



Monday  
15th March, 1954

# PARLIAMENTARY DEBATES

## HOUSE OF THE PEOPLE

OFFICIAL REPORT  
(Part I- Questions and Answers )

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**Sixth Session**

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**PARLIAMENT SECRETARIAT  
NEW DELHI**

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PARLIAMENTARY DEBATES  
(Part I—Questions and Answers)  
OFFICIAL REPORT

1047

HOUSE OF THE PEOPLE

Monday, 15th March, 1954

The House met at Two of the Clock.

[MR. SPEAKER in the Chair]

MEMBER SWORN

Shri Bimalaprosad Chaliha (Sibsa-  
gar-North Lakhimpur)

ORAL ANSWERS TO QUESTIONS

MONAZITE

\*997. Shri Bahadur Singh: Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) the quantity of monazite treated at Alwaye during 1953-54;

(b) the amount of rare earth chlorides and carbonates produced from it; and

(c) whether this output was exported in toto or any part of it was used in local industries?

The Deputy Minister of Natural Resources and Scientific Research (Shri K. D. Malaviya): (a) and (b). About 1,000 tons.

(c) It is not in the public interest to give this information.

Shri Bahadur Singh: What is the financial position of the industry that produces monazite? Is it running at a loss or at a profit?

Shri K. D. Malaviya: This monazite processing factory is producing rare

earth chloride and rare earth carbonate in the quantity I have mentioned, viz. approximately 1,000 tons. We are also getting trisodium phosphate as a byproduct, and trisodium phosphate is used for preservation of boilers and fillers in soaps. With regard to profits and losses of the factory, I am not able to give the information, as it is not in public interest.

Shri Bahadur Singh: What is the amount of foreign exchange that we get by exporting monazite to foreign countries?

Mr. Speaker: That would also not be in the public interest to disclose?

RECRUITMENT TO ALL-INDIA SERVICES

\*998. Sardar Hukam Singh: (a) Will the Minister of Home Affairs be pleased to state whether any over-age recruitment under the Emergency Recruitment Scheme for Part A States and under the I.A.S./I.P.S. Scheme for Part B States was made during 1953-54?

(b) If so, how many were recruited and in what States?

The Deputy Minister of Home Affairs (Shri Datar): (a) Yes.

(b) A Statement is laid on the Table of the House. [See Appendix IV, annexure No. 7]

Sardar Hukam Singh: May I know whether this scheme is to continue, or now that the emergency is over, whether it is to be discontinued?

Shri Datar: The emergency recruitment is over now.

**Sardar Hukam Singh:** Was the recruitment made in the open market or were these persons taken from any other source?

**Shri Datar:** Recruitment was made in the open market by interviewing candidates.

**Sardar Hukam Singh:** In future recruitment, is there any percentage fixed for promotion from the State service or whether there would be only direct recruitment by the U.P.S.C.?

**Shri Datar:** So far as future recruitment is concerned, 75 per cent. of the posts would be by direct recruitment and 25 per cent. would be by promotion from the State service.

**Shri V. P. Nayar:** What was the maximum age prescribed for this emergency recruitment, and in how many cases of selection for the I.A.S. and I.P.S. from Travancore-Cochin had this rule to be relaxed?

**Shri Datar:** I have not got the details here.

### हिन्दी के शब्द कोष

\*१९९. सेठ गोविन्द दास : (क) क्या शिक्षा मंत्री यह बताने की कृपा करेंगे कि जनवरी, १९५४ में कितने रिमर्च असिस्टेंट हिन्दी के शब्द कोष बनाने का काम कर रहे थे ?

(ख) उनमें से कितने संयं लोक सेवा आयोग द्वारा चुने गये हैं और कितनों को संस्कृत आती है ?

(ग) क्या हिन्दी के पर्यायवाची शब्द संस्कृत से लिये जाते हैं ?

**The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das):** (a) Ten.

(b) Eight. Out of ten Research Assistants, eight are familiar with the Sanskrit language.

(c) Yes, in a large measure.

