign companies, who are being invited here on such preferential terms, just to import crude oil from outside, set up refineries here, and then sell, on their own terms, oil to India and also possibly to outside countries. Will the Finance Minister please let us know if there is any clause in these agreements to ensure that India will get at a cheaper rate the oil that is produced from the refineries proposed to be set up, as compared to the prices for oil imported from other countries? I would also like to ask him if he is in a position to say that our own requirements of oil would be assured by all these agreements. There are various requirements of oil in this big land, apart from civil use. We have to prepare even for unforeseen military contingencies. Even apart from that, India has got a certain requirement of oil for her normal annual consumption. Is the hon. Finance Minister in a position to inform the House as to whether India will have her full and due share of requirements, or her full quota, from the outturn of these refineries that are proposed to be started?

There is another aspect to this granting of special and favourable terms to foreigners. There are Articles in the Indian Constitution (Articles 14 and 15) which practically debar the Government from giving preferential treatment or showing any discrimination in favour of any particular section of Indians. Here it is not merely a question of preference in favour of any one section of Indians but it is a case of preference and discrimination in favour of foreigners to the detriment of the Indian people. I hope the Finance Minister will take steps to see whether the terms of the agreements do not go, if not against the letter of the Constitution, at least against the spirit of it, whether they are not in fact in gross violation of the spirit of the Constitution. To give preferential treatment to foreign firms smacks of the spirit of the capitulations which used to be a feature of European penetration in the East in the 19th century, and which in the 20th century the Eastern countries have shaken off. An argument was advanced

by the hon. Finance Minister the other day that our own capital is very shy and not forthcoming, and he was in doubt as to whether even the 2 or 3 crores envisaged in these agreements would be forthcoming. I don't know what would be the position if the Indian capitalists were given half the assurances that have been held out to these foreign firms. We read in the Press a note that the Finance Minister was kind enough to circulate in response to our request and according to that the Government of India have given certain assurances to the Standard Vacuum Oil Company, including exemption from compulsory acquisition for 25 years or exemption from certain provisions of the Industries (Development and Regulation) Act. I would like to know whether even the bigger industrialists of India have been given assurances that their ventures and the capital that they invest will not be subject to compulsory acquisition, or, as the phrase runs now-a-days, subject to nationalization for a period of 25 years. I dare say that if similar inducements were given at home, enterprising Indian Industrialists would come forward to invest their money. To us, who are more or less laymen, it seems rather curious that the Government of India have not been able yet to make up their mind as to this very intriguing thing, viz. nationalisation. Sometimes some Ministers say that private capital is more or less an unmitigated evil, and that Government will take up all concerns very soon and manage them themselves. At the same time other Ministers strike a more reassuring note and say to industrialists 'Well, we don't contemplate nationalisation within 10 years, and so on'. I think that this sort of uncertainty in the policy of the Government is the root cause of the shyness of Indian capital. Even without having recourse to methods such as those advocated by my friend on my right (Shri Bhupesh Gupta) e.g., expropriation of the Princes properties or taking away their privy purse—these are rather drastic measures—I should think that a reasonable consistency and an assurance on the part of the

[Principal Devaprasad Ghosh.] Government of India to Indian industrialists who are in the habit of investing in big projects, will suffice to bring in much more capital than the hon. Finance Minister apparently looks forward to.

The other day the Finance Minister gave us assurances that these agreements before being absolutely finalized would be placed before Parliament for consideration and discussion. If this be really his intention, I shall compliment him upon that; because these are not really simple or innocuous agreements; they practically involve far-reaching policies regarding foreign capital on which there really is room for a great deal of difference of opinion among different sections of the people—I mean the people at large and not merely parties; and it is in the fitness of things that at one stage or other Parliament should have an opportunity of discussing the terms of these agreements—I don't quite appreciate the significance or at any rate the propriety of the phrase 'disclosure would not be in the public interest'. Does that mean that the terms of the agreements are against public interest and hence they would not bear the gaze of public scrutiny? If that be so, then, I should say with all the emphasis that I command that this sort of manoeuvring and management of the affairs of the country is not to our liking. Agreements like these which envisage far-reaching changes of policy, being conceived in secret and hatched in secret and hurled on the heads of an unsuspecting public as *faits accomplis* are not very desirable. I understand that our hon. Prime Minister is in favour of an open policy, that he is in favour of "open covenants openly arrived at". Now if that be his view, and I think it is the proper view in the matter of big international agreements, I think this view should be equally applicable to these agreements which are really of the nature of international agreements, though they may come under the guise of ordinary trade agreements. I shall therefore ask our hon. Finance Minister to be

good enough to assure us that before these agreements are quite finalized he will place them before Parliament for its consideration and sanction. In the meantime the discussion of this amendment, and the discussion of the motion for the consideration of this Bill, without our really knowing the contents of these agreements, should be postponed, till the entire agreements are before the House and we are in a position to judge whether these agreements are in the interests of the nation or against them.

SHRI RAJAGOPAL NAIDU (Madras): Mr. Chairman, I am also of the opinion that this Bill should be taken up for consideration after the agreements are finalised and placed before the House. I say this because without knowing what the terms of the agreements are, we are actually groping in the dark. It has been said that it is not in the public interest to place the terms of the agreement before us. It may be so, but as I can see it, the agreements should have been entered into by the hon. Finance Minister on more honourable terms. I use the word "honourable" because I find that you have pledged our import and export policy on crude oil and refined oil to the foreign Companies by virtue of these agreements. Moreover, you have given a blank cheque to the foreign interest in the matter of oil and oil-products. Not only that. You have actually ignored a fundamental right that you have enshrined in Article 14 of the Constitution, by bringing forward the amendment that has now been brought forth before this House.

I have very carefully perused the Press Note circulated to all the Members here and I find there are some advantages to be derived as a result of these agreements. First of all there is to be a saving of Rs. 3 crores in our foreign exchange. Secondly India gets a saving of Rs. 2 crores in her exchange. Thirdly you have the provision for the training of adequate Indian personnel in refinery operations. That is a good feature of these agreements. And fourthly the by-products will be made available for subsidiary Indian industries. And

there is finally the consideration that foreign capital will be coming into India. These are very landable things indeed. But now let us take the other side of the picture—the disadvantages resulting from the agreements. In the matter of the capital investments, we find that cumulative preferential shares amounting to only 25 per cent. is going to Indians. Not a single ordinary share will be held by an Indian. Of course as a result of holding these preferential shares, we can be sure of a certain amount of dividend, but we will have no voting rights. In the matter of votes no Indian will have any voice. He will have no voice in the running of the concern. Then there is the exemption from compulsory acquisition for a period of 25 years. That means that these concerns cannot be nationalised within the period of 25 years. I cannot conceive of a more dishonourable agreement being entered into by our country, however much we may be in need of foreign capital. And then there is the exemption from certain provisions of the Industries (Development and Regulation) Act. I cannot understand how we can enter into this kind of agreement.

Coming again to the Press Note, we do not find in it anything to show whether Government is taking any interest in this concern, whether Government is having any shares in this business. I would like the hon. Minister to tell us whether the Government is taking any interest in it, whether Government will take any of the shares. If the Government takes shares, then they will have a certain voice in the running of the concern. I do not want Government to take cumulative preferential shares. They should take ordinary shares so that they may have some voice in the running of the concern.

I would also say that absolutely nothing has been indicated in the Press Note as to whether this venture is going to bring down the prices of petrol and petrol products in our country. We know how the prices of these things have gone up. The

Finance Minister has not stated so far whether petrol prices are going to be brought down, as a result of the establishment of these oil refineries in our country.

SHRI C. D. DESHMUKH : How can the Minister state anything in the middle of a speech ?

MR. CHAIRMAN : The Minister will answer these points at the end.

SHRI RAJAGOPAL NAIDU : Yes, but I was only mentioning that something could have been mentioned in their Press Note, as to whether the price of petrol is going to be brought down. I say this because we find that the prices of petrol and petrol products are increasing day by day. We are having taxes imposed by the Central Government. The State Government also imposes its taxes and in the end we have to pay such a number of taxes that the ordinary car owner finds it difficult to buy petrol nowadays. Most of the agriculturists also find it difficult to buy crude oil and other things for their oil engines, for the price of crude oil too has increased. If as a result of the establishment of these refineries in our country the prices of petrol and petrol products and crude oil could come down, I would welcome it. That will at least be one satisfactory feature of the business.

Sir, I will not take more time. I would only add that the Government should have some control over the management of these foreign concerns and not leave it all entirely to the hands of the foreigners. If you do so, then I would go to the extent of saying that you are introducing American imperialism in the matter of establishing these factories in our country.

SHRI C. P. PARIKH (Bombay) : Mr. Chairman, this amendment has been brought forward on account of the provisions in section 91B of the Indian Companies Act, 1913. The original Act exempts private limited companies from the operation of this section. This point does not seem to have been realised by some hon.

[SHRI C. P. Parikh.]
Members in this House. Public limited companies have to be formed if there is to be the participation of capital in India, because in private limited companies the share holders cannot exceed 50. Therefore, as has been explained by the hon. Finance Minister, this proposed provision is necessary so as to bring about participation of Indian capital on a certain basis.

Much has been said on preference shares allotment. I would like to say that section 145 gives the same rights to preferential shareholders in the matter of balance sheets and in the matter of profit and loss accounts. Therefore these shareholders will have a voice in the proper running of the company.

As regards the shares and the management of these companies, the hon. Finance Minister has clearly pointed out that preference shares worth only 6 crores will be available for the Standard Vacuum Oil Company and worth Rs. 2 to 3 crores for the Burmah Shell. Ordinary shares have not been provided for because I think—and I understand the business and commercial world—ordinary capital to this tune will not be subscribed in this country at present. It is only preferential capital that will be coming in and that will not come from ordinary investors but from banks and insurance companies and the like because our capacity of total annual capital formation is only Rs. 40 crores. And we have so many industries to develop with this saving of Rs. 40 crores and it is not adequate for being spent on such big ventures where technical knowledge is necessary and huge amounts have to be sunk. So with such limited participation in capital by various individual companies, how can we expect to exercise a voice in the management of these companies? What is the control where the capital is owned by private individual shareholders in large public limited companies? Even in those cases the Government is exercising control through so many legislative measures. As instances, I may point

to the Indian Companies Act, the Indian Insurance Act, the Indian Income Tax Act and the Labour Disputes Act. All these laws of India will govern this company also. This company is to be formed in India and will be governed by the laws that are prevailing in the Country at present. The exemption that has been given now is in the matter of facilitating this company in order that the contracts they may enter into with the parent company where a director is interested may not be invalid and may not be nullified. The main criterion is whether there is a desirability of permitting the establishment such industry in this country and also whether public interest will be served by establishing such industry in the country. These are the two points that have to be considered and if we do not want to establish this industry in the country then, Sir, we may clearly say so. Oil refineries have to be established to process 3 million tons of oil. This oil will be imported from foreign countries. Some hon. Members said that crude oil may be explored in this country first and then alone the question of refining it should arise. Oil industry, Sir, is a highly technical industry and in the whole world there are only 7 big companies which act in a combine and have knowledge of such extraction and utilisation. It is not enough. Over and above the technical aspect, the equipment that is required is also known only to a few. Therefore, how can we start, even if we get crude oil, a refinery industry which is also highly technical? I think efforts will be made frequently to explore our oil resources and if it is available, it would get the first priority in refining. This industry is essential for this country. If we have not got crude oil, then we may import it and refine it. What is the harm? We are importing the refined product, e.g., petrol. After we get our own crude oil we can refine it. It will take some time before we get crude oil and it cannot be explored by merely making speeches in the House or making remarks that the Government is not active. It has to be explored in

the laboratory and a lot of research has got to be done. The other advantage is that there will be so many bye-products from this industry which will be utilised in this country. This industry is also essential, not only for our internal transport but for our Defence also. This industry is absolutely essential in the public interest and we have got to go into this with those persons who want to start. One hon. Member has said that tenders be invited. Sir, do you think any industry can be started by inviting tenders? We have to start so many things

SHRI B. C. GHOSE (West Bengal) : Nobody said that.

SHRI C. P. PARIKH . Practically we are importing many things. The whole object of manufacture in this country is to be independent of foreign imports. But, no country is, however, really fully independent and each country has to import at least some raw materials. Most of the civilised nations, even America, England and Germany have to import their principal or subsidiary raw materials for many of their industries. Therefore, it is absolutely essential that an industry of this nature is soon started.

Conditions will be laid down by Government when exemption is granted under this section. Government will, naturally, see that there is no abuse of this exemption. Another thing is that Indian companies will also benefit by this section, if they can establish that exemption is in public interest and the industry will, otherwise, suffer. There will be no discrimination or preferential treatment.

The hon. Member who spoke last referred to the financial provisions. In one agreement we are saving about Rs. 4½ crores and the total saving in the two agreements may be about Rs. 9 crores. Now, Sir, this is not a drain on the country's resources; it is a definite saving. At present we are importing petrol from foreign countries. Afterwards, we shall be importing crude oil only. Over and

above that, so much of labour will get employment in the country which will reduce our other difficulties. There will not thus be any drain on our resources, as the last speaker pointed out, but there will be a large saving. If the other things, e.g., employment of labour etc., are included, then the gain will be about Rs. 15 crores. The three companies, in the matter of capital, require Rs. 50 crores. According to the foreign policy which is accepted by this Government there will be no distinction made between foreign and Indian concerns in the application of general industrial policy. Further, Sir, it is mentioned that foreign investments should be permitted in the spheres where new lines of production are to be developed requiring special advice regarding technical skill and where the volume of domestic production is small in relation to the domestic demand and the indigenous industry is not likely to expand at a sufficiently rapid pace. Further, it is also mentioned that agreement for participation of foreign capital in Indian investment will be subject to the approval of our Government. So, if we want 50 per cent. of the capital, it is open to Indians to start the industry. The present protest is coming from people who do not know how Indian capital is able to participate. If we in the industry know that there has been any preferential treatment we shall make the loudest protest. We know however our limitations. It is no use to criticise such finest technical concern when we cannot understand, when we cannot control or invest and when we have to depend upon foreigners. I may mention here, Sir, that the four industries which have been recently set up, viz., the textile machinery industry, the colour manufacturing industry, the rayon industry and the automobile industry, all of them required foreign help, foreign participation, foreign equipment and foreign technicians.

It has been made out that training should be imparted in a period of one or two years. Now, it takes nearly

[Shri C. P. Parikh.]

four years for the industry to start production. Even after it starts production, it takes some years to get into economic production. Therefore, Sir, in the matter of technical training, the training will be given as and when those who are adequately qualified and capable of realising the technicalities are brought into this industry. My hon. friends say something about technical training. I will say, Sir, that in the whole world only America and the United Kingdom are affording training facilities to Indians. It is only in those countries that 90 per cent. of our students are being trained and not in any other country—Russia or any other. It is only the Universities of America and Britain which have admitted our students. So, instead of being shown gratefulness, if they are criticised it will weaken the confidence they are having in us. It is also not proper to make accusations against the Government. Since 1947 it is our own Government and the sovereignty of India is recognised throughout the world. It is also realised that no political pressure will be brought to bear on India in influencing its decisions. That is fully recognised. Other nations tried to influence our decisions but they have failed. They know that Indian civilisation and culture are such that India will never be influenced by foreign persuasions or admonitions whether it is America, England or Russia. We have our own economic and foreign policy and we shall pursue it without in any way being influenced by other countries. What we want, Sir, is to maintain our economic and political independence and we will maintain it.

Then, Sir, when these factories are started, Indian labour will be employed. They will also require some subsidiary materials which are available in India and these factories will be run with such Indian raw materials and Indian labour. Do you think, Sir, with the present state of the country, with the ideas which are prevailing here, any foreigner will be able to exercise control over the industries

which have been located in India? Sir, I will put it the other way. The foreigners are placing confidence in us in starting these companies. It is their confidence in our present policy that makes them invest about Rs. 50 crores in India. The hon. speaker from the Communist Party has said that there is a political string in this sense that when war comes this oil will be sent to Korea and other countries. It could have happened when the British were here, but when the Indian Government is there, we have powers to stop them from doing anything which is against Indian interests. And these companies will remain in India only as long as they live as Indians, act as Indians and keep the interests of India above everything else. Therefore, Sir, there is not going to be any political subjugation, nor economic subjugation. Those people have reposed confidence in us by establishing this industry and we should not do anything by which this confidence would be shattered. If we see to the list of articles imported into this country, we have so many further industries to start and there is ample scope for all. Those foreigners who want to come to India and live as Indians should be welcome to us so long as they keep the interests of India above everything else. That is the main thing which is governing our policy.

Now, with regard to salaries it was mentioned that these salaries are tax-free. In India there are many cases where salaries are paid tax-free. The Indian Income-tax Act is there with all its provisions and it is within our power to enact further laws which we deem necessary. For example, the other day the leader of the Socialist Party said that the highest maximum salary should be fixed at Rs. 1,000. If such a law were ever to come into force, that will apply equally to these Companies also. Whatever laws are prevailing in this country will apply to them also. When these companies are registered in India, we can exercise all the control that we require. We can still enact so many laws and make the control more rigid if it is found necessary. But we should not

11 a.m.

say that these people are coming to rob us, to deceive us or to exercise political supremacy over us. If we have this in mind, we can make no progress ; no technical development will be possible and our defence will also be made very vulnerable.

We know, Sir, that at present there are two civilisations fighting each other and it is the right time to build our own economy. At this time when nations are warring with each other, we should not miss the opportunity of getting investment so long as the investor has got confidence in the Government of India and the Government are properly assured that such industry is in the best interests of the country.

Now, Sir, it may be said that the foreigners will exercise control over our resources and over our cheap labour. I may say that so many companies that had been established in India by foreigners, by Europeans and Americans, have changed hands. They are now with Indians. I can give you a list and that list will reveal that so many big industrial enterprises are taken over by Indians. Therefore it is a matter of technical progress that we come to know also the technical side of it. If you see to the history of the last five years, it will show that we have taken over many industries from foreigners who have left this country because they thought that in India now they could not further exploit the nation as they had been doing when the Britishers were here.

I have sufficiently explained that there is no drain on our wealth. It is on the contrary, saving, because instead of petrol we shall be importing crude oil and when we start manufacturing crude oil, even that import will be saved. In fact we will be saving rather than sending out money from our country by manufacture of this product.

MR. CHAIRMAN : Time is up.

SHRI C. P. PARIKH : One thing more I should like to say, that getting crude oil by synthetic process from coal is a very difficult thing and....

MR. CHAIRMAN : You had better conclude now.

SHRI C. P. PARIKH : Then, Sir, I would say a word about the prices. A question was raised whether the price of petrol would be reduced. Petrol will be sold cheaper when it is refined in this country. It is common sense ; it does not require saying. If we manufacture a thing in this country it will be decidedly cheaper than the imported product. With these few words, I commend this motion to the House.

MR. CHAIRMAN : I hope Members will impose restraint on themselves in regard to time.

SHRI KISHEN CHAND (Hyderabad) : Mr. Chairman, I am rather surprised to hear Congress Members showering praises on the United States and the United Kingdom for coming to our help. I will, Sir, in a few words place certain economic facts before you. The hon. Finance Minister stated in the other House that the foreign investments in our country amounts to Rs. 320 crores. Private economists have estimated this figure to be really Rs. 400 crores. An hon. Member has stated in this House that the total capital of joint stock companies in India is Rs. 550 crores, and that some part of this capital is idle which Government has not taken into account. So we may roughly put it at Rs. 500 crores. The foreign capital amounts to Rs. 400 crores, while Indian investment amounts to Rs. 500 crores. If these Rs. 60 crores which are to come now are added, the total foreign investment in this country will come to Rs. 460 crores. That means about 50 per cent. of the capital is in the hands of the foreigners and 50 per cent. in the hands of Indians. I submit, Sir, that this is not a healthy economy. I would ask the hon. Finance Minister to quote the example of any other country in the world where foreign investment is as high as 50 per cent. of the total invested capital. Does he think this to be a healthy state of economy ? I notice, Sir, that he wants to question these figures. There may be a variation of two or three per cent. this way or that

[Shri Kishen Chand.]