**सेठ गोविन्द दास :** जहां तक इस प्रश्न के (ग) भाग का सम्बन्ध है, क्या यह बात सही नहीं है कि हमारे संविधान की आर्टिकल ३५१ में जो यह कहा गया है कि ज्यादातर शब्द संस्कृत से लिये जायेंगे, उस की इस समय अवधेलना की जा रही है ?

شکھشا و بوجاوتک سمساہون تھا  
ویکھانک گویشنا ملتوی (مولانا  
آزاد) - هاں - کی جا رہی ہے -

[The Minister of Education and Natural Resources and Scientific Research (Maulana Azad): Yes, it is so.]

**Mr. Speaker:** Perhaps the question was not understood. The hon. Member means whether the article in the Constitution is disregarded.

میں اس سے مدد ہوں ہے  
افسوس ہے کہ ہمیں مرتباً میں نے  
سوال کا ایک حصہ سنا ہے تھا -

[Maulana Azad: That is not correct. I am sorry I had not earlier heard one part of the question.]

**सेठ गोविन्द दास :** क्या यह बात सही है कि हमारे संविधान में शब्दों की जो मूली हम स्वीकार कर चुके हैं, ग्लैसरी अंग्रेजी में कहते हैं, उस में भी कुछ परिवर्तन करने का विचार किया जा रहा है ?

مولانا آزاد - هاں یہ بھی بودھ کے  
سامنے ہے اور وہ جاہے تو اُس پر فود  
کر سکتا ہے -

[Maulana Azad: Yes, this matter has also been placed before the Board and if the Board likes, it can consider it.]

**सेठ गोविन्द दास :** मैं यह जानता चाहता था कि जबकि संविधान की शब्दावलि हम स्वीकार कर चुके हैं तब उस के बाहर

का विषय बोडं के सामने किस प्रकार आया, क्योंकि उस पर हमारे और राष्ट्रपति के हस्ताक्षर हो चके हैं ?

مولانا آزاد۔ یہ تھیک ہے لیکن یہ معاملہ اتنا ناٹک اور اہم ہے کہ فوراً دروازہ بند نہیں کیا جا سکتا۔ اس لئے بورڈ اگر چاہے تو اس پر بھی فوراً کی سکتا ہے۔

[**Maulana Azad:** That is right, but it is a delicate and important matter and we cannot treat it as closed. The Board can consider this also if it so likes.]

सेठ गोविन्द दास : मैं यह जानना चाहता था कि .....

**Mr. Speaker:** The hon. Member is entering into arguments about the question. .

सेठ गोविन्द बास : मैं एक दूसरा सबाल करना चाहता हूँ कि यह जो शब्दावलि अभी तैयार की जा रही है, उस पर अब तक कितना रूपया खर्च हो चुका है और क्या यह बात सही नहीं है कि इसी प्रकार की शब्दावलि भी भिन्न भिन्न प्रान्तों में तैयार की जा रही है तो उस सब के एकीकरण का क्या प्रयत्न हो रहा है ?

صلوانا آزاد - خرچ کتنا ہوا ہے -  
اس کا میں جواب اس وقت نہیں دے  
سکوں گا لہنکن یہ بنت جو اپنے نے کہی  
کہ دوسروے پر ان دونوں میں بھی کچھ اس  
طرح کا کام ہو رہا ہے یہ صدھیح ہے ؟  
ہو رہا ہے - جس وقت کیمپیلت نے یہ  
فیصلہ کیا تھا کہ ایک سنتول باقی  
بلائی چائے تو اس وقت یہ بھی فیصلہ  
کیا تھا کہ دوسروے سنتول ملستروں