way. My line of argument would not be very much less effective if instead of 50 per cent. it turns out to be 45 per cent. and the Indian capital 55 per cent. but the fact remains that foreign capitalists have a stranglehold on our economy, that they own 50 per cent. of the invested capital of this country and that this capital earns a lot of profit. The hon. Finance Minister stated in the other House that on Rs. 320 crores the capitalists earn Rs. 38 crores every year as profit. Of this Rs. 32 crores goes out every year out of our country. We have got to pay Rs. 32 crores every year to foreign companies. Now, according to the Finance Minister's figures, it works out to 12½ per cent. on a capital of Rs. 320 crores with a profit of Rs. 38 crores. If he takes the estimates of other economists, they put the figure at Rs. 400 crores, and with the same percentage of profits, it will amount to Rs. 50 crores. These oil companies have been given special concessions, and even on a conservative basis, on their investment of Rs. 60 crores, they will earn Rs. 10 crores and we will be sending out every year Rs. 60 crores. I will ask the Hon. the Finance Minister : Does he think that our foreign trade can bear this strain of Rs. 60 crores? I can only warn the hon. Members of this House. In 1935 Mr. Churchill went on warning the House of Commons that Germany was preparing for another world war, and people laughed at him. Similarly I will warn the Finance Minister that by this policy of foreign investments we are making our country a bankrupt country. Foreigners are slowly and gradually acquiring interests in our country. Only a few days back Lever Brothers have purchased a big hydrogenation plant in Ghaziabad. There are such cases everywhere and foreign capital is expanding and acquiring Indian concerns slowly and gradually. One hon. Member has just now stated that we are going to save foreign exchange, that, after all, we are going to get crude oil, etc. In this connection, I will invite the attention of the House to one or two facts. You are aware that a few years back there was a scramble for the setting up of as-

sembly plants for motor cars in India. They were not really factories, but only assembly plants. All the important and principal parts come from outside. You will be surprised to learn what happened. I will give a concrete example. Supposing the retail price minus purchase tax of a car in England is £400. If the same car parts are sent out to India, India will reasonably expect that, £400 being the retail sale price in England, some commission would have been given to the retailer, that there would have been some cost for assembly, etc., and that the price of parts charged to the Indian factory should have been at least 35 to 40 per cent. lower ; that is to say, out of £400, if you deduct 40% or £160, you will be left with £240. On the contrary, what is the actual situation ? The parts are charged on the part price basis and not on the basis of the price of the complete car, and surprisingly, the total price of the parts comprising a car amounts to £400; and our countrymen are foolish enough to pay for the parts only the sum of £400, for which price we could have got the complete car in our country. We are very proud that we have got assembly plants, and that our labour is earning money, and that we are getting so much profit but we are paying all this out of our own pockets. When the foreigner gets for his parts the full price of his car, he is not interested in selling the complete car.

I will give another similar instance. Hon. Members must have seen in the newspapers that the price of a tyre of 600 × 16 size is 8½ dollars in America—that is, round about Rs. 40. The price of the same tyre in India is Rs. 200. It can be found out from the market today. I ask, Sir, whether it is wise for us to have a foreign company in India which is charging such an excessive price, and our Government does not pay any attention to it ? Is it bringing any benefit to us when we are paying five times the price for the same goods which are manufactured in our country ?

Some Members have said that there is at present a law about private companies and there was no need for this

law if it had been a private company or a subsidiary company. Simply because it is going to be a public limited company, this amendment has been brought in by the Hon. Finance Minister. Well, Sir, the foreigner is very wise. He knows that if it is a private company, or if it is a subsidiary company of a major company, then the world income comes under the income-tax law. He does not want to pay income-tax on his world income. In order to avoid paying income-tax on his world income, he does not make it a private limited company or a subsidiary company, but he makes it a public limited company. What is the good of a public limited company in which the nationals of this country do not have any share capital, do not have any voice of control, do not have any share in the management? Recently the Government of India announced that they would not permit any company to be floated on the joint stock basis in which 51 per cent. of Indian capital is not permitted. The Hon. Finance Minister will turn round and say that Indian capital is shy and they cannot get it, that they have got to start this industry, and how are they going to get the money? When we were entering into an agreement with the companies, we must have imposed a condition that 51 per cent. of the capital should be earmarked for Indians, and for the time being the sponsoring company should have advanced money in the shape of loans or debentures. As and when Indian capital was prepared to come forward, they could have repaid those loans slowly and gradually, and in ten years' time we could have built up 51 per cent. of the Indian capital. During this period we could have kept a partly paid up capital and thus enjoyed the full rights of management and control in the company.

I submit another point for the consideration of the hon. Finance Minister. The price of petrol c.i.f. is only about 10 annas a gallon. The price of petrol in Delhi is about Rs. 2-12-0 per gallon. The remaining amount is transport charges or excise duty or sales tax or various other taxes. The port price before landing is only 10

annas per gallon or Rs. 150 per ton. The foreign company has been wise. They have stipulated that there will be no import duty levied on the crude oil. A news item has recently appeared in the newspapers that there is a case going on in the Supreme Court of America against a few oil companies to the effect that these oil companies have formed themselves into a monopoly and are charging high prices for their crude oil. I ask the hon. Minister what guarantee there is that these oil companies, when they import crude oil into India, will not charge us Rs. 200 a ton? In that case we will be really paying for crude oil 50 per cent. more than what we are paying for petrol, and all the labour charges of the refineries will come out of the poor Indian pockets.

If the hon. Minister assures us that the foreign capital will come in on a temporary basis and will explain to us the know-how and technicalities of the industry, then certainly we can allow it to come in. But if there is no restriction on the price of crude oil, if there is no restriction on the plant and machinery that is going to be imported into our country, how can we give this permission? Suppose for the import of machinery and plant the promoting company charges excessively high prices, it would have made a profit there at the very first stroke. Supposing instead of Rs. 10,000 they put Rs. 20,000 as the cost of machinery, how is the Finance Minister going to safeguard the interests of our country? The Finance Minister has got to put in such clauses in the agreement that the holding or sponsoring company does not cheat the Indian people. Then, Sir, the period of 25 years we have allowed is excessively long. Some members have already pointed out that our Government is ultimately wedded to the idea of nationalisation. Our main objective, if we want to develop this country, lies in the nationalisation of all industries. With that goal and objective before us, is it right to enter into agreements extending over a period of 25 years? Some Members may rightly ask the hon. Finance Minister: Is he going to extend to

[Shri Kishen Chand.]
all Indian industries the same concession of 25 years against any scheme of nationalisation. The prospect is too far and too long and world conditions will change much before that.

Then our real objective as stated by the Father of the Nation was to develop small scale and cottage industries. We will see that in the matter of small scale and cottage industries the need for capital will not be so great. The capital is only required for very large scale industries because there is a time lag between the laying out of the machinery and its production. I will suggest a simple way—though it is a little risky way—of finding capital internally to meet the industrialisation schemes of our country. I submit, Sir, that if we go on with cottage industries and small scale industries, the time lag between production and investment can be reduced to one or two years. Our idea is to industrialise the country, say at the rate of about 50 crores every year. And if we go in for deficit financing or, in other words, I may say, if we go in for printing of a little more notes, if we can increase our currency by about 50 crores every year, the Finance Minister will be afraid that it will lead to inflation. Well, Sir, as I have said before, if the consumer goods in the market also come in the same proportion, then it does not lead to inflation. It is after all the proportion between the availability of consumer goods and the note circulation, that is to be kept in mind and if we can by the use of cottage industries and small scale industries, reduce the gap between the production of consumer goods and the installation of machinery we can utilise this method of deficit financing for our industrialisation.

Lastly, Sir, I want to come to the point of our sterling balances. As I have said just now these foreign companies are earning over 50 crores of rupees on their capital, and we have got to send out every year 50 crores of rupees, but our money to the extent of 500 crores is lying in England and is

earning only 8 crores of rupees at 1½ per cent. rate, which the hon. Finance Minister stated a few days back in this House. Sir, only 30 crores of rupees are being released every year from the sterling balances so that in 20 years' time the sterling balances will disappear and will become nothing. We are now getting or we will continue to get in the next 2 or 3 years about Rs. 30 crores towards principal and about Rs. 7 or 8 crores towards interest, making a total of Rs. 38 crores every year but we are paying on a much smaller amount of 400 crores of rupees nearly 50 crores every year. That means our countrymen are really getting the capital back in the shape of our payment of interest. Is it right for our country, Sir? Is it in the best interests of our economy that we should allow our accumulated investments amounting to 500 crores of rupees to lie in England and earn only 8 crores of rupees and permit foreign companies to earn 50 crores of rupees on half the capital invested in our country? Would it not be much better if we insist that these foreign companies' account is settled by adjustment with our sterling balances. If it is adjusted—and I take the figure of the hon. Finance Minister that 320 crores will be adjusted towards it—we will still be left with a substantial balance of 280 crores which should suffice for the entire trade needs of our country and foreign exchange needs of our country.

I submit, Sir, that three years back the late hon. Finance Minister when he went to attend the Commonwealth Conference, let down the interests of this country. He let down the country when he agreed to the devaluation of our currency. He let down the country when he did not insist that the foreign investments in India be adjusted with sterling balances. I will have occasion to clear these points later on when my amendments are moved but now I am just opposing the motion.

MR. CHAIRMAN : Now I should like you to have just 5 minutes each because so many have already spoken and expressed their views.

MAJ.-GEN. S. S. SOKHEY (Nominated): Mr. Chairman, I did not intend to take part in this debate because I did not feel myself competent to do so. But a very important issue has been raised and that is of technical education. A Member speaking a little while ago stated that Indians were at present getting technical training from England and America. There is a great deal of confusion in the country on this subject. The fact is that really Indians are getting no facilities for training in large scale production methods by working in plants. We have to be grateful to England and America for all they are doing for our students. They take them to their universities and to their technical institutes. The United Nations' specialised agencies also have offered fellowships to our students to go to those countries. But we must remember that the technical knowledge needed for working factories and plants is not to be had in universities and technical institutes. The normal progress of a process is to work in a scientific laboratory where preliminary researches are made and new methods are evolved, and then work in technical institutes on small pilot plants to take those laboratory methods a little further. And thereafter come methods for large scale production developed in full sized plants. It was these large scale methods of production that I was referring to. These methods necessary to run a plant can be learnt only in a factory and let us all not forget the fact that in England and in America all factories are privately owned. They do not run those factories to train students from abroad to make them go back to their countries to run similar factories. And therefore if we are clear that neither in England, nor in America nor elsewhere are we at present getting for our people any technical training to run plants, we would do something realistic to make good this deficiency. But at present there is a great deal of ignorance on the subject which is confusing the whole issue. I remember very well that some years ago Shri Dalal, in charge of the Planning Department had invited the American technician Mr. Cressy to advise the

Government of India on certain matters. He gave the right advice as to how we should proceed to get facilities for training for our men in large scale production methods. At present England and America export so much of consumer goods for sale in this country, for profit. We should indicate to those countries that in future we are going to manufacture all these consumer goods ourselves and therefore we would be agreeable to buy machinery for making these consumer goods. Then we should organise a single agency to place orders for such machinery, and orders should contain a condition that orders will be placed only if the companies are agreeable to have an adequate number of Indian workers placed in American plants. He said that unless we work on some such lines we would not get any training facilities for our scientists and technicians.

I would like to make my last point. Since we have failed to get the necessary training in England and America—these are not the countries that would be willing to provide us with the sort of training that we require—I would urge that we should explore the possibility of getting the necessary facilities in U.S.S.R. My experience shows that we are likely to be very successful. In 1939 we made a small quantity of atabrin in the Haffkine Institute and wanted to explore the possibility of making it on a commercial basis. We wrote to Voks in Moscow asking for information on making atabrin on a large scale for we knew Russia was making atabrin. They wrote back giving completely detailed information on the process for the manufacture of atabrin, designs and specifications of equipment and all other relevant information. But they suggested that since it is not easy to start an industry from written instructions, we should send some of our chemists to work in their plant. They had no royalties to charge and no commercial secrets to keep. We should explore these possibilities ; common sense demands it.

SHRI B. P. AGARWAL (West Bengal): Sir, we have been discussing

[Shri B. P. Agarwal.] this amending Bill here for some time and from what I have heard from hon. Members, I find that there is a good deal of fear in the minds of various members that by allowing these companies to operate here, perhaps we might make our country to be easily exploited, as was our experience with the East India Co. and the like in the past. I think that the situation has considerably changed. If the strong East India Co. and its Empire which was established later could be uprooted from this country as the result of our national awakening, there is no reason for us to fear a similar situation arising in future.

SHRI C. G. K. REDDY (Mysore) : Does the hon. Member suggest that we should go through all that again ?

SHRI B. P. AGARWAL : Not in the least. In view of our independent position, I do not see any reason why we should not go in for the capital that we need for the development of our country, to foreign sources if we ourselves have not got sufficient resources at our disposal. The point to consider is whether an oil industry is needed in this country. Of course, our great handicap is that we have not got sufficient crude oil within the country. It cannot be created overnight. It requires elaborate investigation and research. I think some researches are already going on. The Standard Oil Co. are also conducting some researches. Perhaps later researches may prove that we could improve our resources in oil. There is a fear in the minds of some Members that, if we establish oil refineries in this country controlled by foreign interests, that will be draining a lot of our money from this country. I do not understand what they mean by this. Take the United Kingdom and Japan. These countries are without any materials needed for the textile industry. The U. K. does not grow any cotton, nor does Japan grow any cotton. But still they import cotton from outside, manufacture it into finished products and then export them to other countries. They are not draining their money from their

respective countries. By processing the raw material, they are raising the value of the raw material, and whatever rise in value that is brought about goes to those countries. Similarly, if we import crude oil from foreign countries and refine it here, we shall be only enhancing the value of that crude oil.

PRINCIPAL DEVAPRASAD GHOSH : But those countries are not doing it by importing capital from abroad. They are doing it with their indigenous capital.

SHRI B. P. AGARWAL : Capital is not the only thing. Even if we have the capital, I do not think we can develop this industry without foreign help.

One other point I would like to know from the hon. the Finance Minister, and that is whether the agreements we are negotiating with foreign companies are subject to the jurisdiction of our courts, or whether the International Court will have anything to do with them. Recently the Iranian oil dispute has been before the International Court. Though these companies will be Indian companies, I would still like to know whether these agreements would be subject to the jurisdiction of our Courts.

Another point that Principal Ghosh raised was that, if facilities similar to those we are allowing these foreign companies are allowed to Indian companies, probably Indian capital would be forthcoming. Although in this particular industry, Indian capital alone may not have been of much help, still there is some truth in what Principal Ghosh has said. For instance, our Ministers are making declarations here and there that some industries will be nationalised before long, etc. and naturally there is some sort of fear in the minds of the business people. Naturally there is a certain amount of shyness on the part of Indian capital.

Another suggestion that I would like to make is that we should have some Indian directors on these companies, because there will be many

big economic questions involved in them, and so we must have some sort of control over the activities of these companies, so that Indian interests could properly be safeguarded. I think the Government should make some such provision in the agreements that they are negotiating with these foreign concerns. With these few suggestions, I support the Bill.

SHRI M. VALIULLAH (Mysore) : Sir, one aspect is altogether forgotten by the opposite party. Supposing there is no amendment of this Companies Act, the position will be that we will be importing petrol as at present and on that petrol we have no control and we have no control on the management or the producing agency or on the price and if we have a refinery here in India it will give employment to a number of people of Indian origin. It will train a good number of Indian apprentices and workers. It was stated by a Member on the opposite side that the price of petrol may go up as was the case in tyres. He gave the example that in America a tyre is sold for about Rs. 40/- and the same is sold in India at about Rs. 200/- when it is manufactured in India. I would like to ask the Member whether he would be able to import tyres from America at Rs. 40/-. So whether it is produced in India or America it is going to be sold for Rs. 200/- and therefore the argument based on such facts will not take us any where. The same Member asked why we should not have capital invested on fifty-fifty basis. No doubt our Government will try to strike as good a bargain as possible. In case the companies are not willing to accept terms of that kind, then we will have to strike the best of the bargain and take whatever is beneficial to us. It is pointed out by a Member of the opposite party that after the refinery is started here, it may be open to the company to sell the crude oil or petrol as they liked—even at the rate of Rs. 200 per ton. Even as it is, without the companies starting any refinery here, if there is a combination in the oil companies of the world, nothing prevents them from raising the price

of crude oil or even of petrol. For fear that there will be a combination of such a type it is not right that we should stop and not start the industry. I have a suggestion to make. We are purchasing the machinery from the same place from which we are getting the capital and also the know-how technical knowledge. If it can be divided, it would be better. I say this on the basis of the Persian refineries. There are the refineries in Persia and there are people coming forward to tell them how they should be worked. Similarly we can purchase machinery from one place and get the other aid from some other source. That will give us a little hold over the management.

SHRI M. MANJURAN (Travancore-Cochin) : Sir, I am afraid this amendment seeks to make secret agreements a condition of the present Government. This amendment is not with regard particularly to these two agreements entered into with the S. V. O. C. and Burmah Shell Oil Co. but with regard to all agreements signed hereafter, and seeks not to bring the matter before Parliament when an agreement is entered into between our Government and any other foreign interest. I am interested in this matter from the point of view of workers. I was representing the workers of the S. V. O. C. and Burmah Shell and I found that these two companies have the most incorrigible relations with workers in this country. In certain adjudications when the Court should have gone into their accounts, they refused to submit the accounts, and the Government did not take any action. Such are the parties with whom we are going to enter into secret agreements. When there were no agreements they had the audacity to flout the desire of the State to furnish the accounts so that the bonus to the workers could be settled. This could not be done. One month's bonus or something which the company offered had to be accepted by the workers, just because the accounts could not be produced. That is the type of people with whom we are going into agreements. What is the condition of the workers? The condition is

[Shri M. Manjuran.]
 most deplorable. If that were so when there were no agreements, when these agreements are signed and when Government is also subject to certain conditions according to the agreement, the workers will be maltreated. It is stated that they will be training some people in the operation of these refineries. It is a very indefinite business. There are a lot of operations—they might be taking Indians as "coolies". Will they take the top engineers from India? Nothing is indicated. What happens is, prices are definitely going to be controlled, wages are going to be controlled. And this agreement would result in internal dissensions and external aggression. The other foreign powers are not going to see that our ports are infested with American refineries and American troops to guard them. So external aggression has to be anticipated and so also internal dissensions, because the workers are going to be most affected. We are going to have the most pitiable conditions. It is Imperialism and for the last one and a half century we have seen what Imperialism has meant. I am reminded of the instance of the Manchu dynasty conquering China in 1644, when they made a demand that the Chinese men should grow pigtails and long feet should be grown by the women because Chinese women used to put on wooden shoes to control the growth of their feet. There was a compromise arrived at by which the men had to grow pigtails and the women had to grow big feet. So they had one old bad custom retained and a new bad habit acquired. Now British imperialism is remaining in the shape of the wooden shoes of Burma Shell and the pigtail of American imperialism is grown in the shape of S.V.O.C.

There has been much talk about capitalization, independence and so many good things. Stalwart champions of commerce and trade were saying that they would have objected to it if they had thought the amendment was against the interests of commerce. But if at all we are to see to anybody's interest, it is the interest of

the people as a whole not a few people representing commerce and industry that should count. It is for the 100 % people of this country that commerce and industry should be here. It is not for a few stalwart champions of multi-millionaires to say that commerce and industry should be run in a particular manner. We have been oppressed for centuries and we don't want this oppression. So this secretive method of entering into an agreement and this Government going to perpetuate itself by foreign aid are most objectionable to us.

SHRI S. MAHANTY (Orissa) :
 Mr. Chairman, this Bill has three aspects to be considered. The first is advisability of throwing open the flood-gates of foreign capital on India. The second is the propriety of waiving Section 91-B of the Companies' Act so far as these companies are concerned. The third is the desirability of entering into some secret agreements with certain foreign firms behind the back of the sovereign Indian Parliament and that too a popularly elected one and then coming to Parliament with a non-chalant Mona Lisa smile for obtaining sanction to those agreements.

I am not the person to attribute any motive to any person but the fact remains to be said that such secret and behind the back agreement remind me of a very dark chapter of Chinese history. One hon. Member, just now referred to the Manchu dynasty of China. Towards the close of the nineteenth century when Manchu dynasty was about to pass into the oblivion of history, that great statesman of Chinese reaction Lee Hung Cheng went to Moscow and entered into a secret agreement with Count Witte and Manchuria was ceded in the bargain. I don't know what the terms of the agreements are, but the genesis of this whole question makes us smell a rat in it. Now, Sir, you know on the 25th February the American Ambassador H. E. Mr. Chester Bowles in a Press conference in Bombay—it was a memorable Press conference—said Mr. J. C. Kumarappa was a very foolish man, because the later characterised

U. S. aid to India as a noose around India's neck. In that Press conference H. E. Chester Bowles stated that he had recommended firms of joint Indo-U. S. origin, U. S. to appoint officers at New Delhi and Washington to explore the possibility.

So after the 25th of February, the American officials in New Delhi were exploring the possibilities. And then, recently the diplomatic correspondent of *The Statesman* after nearly four months has reported :

"After four years' chequered course the negotiations between the Indian and the U. S. A. Governments for the conclusion of a treaty of friendship, commerce and navigation are nearing completion."