اود پرانتوں کو گونسلتوں کو یہ لکھا  
چاہئے کہ اب وہ کام بلد کر دیں اود  
چلتا کام ہوا ہے وہ اس بروڈ کے پاس  
بھیج دیں چنانچہ سلسلہ ملستریوں نے  
ایسا ہی کہا لیکن بعض پرانتوں میں  
اپنی یہ کام ہو دھا ہے ۔ میں نہیں  
سمجھتا کہ یہ کچھ زیادہ قابل اعتراض  
ہات ہے ۔ وہ بھی اکر ترمذ (terms) بدلائیں ۔  
لن کے بعد بھی ترمذ ملک کے سامنے<sup>1</sup>  
آنہلکے اور لوگوں کو مقابلہ کرنے کا موقع  
۔ ہنکا

**[Maulana Azad:** I cannot at this time say what expenditure has been incurred. It is, however, a fact that this kind of work is going on in the States also. When the Cabinet decided that a Central body be set up, at that time it was also decided that other Central ministries and the State Governments be asked to stop this work and to send on to this Board whatever they had already done. The Central ministries did so, but in some States this work is still continuing and I do not think it is so objectionable. Let them also coin terms. Their terms will also appear before the people and give them an opportunity for comparative study.]

सेठ गोविंद बास : यह एक जरा ठीक बात नहीं है कि .....

**Mr. Speaker:** The hon. Member is carrying on arguments in favour of having Sanskrit words.

**Shri Gadgil:** I only want to seek some information.

**Mr. Speaker:** I am going to the next question.

## STATE TRADING

\*1000. **Shri S. N. Das:** Will the Minister of Finance be pleased to refer to the answer to unstarred question No. 373 asked on the 4th October, 1951

regarding Schemes of Government trading and state:

(a) whether the accounts pertaining to such of those schemes as have ceased to function have since been finally closed and balance sheets drawn up now;

(b) the names of schemes which showed credit and those which showed debit balances;

(c) whether any and if so, which of those schemes which were functioning at that time have now ceased to function; and

(d) the number and names of schemes which are still functioning?

**The Deputy Minister of Finance (Shri M. C. Shah):** (a) No, Sir.

(b) Does not arise in view of reply to part (a) above.

(c) Scheme for export of coal and coke.

(d) The following eleven schemes are still functioning:

- (1) Purchases of the Ministry of Food & Agriculture.
- (2) Purchase of food grains by the Local Administration.
- (3) Scheme for the purchase of Fertilisers.
- (4) Land Reclamation Scheme (Scheme for the rehabilitation and utilisation of used tractors).
- (5) Medical Stores Depots and Factories.
- (6) Purchase of quinine and quinine substitutes.
- (7) Cinchona cultivation by the Russian Method.
- (8) Scheme for the supply of consumer and other stores in Andamans.
- (9) Purchase of stores and Reserve stocks of equipment for the training of demobilised service personnel.
- (10) Import of Steel.

(11) Road Rollers—Bulk Procurement Scheme.

**Shri S. N. Das:** In view of the fact that a large number of schemes ceased to function in 1947-48, may I know the reasons for the enormous delay that has taken place in not closing the accounts and preparing balance sheets for them?

**Shri M. C. Shah:** As regards the schemes which had ceased to function, it has not been possible to finalise their accounts on account of various factors, some of which I will mention here:

- (1) Non-receipt of final records from the State Governments or the parties to whom the stores were supplied;
- (2) Non-adjustment of certain debits on account of customs duty, port and clearing charges, railway freights, etc., in respect of imported plants; and
- (3) Non-settlement of claims and accounts with the Pakistan Government.

**Shri S. N. Das:** May I know whether, in the time that has elapsed, any efforts were made by the Central Government or by the Ministries concerned to expedite the closing of these accounts, and if so, what were the steps taken?

**Shri M. C. Shah:** Administrative Ministries have been requested to finalise the accounts as early as possible. At the same time, the Accountants General in the States, who have yet to send credit and debit entries, have also been requested to expedite it.