Here we would like to know whether this agreement that we are now discussing is part of this treaty. And then the same diplomatic correspondent goes on to say :

"It seems that this agreement which extended over a number of points arose basically from the American views on the Government of India's industrial policy Resolution of 1948."

Here I may mention that some of the points adumbrated in the Resolution of 1948 related to certain protection for national industries against foreign capital. So I wish to be informed if this secret alliance forms part of this treaty which is so galling to our national pride. A foreign company, a beggar, is the chooser and dictates terms to us and we have to accept them. I will leave it at that.

The question of foreign capital has been raised so often and it has been stated that for the rapid industrialisation of this country we must have foreign capital. But let me point out that this is a very dangerous oversimplification. The history of China proves abundantly that the logical corollary of this theory would be that India must accept political subservience to the creditor country. It can be said, not without a certain amount of exactitude, that the history of China in the early twentieth century is being repeated in India, today. Sun Yat-Sen also one day thought he would industrialise China by getting the aid of foreign capital. The

Nanking Government also based their hopes on this belief and thought that China could be industrialised through the aid of foreign capital. But what happened? The Chinese have learned from bitter experience that no amount of foreign capital could improve their national economy. There is also the lesson that we have to learn from the conduct of the East India Company. They came with the obvious and ostensible purpose of helping us. Now it is unfortunate that the Congress Cabinet.....

(Time bell rings.)

Yes, I hear your bell ring, Sir, and as I have not got much time left, I can only say that your ring synchronises with the death knell of India's national prosperity. Well as I was saying the Congress Cabinet, like the typical Bourbons, seem to learn nothing and forget nothing. No less a person than Pandit Jawaharlal Nehru said, as Chairman of the Congress National Planning Committee :

"The investment of foreign capital in India in agricultural, mineral and industrial concerns since the establishment of British rule has resulted in the acquisition by foreign interests of a measure of control over India's economic and political life which has thwarted and retarded national development."

Let me not be told by the hon. Finance Minister that consistency is not a virtue lest I retort that inconsistency is the prerogative of the harlot.

Coming now to the merits of the question.....

MR. CHAIRMAN : You have made your points?

SHRI S. MAHANTY : Not yet, Sir.

MR. CHAIRMAN : Yes, what is your last point?

SHRI P. V. NARAYANA (Madras) : He is only just coming to the subject proper.

SHRI S. MAHANTY : We have already seen what havoc the East India Company played in this country.

[Shri S. Mahanty.]

We do not know whether the East India Company is going to be equated with the Standard Vacuum Oil Company or if the Great Moghuls of Old Delhi are going to be equated with the new Moghuls of New Delhi. History will prove it and I leave the whole matter to history.

SHRI C. G. K. REDDY : Sir, I am supposed to be in the habit of going on arguing, according to the Finance Minister, without hearing the the retreat bugle.

MR. CHAIRMAN : You are not going to do that today.

SHRI C. G. K. REDDY : I would only say that I never recognised the necessity for a retreat bugle at all in the first instance.

We have found that so far as the disadvantages arising out of this invitation to foreign capital to come into India are concerned, they have already been explained from this side of the House very ably and in great detail. Now, what I would like to know is why this agreement should have been made in the manner in which it has been made. I think, Sir, apart from Parliament being supreme, the people are supreme, they are more supreme than Parliament. It may be said from the Government Benches that since we have parliamentary democracy and the party in power has been returned in a majority, therefore when Parliament passes this Bill, there the matter ends. I would say that more than Parliament the people are supreme and the people have not given us or this Parliament or this majority party, or the Government their agreement on this question. I say this because according to this agreement we are committed to certain conditions for the next twenty-five years. Now, if we accept, as we must accept, that the people are supreme, then we have to realise that we have not asked the people for their endorsement on this question. And even if we had asked them and if we have had their mandate, if the Government had the mandate of the people in this regard as in every other regard, we cannot say that in 25 years things

will not change. Suppose the people want to say that this agreement is to be cancelled, then what recourse do we have? We are committing ourselves for the next 25 years in the hope that in the next 25 years the people of our country will continue to endorse this agreement with all the conditions in it. This I feel is assuming too much, and I should like to know what are the circumstances that made it necessary for us to commit this country and the people of India without an express mandate on that point, for the next 25 years. There may be four or five other Governments coming into power during the period of this agreement. I do not think that this Government will stay for ever or for the next 25 years. At least I hope not, and there are many who also do not hope so. There is no guarantee that those responsible for this agreement will stay here to see that these conditions are adhered to.

Moreover, in this matter we have been faced with a *fait accompli*. The agreement has already been entered into and this Bill is only a consequential measure. If we do not pass this Bill we would place the Government in a very embarrassing position. We may perhaps be placing the people in an embarrassing position, because on certain occasions it is not possible for us to divide the country or the people from the Government.

We cannot throw out this Bill. It will embarrass them and put the country in a false position. Therefore, in cases like this, the Government which faces us with a *fait accompli* is in a dangerous position; it puts everybody in a very embarrassing position. It may be pleaded that there were extenuating circumstances. It may be said that even though these agreements were entered into before the results of the elections were announced, there were certain extenuating circumstances. I do not know what extenuating circumstances there were unless the previous Government in December 1951, made sure by all steps that they would continue, that they would be returned to power. Without that assurance no one could

predict what sort of Government this country was going to have after the elections. Yet, we have, in December 1951, an agreement signed. The future of the country for the next 25 years in this regard was signed away even before the results of the elections came in. These two principles, Sir, I feel are very essential principles of any democracy which ought to have been respected by the Government. I find that they have not adhered to the principles and that they have placed us in a very embarrassing position.

If I may be allowed to touch on the merits of the case very briefly, I may say this in addition to what has been said from this side. During the last one week, we have witnessed a drama that is going on in Egypt. We are seeing for the last one year a more exciting drama that is going on in Persia. I do not know if the Finance Minister knows who are the people playing this game or not. If I may try to inform him—I don't think that it is necessary—there are certain interests foreign interests, who are playing this game, not only in respect of oil but in all other respects. They are throwing out Governments, putting up another Government, instigating political murders and *coup d'etats* and all that. Even an army is induced to insurrect. It is not a matter of history which happened 50 years ago. It was only two days ago that King Farouk was asked to abdicate. No one believes that he was asked to abdicate because the people in Egypt wanted him to. Those of us who are politically informed out to know that there is a hand behind the general who marched to the palace asking King Farouk to abdicate. I want to draw the attention of this Government to the danger that we are getting into by inviting foreign capital and by embedding them into the economy and the politics of the country.....

(Time bell rings.)

12 noon.

I will finish in a little while, Sir... unless they are unconscious of this.

But, if Government is not conscious of events which are taking place almost next door to us I feel that that Government has no business to get into an agreement of this nature. If they are conscious, I can only charge them that they hope, with these interests which they are inviting, which are coming under their auspices, to keep themselves in power for the next 25 years. I ask them, and I want a considered answer, if they are conscious of the drama that is now going on in this world, or do they expect that these interests who have been invited to this country will finance their political machine, will support them and help keep them in power for the next twenty-five years. I do not want to accuse them of such a thing and I hope they are not guilty of such an infamous act, but I think there could be no other interpretation of their act, and, no other inference from it.

Lastly, Sir, I should like to refer to some remarks which my friend Mr. Rama Rao made during his speech. I thought I was one of the few irresponsible Members of this House, but I find I am in good company. Sir, he said something about expropriation and indirectly suggested that we could put these agreements at naught. I do not know if the Government will agree to it, but I thought they were very unfortunate statements in the sense that we have entered into an agreement and we should not say that we have other intentions behind this agreement. Now, it will be left to the Finance Minister to make an embarrassing statement perhaps either to confirm or deny the things that Mr. Rama Rao had said. Even if we had such things in our mind let us keep them to ourselves and let us not embarrass an agreement which has already been signed. Lastly, Sir.....

(Time bell rings.)

MR. CHAIRMAN : You said 'lastly' once before.

SHRI C. G. K. REDDY : I will finish it, Sir. Lastly, I want to say something regarding the price of oil and the technical 'know-how'. I would

[Shri C. G. K. Reddy.] only say that if in spite of the opposition this Bill is going to be passed and agreements and further agreements are going to be entered into, then I would like to refer the House to the advertisement that we see every day in the papers regarding Burmah-Shell. They end the advertisement by saying "Burmah-Shell, in India's life—and part of it". After the passage of this Bill and after the working of this agreement, I should like to suggest that the following caption be adopted: "Burmah-Shell in India's economy, in India's politics, and part of it".

JANAB M. MUHAMMAD ISMAIL SAHEB (Madras) : Sir, I would straightaway say that I wholeheartedly support this Bill. I would like to place before the House only one or two ideas that have been working in my mind all the time that I sat listening to the speeches that were made in the House. Sir, much of the criticism that we have been hearing today and the other day has been based upon what we call inferiority complex and the appeal made by those critics has been made with that complex. Sir, they forget that India today is not what it was 200 years ago when the East India Company or the Portuguese or the Dutch might have come in. India is not Persia. Even taking Persia, what happened there in that small country? She does not allow herself to be brow-beaten by one of the greatest powers in the world. She is resisting. If it were the case with that small country, what would be our position and what would be our attitude? People forget that the world has changed ever so much and we cannot always live in the past. Today we heard things because of the inferiority complex under which many of our friends seem to be labouring.

What exactly is the position under the agreement? This agreement, Sir, I may say, has been entered into by the people who have been placed in power by the people and, under the Constitution, they have got powers to enter into such agreements in the name of the people. Rightly or wrongly,

these people are there and it is the country that has placed them in power. We have, therefore, to take the agreement as it is. What does the agreement do? We are consuming a lot of petrol which is vital in every sphere of life. What this agreement proposes to do is to bring here in India oil in the crude form and then have it refined, thereby giving a lot of employment to our people. That is surely and decidedly to the advantage of the country. Nobody can gainsay this fact. The one thing the Government will have to do and we have to request them to do is to see that the price of crude oil when it enters our country under this agreement is reasonable. They say that this is a vital article, an article which has caused so many wars in the world. Supposing there is war in the world. Without this agreement what would be our position? We shall be without oil. Under this agreement, if the plant has been put up, if war breaks out we shall be in possession of so much of oil and by products of oil in the country.

SHRI C. G. K. REDDY : From where?

JANAB M. MUHAMMAD ISMAIL SAHEB : From somewhere. Supposing we are unable to get any fresh oil after the declaration of war, there would still be a good stock in the country. It may not be sufficient for our purpose, but, to that extent at least, we shall be benefited. So, I do not think that there is much to be said against what the Government have done.

(Time bell rings.)

With these words, Sir, I support the Bill.

SHRI C. D. DESHMUKH : Mr. Chairman, there has never been so much said about so little. It is obvious that the Opposition have had a field day and they have decided to give rein to all the possible prejudices that they have been entertaining and to be chased by all the bogeys and phantoms with which they have been tormenting their imagination. The hon. Member opposite in particular still seems to feel hurt

by the results of the last election, because there is no speech in which he does not harp on that subject.

The latest proposition which he has advanced is that knowing that things are happening in Egypt and Iran today, yesterday or a week ago, we should not have entered into these agreements in November or December ! Well, that is a feat which, in the relativity of time, I confess Government find quite incapable of performing. It would have been an exercise in prognostication which, I am quite certain, would have beaten even the hon. Member himself, ingenuous as he is.

PRINCIPAL DEVAPRASAD GHOSH : But Iran was simmering even then.

SHRI C. D. DESHMUKH : I was referring to what was referred to by the hon. Member.

SHRI C. G. K. REDDY : But I said Iran also.

SHRI C. D. DESHMUKH : Not what was simmering, but what has boiled over today.

Well, Sir, actually we were not thinking in terms of election at all. These things, these executive actions of Government go on all the time and have no particular relationship to any election campaign. It just happens that in view of the nature of this industry 25 years was mentioned ; it might have been 10 years or it might have been five years—the period of non-nationalisation as it has been called. Surely, Sir, that does not mean that the Government for the time being conveys the guarantee that they will remain in office for 25 years, 10 years or 5 years—whatever the period may be. This is an ordinary incident of all Government agreements, although I must say that if the Members of the Opposition treat public questions the way they have been doing, it may be that the Congress will continue in power for that time. But that is only a personal prognostication and that really does not enter into this matter at all. I see the hon. Member is making notes for amendments.

SHRI C. G. K. REDDY : Oh, no : oh, no.

SHRI C. D. DESHMUKH : Well, Sir, the first thing to realise is that we are short both in capital and in technical skill and in both I think that whatever we can obtain can be absorbed for our needs. There is no stage which I can foresee at which we can say : “ Well, we have received enough capital ; we have received enough technical assistance.” Therefore our needs being so inexhaustible, all the arguments which say that if we had done such and such a thing, if we had nationalised all the existing foreign companies, we might get all the capital that we need, are besides the point and that I think will be clear to hon. Members when the final version of the plans comes before them in the fulness of time. They will see that against what we want to do, what we should like to do for the country, we are able to do only say, one-half, one-third or one-quarter. Now, it may be that certain hon. Members believe genuinely that if the general social and economic scheme which they are advocating is adopted, capital formation or the capital available to the Government for State enterprises might be augmented. That is possible, but I say that even if that were true, it does not prove that there will be no more need for foreign capital or for technical know-how.

Now, I have already said in the course of my speeches in the other House that oil is a very very specialised business and I did say that some countries have come into trouble on account of trying to ignore the fact that the number of high-level oil technicians in the world is limited and is confined to certain countries. There is no getting away from that fact. It may be that in 10 years, 20 years or 25 years with the help of our own scientists we might be able to build up a corps of oil technicians, but at the moment we have not got them. Well then the next question is—why do we want this particular know-how ? Why do we want to refine crude oil ? That is a legitimate question. I think the answer is—and that was also given in the course of my speech—two-fold. One is that we

[Shri C. D. Deshmukh.] share in whatever profits there are of a fresh manufacturing process. Secondly we save foreign exchange, that is to say, we pay a little less perhaps for the crude oil than for the petrol. And I think there is a third and that is if there are any hostilities and one never knows—we have been reminded that we are living in a troubled world—then, crude oil is easier to store and I believe more difficult to ignite than petrol and ever from the security point of view it is useful that we should have some kind of a plant which would handle crude oil rather than petrol. As a matter of fact, Sir, another country, a neighbour country, which got to know that we have entered into this agreement, promptly proceeded to persuade some of the companies concerned to agree to start a refinery also within their territory and I believe that their intention was also the same, that is to say, that they had an eye to the security aspect of this matter.

Now, if the House agrees so far that there was some justification for trying to get a refinery here, then various other things follow, but before I go to that, I would like to dispose of one matter which was mentioned and that is the question why we did not think of starting a plant for synthesising coal and get petrol from coal. Petrol is produced not only from coal but oil-bearing shales. But we do not have oil-bearing shales. We have a kind of coal which will do for the purpose. On the other hand I believe that process has not made such progress in the country as to establish that synthesised oil of this kind is cheaper than the oil we should be able to get through refining crude oil. It is still in an experimental stage and with our own resources we are not really in a position to hazard our wherewithal on experiments which are still to be proved successful. If they are successful there is nothing to stop us from trying to establish a plant for synthesising coal. The present situation is that we require about 300 million gallons of oil and the consumption goes up by about 10 per cent. and it may be that in a few years' time we will need far more oil so that there is room both for the product of

this refinery and for any product that we might get out of a plant for synthesising coal and for any other oil that we might find.

PRINCIPAL DEVAPRASAD GHOSH: Have any steps been taken by the Government of India with regard to synthetic oil extraction from coal in the shape of consultation with American or German technical experts?

SHRI C. D. DESHMUKH : Yes. These problems have been under consideration for the last four years and have some bearing on the time element. It is not as if we woke up one fine morning and said : " Let us have some agreement with B. O. C. or Burmah-Shell." These matters have been discussed since 1948, and at one time I know, since I have been associated with the Planning Commission, we discussed the various memoranda as to which was better : " Should we start a plant for synthesising coal, or should we have a refinery, or should have both ?" I believe the final decision was that we should have both.

Now, that leads me to the very thing which I may dispose of here, because it has no great connection with this particular issue, and that is this so-called oil survey that is going on here. I have this paper from S. V. O. C. which was referred to by the hon. Member Mr. Gupta. It seems to me that, if he has used that paper for his argument, I do not think he has read it. Whether it is the same letter I do not know. The second sentence in the letter is :

" The purpose of this survey was to study the conditions of rock layers under ground and so provide a clue to the location of possible oil-bearing structures in that area."

Then there is a nice diagram given of the possible oil-bearing strata which lie crumpled up in that fold, where there is a possibility of one's finding oil. I would like to know from the hon. Member whether this is the document that he referred to.

SHRI B. GUPTA : Yes.

SHRI C. D. DESHMUKH : If that is so, then I suggest that his argument that the Americans are surveying the surface of the country for war purposes falls to the ground. I am not a military man ; I am not acquainted with

military strategy. But I cannot see what use an enemy can make of the disposition of underground rock layers. The other argument is that the Americans have been over this country during the last war, and whatever knowledge they need for military purposes they must have. They must have maps in far greater detail, and even knowledge about the minerals of this country, I should imagine, because they have had opportunities during war time. They went to Orissa. There are various other direct and open ways by which the United States could acquire knowledge, though not necessarily for the purpose which the hon. Member suspects. So, I think he is really giving way to unnecessary suspicion in regard to this survey.

The point that I am mentioning here is that if we are fortunate in locating supplies of crude oil, then the situation will change very materially to our advantage. We do not quite know yet. There is a clause here in the so-called agreement which I would like to read out :

"Purchase of crude oil at world market prices prevailing at the time and place of shipment with freedom of choice as to source of supply."

That is the general condition. The crude oil will most likely originate from the Persian Gulf area. Now, that is not an agreement, but only an indication :

"It is understood that preference shall be given to crude oil produced in India by S. V. O. C. or a subsidiary. The crude oil to be delivered to the refinery without adversely affecting the products of the refinery and their quality."

and so on. So, there is some possibility of (a) our finding crude oil, and (b) our using the crude oil for the purposes of this refinery. Well, Sir, so far as these "agreements"—and again I use the word "agreement" in inverted commas—there are two sides to the agreement. Hon. Members expressed various wishes. Why did we not have this ? Why did we not have that ? Why did not we have 75 per cent. control ? Why did not we insist on this and that ? If we had been less business like we might have said :

"We want 100 per cent. control. but you must put in 35 million dollars." Certainly we could have advanced that proposition. But I doubt if it would have been accepted, and if I should have been here today to ask you to pass this little Bill of mine. Probably then the negotiations would have proved short-lived. I can only assure hon. Members that a large number of experienced people, officers and others, busied themselves with these negotiations, and what has emerged is the final result. Now, that may or may not appear to be the consummation of all negotiations to certain Members. But we can only say that we tried our best to get the best terms to us in view of the fact that we thought (a) that the refineries would be of advantage to India, and (b) we badly wanted the technical know-how and the opportunities for employment and technical training. Now, in regard to technical training also I did make a statement, but I do not know whether hon. Members of this House take judicial notice of what is said in the other House—they seem to ignore it—or whether some sort of amnesia comes over them. A statement was made that these companies only employ coolies. Now, I can only reiterate what I said there, that the agreement says that Indians would be trained at all levels. Now, "at all levels" does not mean only the lowest level. I would not use the word "coolie", but I believe it was used by the hon. Member opposite. He would no doubt come down on us like a ton of bricks if we used that word.

SHRI M. MANJURAN : That is the word which the companies use.

MR. CHAIRMAN : "Coolies" within quotation marks.

SHRI C. D. DESHMUKH : I might at once disavow any intention to use that word myself. I am also using that word within inverted commas.

Sir, this is the condition :—

"It will ensure that the Indian company will arrange for the training of an adequate number of Indian personnel in refining operations for employment in the refinery and

[Shri C. D. Deshmukh.]

subject to the right of the management to select personnel, will employ Indians in all capacities whenever qualified Indian personnel shall be available."

SHRI B. GUPTA : Whenever Indian personnel shall be available. No percentage is fixed. In terms of a contract it means nothing. It may mean one, or it may mean one hundred.

SHRI C. D. DESHMUKH : That is right. All these stipulations have to be interpreted in a reasonable spirit. We do not know today how many Indians will feel that they are adept in this particular vocation.

SHRI M. MANJURAN : How could there be qualified Indians in an industry unknown to us ?

SHRI C. D. DESHMUKH : Yes. That is the answer to the question by the hon. Member opposite (Shri Gupta). I thank the hon. Member very much, because he has answered the point raised by his Leader. That explains why no numbers are given here. It is not such a very big point. That is all that I have to say on this point. I only added in the other House that it is fully our intention to see that this is carried out. I also said that we are seized of the general problem of the training of Indians, and it is our intention to see that all possible facilities are provided to young Indians for training in all enterprises managed by foreign concerns.