**Shri S. N. Das:** How many more years these Ministries will take to close these accounts?

**Shri M. C. Shah:** I cannot say for certain. But that will be done as early as possible—that much I can say.

**Shri T. N. Singh:** What is the staff engaged on the maintenance of these dead accounts at present?

**Shri M. C. Shah:** I have not got that information. They are in the administrative ministries concerned.

**Shri Morarka:** May I know whether on all these schemes Government expect to make profit, or make loss?

**Shri M. C. Shah:** Some of the schemes will be on no-profit, no-loss basis. In some of the schemes we make profit; as, for example, in sugar trade in 1953 we have made profit to the extent of nearly Rs. 2.85 crores. There are others also in which we expect profit; there are others where we expect no loss, no profit.

#### HYDERABAD STATE BANK

\*1001. **Dr. Ram Subhag Singh:** Will the Minister of Finance be pleased to state:

(a) whether it is a fact that the Hyderabad State Bank has approached the Reserve Bank of India for a licence to deal in foreign exchange; and

(b) if so, whether the licence has been granted?

**The Deputy Minister of Finance (Shri A. C. Guha):** (a) and (b). Yes, Sir.

**Dr. Ram Subhag Singh:** May I know, Sir, on what basis licence to deal in foreign exchange is granted and how many such licences have so far been granted to other banks in India?

**Shri A. C. Guha:** I have not got that figure with me. Some time ago I gave that information in the House. There are quite a number of banks dealing in foreign exchange in India.

**Shri H. G. Vaishnav:** What were the reasons stated by the Bank for that licence?

**Shri A. C. Guha:** There was some foreign exchange work that was being done by other Banks. Being an agent of the Reserve Bank it wanted permission. So, we allowed it foreign exchange facilities.

#### EXCHANGE OF OFFICIAL PUBLICATIONS

\*1002. **Shri S. C. Samanta:** Will the Minister of Education be pleased to state:

(a) how the exchange of official publications programme worked in 1953-54;

(b) the estimated price of the books received during this period;

(c) whether any such agreements under the programme have been made with any other countries; and

(d) the number of books and publications received during the year 1953?

**The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das):** (a) Satisfactorily.

(b) Not known.

(c) No. Such an arrangement exists only in regard to the United States of America and Turkey.

(d) 4,000.

**श्री एस० सी० सामन्त :** क्या मेरे जान सकता हूँ कि जो किताबें मिली हैं उन की कीमत गवर्नरमेंट क्यों नहीं जानती है, क्या वह किताब में लिखी नहीं रहती है?

**Dr. M. M. Das:** We have received books from America only. In those books the prices are not mentioned.

**श्री एस० सी० सामन्त :** क्या मेरे जान सकता हूँ कि हमारी ओर से कितनी किताबें भेजी गई हैं और उन की कीमत कितनी है?

**Dr. M. M. Das:** Sir, we have received 1,011 publications. The total price of those publications will be Rs. 1,060 only.

#### I.A.S. EXAMINATION

\*1003. **Shri Dhusiya:** Will the Minister of Home Affairs be pleased to state:

(a) the number of candidates from the Scheduled Castes and Scheduled

Tribes who applied for the I.A.S. Examination in 1953 and how many of them appeared in the examination; and

(b) the number of such candidates who were declared successful?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) 57 Scheduled castes candidates applied for admission of whom 27 appeared.

7 Scheduled Tribes candidates applied for admission of whom 3 appeared.

(b) No Scheduled Castes or Scheduled Tribes candidate has qualified.

**Shri Dhusiya:** May I know, Sir, how many of those candidates passed in the written examination, but failed in the *viva voce*, and *vice versa*?

**Shri Datar:** We have not yet received this particular detail from the U.P.S.C.

**श्री पी० एन० राजभोज़:** क्या मैं यह जान सकता हूँ कि पब्लिक सर्विस कमिशन में कोई शेड्यूल कास्ट का मेम्बर है या नहीं, और अगर नहीं है तो उन का सेलेक्शन कैसे होता है ?

**Shri Datar:** There is no Member belonging to the Scheduled Castes on the U.P.S.C., but the Members of the U.P.S.C. are taking particular interest to see that the rights of the Scheduled Caste candidates are safeguarded, as far as possible.