The other point is that this really is not an agreement, in the sense that it is not an agreement as between two nations. The question of jurisdiction of courts and so on was raised. It is a proposal by the Standard Vacuum Oil Company for the establishment of an oil refinery in Bombay. They addressed a letter to the Secretary to the Government of India. This is after the negotiations. They say that during the course of the negotiations you said the following things could be done—the following assurances could be given—and we will try and do this ; on our part we will give you the assurance that we shall do this and that and so on. And then there is a letter

by the Government of India. We say : "Yes, we have received your letter." This is the language of the letter :

"I am directed to inform you that the Government of India approve the proposal....."

It is not a question of any agreement. "We approve the proposal for the establishment of an oil refinery in India submitted by you and agree to give the various assurances asked for." Then there was a further letter by the company pointing out that if according to the wishes of the Government of India a public company was to be started, then there would be some difficulty by reason of the existing provisions of section 91B. It was really not a part of the original agreement. It struck them afterwards when they tried to think out how the agreement should be implemented. In the meanwhile, we had suggested to them that they had better start a private limited company. That really disposes of the objection raised in this respect. In a private limited company there are certain advantages and certain disadvantages. And as a matter of judgment we came to the conclusion that it should be a public limited company, and that is why we now come forward with this measure. Then there was a great deal said about secret, clandestine and subterranean agreements and so on, but there again, as I said in the other House, at this moment I am not in a position to place all these agreements. There are many clauses which I could read out now. But there are a few which I would not like to read out because we are in the midst of negotiations with the third company. Since we are negotiating with a third company and there are certain elements in this which we would not like them to know, I cannot even indicate their nature except to say that they are not stingy.

SHRI M. MANJURAN : May I put a question ? Is there any cartel agreement between these three companies ?

SHRI C. D. DESHMUKH : No.

SHRI M. MANJURAN : Not in India, but outside ?

SHRI C. D. DESHMUKH : That is a matter of common knowledge. The whole of the oil business is, I believe, a very closely integrated business except I suppose in U. S. S. R. which is quite different. But I mean in the rest of the world, whether it is Dutch..... and that incidentally answers the question raised by my hon. Member saying 'Why not Dutch?'. Whether you call it Dutch or Greek or British or U. S. A. they have at some point or other some agreements or some internal communications ; for instance in connection with the question of prices. Now the price of petroleum products is determined all over the world, except as I said the U. S. S. R. side, on what is called the Gulf Parity Formula, i.e., the prices of the Gulf of Mexico plus c.i.f. charges at the point of the importing country. Oil companies cannot, even if they want to, sell their products at lower than this due to the mutually agreed arrangements among the oil interests. The prices of even the by-products are fixed according to this Gulf Parity Formula. Setting up the refineries, therefore, I am afraid is not going to affect this issue. Now whether this is a desirable state of affairs or not, it is not for me to say. There is a specialised business with a certain element of monopoly in it. We wanted oil and we are importing oil. If we do not have the refineries, we would still import the oil. So it is not as if any new industry is being started to supply a product which we were not having before. I think that is an aspect of the matter which was not always kept in view by the hon. Members who criticised this particular arrangement.

Then there was one more question asked which I should like to deal before I come to the general point of foreign investments. And that is : Is this oil going to be used for war purposes in Korea or wherever it may be ? Now as a matter of fact these refineries are not going to be able to turn out aviation petrol at all.

SHRI B. GUPTA ; Motor cars, jeeps, tanks.

SHRI C. D. DESHMUKH : I was asked about the aviation, I think. But anyway, as I said, since they are going to turn out less petrol than what we are using ourselves, there can be no question of our exporting the petrol which is turned out by these refineries for purposes of war. And I can assure the hon. Members that that kind of thing could not possibly happen.

I think that in the course of my observations I have dealt with most of the questions that were possible for me. They have been so many that it is difficult to answer them *seriatim* or categorically. But if any hon. Member feels that I have not answered his specific question, he would remind me before I go on to the question of foreign investments.

SHRI RAJAGOPAL NAIDU : What about Government taking some shares ?

SHRI C. D. DESHMUKH : At the moment Government needs again all the money that it can get for carrying out the various projects that are included in the Five Year Plan and unless you take a substantial share, there is no question of exercising any direct control. The capital is not Rs. 50 crores or anything like that. It is Rs. 20 crores in one case and 35 million dollars or about Rs. 16 or 17 crores in another case, altogether about Rs. 37 crores. We do not know yet about the third agreement. It may come up to Rs. 50 crores. But at the moment it is Rs. 37 crores and for the same reason for which we did not insist on the Indian portion being larger, Government have at the moment no intention of taking up a share but that does not mean that if suitable conditions exist—I think it is a very thin hope—Government would not try to obtain some shares. But I do not think that it is going to affect any question of direct control. Indeed it is of the essence of this agreement that so far as the control is concerned, it should remain in the hands of these two parent companies. Now you may say "You shouldn't have agreed to it." My answer is : "Possibly there might be no agreement." By and large Government have announced their policy

[Shri C. D. Deshmukh.] that whenever there is any foreign investment here, they would ensure that control remains with the residents of the country. But I say it will depend on how great your need is. Take the case of steel. Now for the production of 500, 000 tons of steel it may require Rs. 90 crores and if we have not got that money and if foreign people—may be Germans or Japanese or others—come and say “We are prepared to put our money into this undertaking provided you give 66 per cent. to us and you take 33 per cent.” then are we to say ‘No’? Unless we get complete control of this enterprise, we will not make an agreement with them. I think therefore exceptions can be recognised if the merits of the case justify. Now whether the merits of the case justify in the present case, I leave it to the judgment of the House. From the study that I have been able to make, it is not an agreement made by me. It was made on the Works, Production and Supply side. I am only concerned with the more troublesome end, namely, the amendment of the Company Law *plus* of course the little revenue that will come to me by way of income-tax and saving in foreign exchange. So those matters were dealt with by the other Ministry. That is the answer to the question.

SHRI B. P. AGARWAL : Any director on the board of these companies ?

SHRI C. D. DESHMUKH : You cannot claim to have a director on a board unless you take some financial risk. I think one must look to this question from a businessman's point of view. Is it right for Government to say : “Yes we are obliging you by inviting you to start refineries in this country and we are entitled to receive about Rs. 37 crores of investment. We have welcomed you but before we allow you to set your foot on our holy land, we like to have two or three directors so as to know what you are doing—although we are not having any financial stake in it ?” I do not think that is the language of business. And what was pointed out by the hon. Member

here is very true that now-a-days Governments have so many other ways of controlling industries without actually having a financial stake in them. As the hon. Member opposite said, that is a matter which I cannot elaborate without causing embarrassment or causing apprehension in the minds of many people. I am only stating the fact that with various powers that Government have or are capable of taking in public interest, Government are not helpless.

Therefore it does not serve any useful purpose to harp back to history and say what happened in the Lord's year 1870 when so much foreign investment came and with it so much foreign domination came. Things have changed now. I think, if I might put it in a manner which will not cause any apprehensions, things can be looked at now more in the light of equity and reason in all the relations between nations and nations and nationals and nationals. I think that general statement can be made. Therefore I do not see, so far as this particular matter is concerned, that there is any danger of any domination by the interests concerned which are both from the U. S. A. as well as from the U. K. Somebody asked me the question, “Can I quote an example where there is foreign capital and yet no domination ?” I say, “Yes”. There is a good deal of U. K. capital in the U. S. A. today. The U. S. A. was developed by U. K. capital. I believe I am right in saying this historically.

SHRI B. GUPTA : The question was, “Can you name any country where there is U. S. capital which has not brought in its wake some kind of political domination ?”

SHRI C. D. DESHMUKH : I am sure I can answer the question. Take Canada. I think figures were given the other day in “The Economist” of the amount of capital which has gone into Canada from the U. S. A. in the last two years. These are the figures. They are from the London “Economist” of the 5th July 1952 This is

what it says : "Canada's New Horizon" is the title of this :

"Canada's progress has been helped by an enormous inflow of American capital in recent years. The U. S. investment in Canada was 960 million dollars during 1950."

SHRI B. C. GHOSE : The economy of Canada is more integrated with the U. S. economy than with the British economy, and that is the reason why..

SHRI C. D. DESHMUKH : If for every answer that I give, there is a further question put, then there is no end of this. I am saying that when conditions are suitable—and the hon. Member himself has conceded this—the inflow of foreign capital need not necessarily lead to domination. I should say that, although our conditions are not precisely parallel to those of Canada, yet there are other elements in our economy which would help us to resist any establishment of foreign domination. Now, one can carry this argument for ever, but so far as the figures are concerned, I have given a direct answer to the question which the hon. Member asked, and I would like to point out that these 960 million dollars compare very favourably with the 300 million dollars which were quoted as having been made available to another country of about 4 million inhabitants. Now, this is in 1950 :

"In 1951, 560 million dollars went to Canada. Since the end of the war, foreign investment in Canada has increased from 2,332 million dollars to 9,424 million dollars."

This is for a country of 15 million people. Therefore, I would ask the House to have a sense of perspective in this matter, and not, as I said, to allow themselves to be hunted by bogeys and phantoms.

PRINCIPAL DEVAPRASAD GHOSH : In the matter of oil, I would like to know whether Indian requirements will be given priorities, i.e. whether there will be a continuous steady supply of oil from the refineries to meet all Indian needs before export is allowed to other countries ?

SHRI C. D. DESHMUKH : I have already said that there is no surplus for export. There is less oil produced

than we shall be able to consume. That, I will say, is quite beyond doubt. Well, there may be room for more. One never knows. If our development goes on at much more rapid pace than today, it may be that our consumption of petrol would be a measure of our progress.

Sir, the hon. Member from Hyderabad, I think, rather mixed up the figures. He started with the figure of 400 and then he changed it to 320, and then when he came to the figure of Rs. 30 or 38 crores which were to be remitted, then he switched back to the old figure. I am afraid he has been somewhat taking liberties with the figures.

SHRI KISHEN CHAND : I said 30 crores or 320.