**श्री नवल प्रभाकर :** क्या मैं जान सकता हूँ कि पिछले तीन वर्षों में कोई शेड्यूल कास्ट के आदमी लिये गये हैं या नहीं ?

**Shri Datar:** During the last three years some persons have been taken in the I.A.S., some in the I.P.S., and some also in the Central Secretariat Service, Class I.

**Shri Dhusiya:** What is the exact number?

**Shri Datar:** The number is not very large.

**BURMAH-SHELL TROPHY TO N.C.C.**

\*1004. **Shri D. C. Sharma:** Will the Minister of Defence be pleased to state:

(a) whether it is a fact that Messrs. Burmah-Shell Oil Storage and Distribution Company, Ltd. have presented a trophy to the Air Wing of the N.C.C. for competition among the various squadrons annually; and

(b) if so, whether any conditions have been attached to it?

**The Deputy Minister of Defence (Shri Satish Chandra):** (a) Yes, Sir.

(b) It is a running trophy and is competed for annually by all the Senior Division Air Squadrons of the National Cadet Corps. It is awarded to the Squadron showing the best all-round efficiency. No other conditions have been attached to it.

**Shri D. C. Sharma:** May I know if this competition is open also to the cadets of the public schools?

**Shri Satish Chandra:** There is no Senior Division in the public schools. This trophy is only for the Air Squadrons of the Senior Division of the N.C.C.

\* **Shri D. C. Sharma:** May I know the value of the prize, the price of this trophy?

**Shri Satish Chandra:** We have a silver shield and we have got it insured for Rs. 1,000. I do not know the actual price of the shield.

**CENTRAL SALT RESEARCH STATION**

\*1005. **Shri Gidwani:** (a) Will the Minister of Natural Resources and Scientific Research be pleased to state what will be the annual expenditure on the Central Salt Research Station at Bhavnager?

(b) In what respects will the research work done there be different from the work done at Mithapur?

**The Deputy Minister of Natural Resources and Scientific Research (Shri K. D. Malaviya):** (a) The recurring expenditure for 1953-54 is expected to be Rs. 2,64,000.

(b) The Central Salt Research Station at Bhavanagar has been set up to conduct fundamental and applied research and not for profit. The results will be freely available to industry. The institution at Mithapur is a commercial organisation, run for profit, and any new methods developed there will naturally be utilised by the commercial concern in its own interest.

**Shri Gidwani:** Is it a private concern or a Government concern?

**Shri K. D. Malaviya:** It is not a Government concern, as far as I know.

#### FOREIGNERS IN INDIA

\*1006. **Shri Krishnacharya Joshi:** Will the Minister of Home Affairs be pleased to state:

(a) the total number of registered foreigners who were reported to be residing in India in 1953; and

(b) how many new foreigners were registered in the same year?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) The number of registered foreigners in India as on the 1st January, 1953, was 82,381.

(b) The information is being collected and will be laid on the Table of the House.

**Shri Krishnacharya Joshi:** How many persons have come from America; how many from Russia?

**Shri Datar:** From America, during the last year 6,251 persons came.

**Shri Krishnacharya Joshi:** What is the main occupation of these persons in India?

**Shri Datar:** They come for various purposes: either as teachers, as evangelists, or as doctors ....

**Shri Syed Ahmed:** Or as spies.

**Shrimati Renu Chakravarty:** What is the nationality under which the United Nations observers are registered?

**Shri Datar:** So far as the United Nations observers are concerned, they are treated as members of the United Nations staff; otherwise they have their own nationality.

**Shrimati Renu Chakravarty:** Are they registered under the Foreigners Registration Act; or are they immune; and if they are registered, under what nationality are they registered?

**Shri Datar:** Whenever they are registered, they are registered under the nationality of their own country, that is, the particular nation to which they belong; but when they come for the United Nations' purposes, by way of courtesy, the registration has been dispensed with.