SHRI C. D. DESHMUKH : I know. Some people had put it at 400. Therefore, he went on to infer a ratio between 400 and 560 which was the figure quoted by some other people and said that this was 50%. He quoted different figures and drew conclusions which were convenient to him. Anyway, I will give the figures. Portfolio investments—which mean personal investments in ordinary and preference shares, debentures of Indian companies and firms not involving control—are Rs. 66·80 crores of which U. K. is Rs. 40·80 crores. This is on the 30th June 1948. This is based on the census of foreign liabilities and assets conducted by the Reserve Bank of India. I have not got later figures. It is not possible to collect later figures, unless one has another census. The U. S. investment was Rs. 1·06 crores. Then direct investment which is investment in ordinary shares or investment in branches of foreign firms or investment in controlled partnerships is Rs. 253·62 crores of which the U.K. share is Rs. 189·34, and U. S. Rs. 16·91, and the grand total of portfolio and direct is that figure of Rs. 320·42 crores. These are book values. That is to say, one would have to go into their present valuation, which is anybody's guess. It is not right to go back on the book figures. What is

[Shri C. D. Deshmukh.]
remitted is the present figure, and therefore the present figures are not really to be compared with the old figure of 320. It has changed hands. The actual return is not as high as hon. Members have made out. In any case, if his argument is that there is a vast difference between what the Central Bank obtains on its investments and on its currency reserves and what people obtain on their direct investment, then he is only mentioning a truism. That is an economic platitude which does not need to be mentioned. There is always that difference. People would not invest their money unless it is profitable. The reason why we are not getting any foreign investment is that the levels of profit in other countries, especially in the U.S.A., are very much higher. I could give figures, information, to the House but that could only be for the purpose of driving the point home, but I think it should be apparent to hon. Members.

Then the same hon. Member suggested very annoyingly that we better tap all this money and it is not really very much. It is not going to be sufficient to enable us to carry out our Five Year Plan. I agree with him, I can assure him. But even so, if he is somewhat meticulous in economic matters, let us consider his suggestion. He said we ought to buy them out because we have plenty of sterling. I think he is living in dream-world of his own because the present value of this is not Rs. 320·42 crores. What it is I decline to say. He may make his own calculations and secondly, the sterling balances that we have left now are earmarked for two purposes. One is for our current import surplus needs if I may put it so and we are counting on that for the implementation of our plan. The figure given in the draft Five Year Plan was about Rs. 290 crores. I don't think it would be so much now because one year has already passed, we have drawn upon it and it is very much less now. The other need is to maintain a currency reserve. Now apparently in the theory of the hon. Member a currency reserve is not required at all or the balance for ordinary trade or import are not

required. Either the one or the other is excluded by his suggestion. I rather think that he thinks that we can get along without currency reserves.

SHRI KISHEN CHAND : I did not say so.

SHRI C. D. DESHMUKH : You did not say but that is the inference.

SHRI C. G. K. REDDY : He left behind Rs. 280 crores for you.

SHRI C. D. DESHMUKH : I said he wants either. The rest of it, as the House knows, has already been put in a currency reserve which, together with the barter, works to 40% cover for our note circulation and we cannot touch it. No country draws on its currency reserves. Therefore for all practical purposes all we have got is the rest. Therefore it is quite impossible to entertain a suggestion that we use our sterling balances for the purposes of acquiring all these foreign investments. That is not to say that I do not recognize the importance of getting more capital for implementation of the Plan. I can assure hon. Members that I am worried more by that question than by anything else because I have to wrestle with it every day of my life. I am at my wit's end to see how the resources can be collected for carrying out the plan, the elasticity of which appears to be indefinite. It is growing under my very eyes like the Jack's bean-stalk. Now a suggestion has been made by hon. Members who are no doubt believing in it that this cannot be done merely by foreign aid. I agree. It cannot be done by drawing on the sterling resources which are now accumulated. It cannot be done merely by direct taxation. I think that is also correct because you may have as much force as you like for your taxation measures but you must have the administrative machinery with which you can match the wits of other people whose intentions are not to satisfy us. Therefore, what is left? Suggestions are made that we should have State trading and that we should take over industries but

these are matters of timing and judgement. I do not wish to enter upon that including a particular suggestion that if we start a lot of cottage industries, then we might get all the consumption goods that we need and then we can indulge in deficit financing to our heart's content. Even there I do not think the hon. Member is living on illusion. It has proved very difficult to start cottage industries that will survive and maintain themselves and have an enduring market. Therefore the result of the suggestion will be that the nation will be sick if it depends too much on Nasik. Therefore we cannot really depend even on deficit financing. Now which of these measures Government should follow in the current year is a matter for the Planning Commission. I should be encroaching on their field if I were to enter into a disquisition of how we should raise capital although as I say I see some reason behind what they are saying. It may be that there are sectors in which Government can take less cautious steps and that leads me to the other question whether Government is prepared to give a guarantee of non-nationalization for 25 years to the other industrialists. That question, I think, is misconceived because we are not getting technical skill from inside but we are importing technical skill from abroad and that in a matter like oil is much more important than even the matter of capital. We might have said we wish to find foreign exchange and we might even print notes—it may meet the internal problem but the technique is not there so easy to buy and therefore that difficulty still remains.

Now I think I have dealt with most of the points that have been raised by hon. Members. One of them quoted Bharathi. He said something about sheep-skin. I should like to give one quotation and that is :

बन्धनानि खलु सन्ति बहूनि ।

स्नेह रज्जुकृत बन्धन मय्यतु ॥

There are many kinds of tie-ups but the tie-up of good-will is quite different, and I should like to say one last word and that is that in Sanskrit 'Sneh' means oil.

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SHRI S. N. MAZUMDAR (West Bengal) : I should like the views of the hon. Finance Minister on one aspect. My friend Mr. Reddy referred to the oil politics in Middle East. These foreign monopoly interests resort to intrigues and espionage and political assassinations. I should like to know from the hon. Finance Minister what steps would he be able to take to see that such activities are not resorted to and to control them if resorted to.

MR. DEPUTY CHAIRMAN : The question is :

That the Bill further to amend the Indian Companies Act, 1913, as passed by the House of the People, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN : We will take up clause by clause consideration of the Bill. We take clause 2.

There are amendments to this. Mr. Kishen Chand.

SHRI KISHEN CHAND : I move :

That in clause 2 of the Bill, to the proposed sub-section (4) of section 91 B of the Indian Companies Act, 1913, the following proviso be added :—

“Provided that where a company is exempted from the application of this section, all agreements between the holding company and the subsidiary must receive the approval of Central Government ; further that the holding company does not inflate the capital of the subsidiary company by over-capitalisation of plant, machinery, etc., nor charge high prices for raw materials, nor pay high salaries to its employees in order to reduce profits in India.”

MR. DEPUTY CHAIRMAN : The other amendments to this clause may also be moved and then discussion may be taken up on all the amendments.

No. 2 Shri H. D. Rajah—not present. Mr. B. C. Ghose.

SHRI B. C. GHOSE : Sir, I move :

That in clause 2 of the Bill, at the end of the proposed sub-section (4) of section 91 B of the Indian Companies Act, 1913, the following words be added :

“and a copy of such notification shall be laid before each House of Parliament.”

SHRI ABDUL RAZAK (Travancore-Cochin) : Before I move my amendment, I would like to make a change with your permission which is purely verbal, i.e., in line 7 in the body of the amendment, after the word 'requirement' and before the word 'apart' the words 'shall be' be inserted in place of 'is'. I would like to move the amendment with the change that I have just now indicated.

That in clause 2 of the Bill, to the proposed sub-section (4) of section 91B of the Indian Companies Act, 1913, the following proviso be added :

"Provided, however, that the company having received exemption from the Government shall publish in a newspaper for the benefit of the share-holders a summary of any contract or arrangement in which a director is either directly or indirectly concerned or interested and this requirement shall be apart from any other statutory obligation for disclosure of a Director's interest in the company."

SHRI KISHEN CHAND : Mr. Deputy Chairman, I did not realise that my amendment would come up today and therefore I did not bring a copy of the Indian Companies Act. But.....

SHRI B. C. GHOSE : Sir, if you will permit me, I may say something on my amendment and my hon. friend can have his say later.

SHRI KISHEN CHAND : No, no, I will continue.

MR. DEPUTY CHAIRMAN : Shri Kishen Chand will continue his speech.

SHRI KISHEN CHAND : At the very outset I approached the hon. Finance Minister and he told me that my amendment was not properly worded. He pointed out that there was no question of a holding company or a subsidiary company. But may I bring to the attention of the hon. Finance Minister that in his Statement of Objects and Reasons, the words "holding company" have been used extensively? The relationship here is this. There is a foreign company which is going to hold a number of

shares, and there is going to be an Indian company—a public Indian company—in which shares are being taken. The words "subsidiary company" used by me refer to the Indian company which is going to be started by the holding company. I may here point out that the words "subsidiary company" have a technical meaning in the Indian Companies Act, but where I have used them, I have done so in the ordinary meaning of the word and they refer to the Indian company to be started by the holding company. I have used the words "subsidiary company" not in the technical sense but in the common meaning that they have in the language. The fact is, there are two things. There is the foreign company and there is the Indian joint stock company which the foreign company is going to start. The word "subsidiary" used by me relates to the Indian company to be started by the holding company. If deemed necessary, this word "subsidiary" can be changed—it will only be a verbal change—and the words "the Indian public company started by the holding company" may be substituted.

Now, coming to the arguments as to why I have brought forward this amendment, I will later on explain to the hon. Minister my arguments regarding our sterling balances. Now I am concerned only with this amendment of mine. As I pointed out a few minutes ago, we want to start these oil refineries in order to make some savings in our foreign exchange, in order to provide greater employment to our countrymen and to have larger resources of petrol in times of war and other times of need, because, as the hon. Finance Minister has pointed out, it is easier to store crude oil as it is less inflammable than petrol. All this I admit. But as I have pointed out, in my principal argument, the cost of the imported article is the principal thing. I gave the example of Dunlop Company who are charging very high prices for motor-car tyres by raising the price of the imported raw material. In this case also, suppose the foreign

company or the holding company does the same thing here, what will happen? They supply us the crude oil and as the hon. Finance Minister pointed out, there is some sort of a secret understanding between all the oil companies of the world except those that are established in the U.S.S.R. All these companies, whether they are called the Anglo-Iranian Oil Company, or the Burmah Oil Company or the Texas Company or Socony or Caltex, essentially have an understanding about the price of crude oil.

MR. DEPUTY CHAIRMAN : How much more time is the hon. Member likely to take ?

SHRI KISHEN CHAND : About half an hour, Sir.

MR. DEPUTY CHAIRMAN : Then we will resume the debate tomorrow.

The Council then adjourned till a quarter past eight of the clock on Tuesday, the 29th July 1952.