#### DISPLACED PERSONS FROM KASHMIR

\*1007. **Th. Lakshman Singh Charak:** Will the Minister of States be pleased to state:

(a) whether the Kashmiris who left the Kashmir State, immediately after the October 1947 raid in Kashmir, have been considered as displaced persons;

(b) if not, under what category they are treated;

(c) whether those migrants have been given concessions in regard to service, education, purchase of land etc., in India (outside the Jammu and Kashmir State); and

(d) whether Government have received any representation from them in this regard?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) and (b). These persons were displaced from the Jammu and Kashmir State and their rehabilitation etc. is the responsibility of the State Government. It has therefore been the policy of the Government of India not to include Kashmiri displaced persons in their normal rehabilitation schemes but to consider them eligible for relief and rehabilitation only on an *ad hoc* basis.

(c) No concessions have been allowed except in the following cases:—

- (1) The Kashmiri displaced persons who arrived in Delhi before the 1st July 1949 have been allowed certain rehabilitation concessions in respect of education facilities, allotment of accommodation etc.
- (2) A certain number of Kashmiri displaced persons who were formerly in the Yol Camp have been rehabilitated in the States other than Jammu and Kashmir owing to paucity of land etc. in that State. All these persons have been given cash doles and rehabilitation loans etc.
- (3) It has been recently decided to extend to Kashmiri displaced persons the concessions regarding the relaxation of age limit in Central Government Offices allowed to displaced persons from Pakistan.

(d) Representations have been received from some of the persons from time to time but for the reasons stated in answer to parts (a) and (b) of this question no action has been taken.

**Th. Lakshman Singh Charak:** May I know the total number of persons who left the Jammu and Kashmir State in October 1947 and came to India?

**Shri Datar:** The number was about two hundred so far as one part was concerned, but the number of those who were ultimately placed in the two camps was large; it was 75,000.

**Th. Lakshman Singh Charak:** May I know the number of such persons who registered themselves in different exchanges in India?

**Shri Datar:** Sir, I have not got that number.

**Th. Lakshman Singh Charak:** May I know the number of persons who

were sent back by the Government of India, out of those that came in 1947?

**Shri Datar:** That is not available with me.

**Shri Gidwani:** Are Government aware that some of those persons who had been sent to the Bombay State, for instance in Ahmedabad, have not been able to live conveniently on account of the climatic conditions, and some of them have left and some are in a bad plight? If so, will Government consider the question of shifting them?

**Shri Datar:** Government are not aware of this particular alleged inconvenience, but Government are doing all that is possible for rehabilitating these people also.

#### नेपाल का भूतत्वीय तथा खान सम्बन्धी सर्वेक्षण

\*१००८. श्री रघुनाथ सिंह : क्या प्राकृतिक संसाधन तथा वैज्ञानिक गवेषणा मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि सरकार ने नेपाल का भूतत्वीय तथा खान सम्बन्धी सर्वेक्षण करने का काम अपने ऊपर लिया है;

(ख) यदि हाँ, तो इस योजना पर कितना खर्च होगा ; और

(ग) क्या नेपाल सरकार ने यह खर्च देने का वचन दिया है ?

तिक संसाधन तथा वैज्ञानिक गवेषणा उपर्याप्ति (श्री के० ढी० मालवीय) :

(क) जियालाजीकल और मिनरल सर्वे द्वारा काम हो रहा है।

(ख) खर्च का कोई ठीक अन्दाजा इस समय नहीं किया जा सकता क्योंकि यह कार्यक्रम जियालाजीकल सर्वे आफ इंडिया के सालाना कार्यों में शामिल कर दिया गया है।

(ग) दोनों गर्वमेटों के बीच किस तरह से खर्च का बटवारा किया जाय इस सम्बन्ध में गोरहो रहा है और बातचीत भी हो रही है।

**श्री रघुनाथ सिंह :** क्या नेपाल में कोई तेल के पाने की भी सम्भावना है?

**श्री के० डॉ० मालवीय :** अभी यह ठीक तौर से नहीं कहा जा सकता कि तेल पाया ही जायगा हालांकि कहीं कहीं तेल की गैस के भूमि से निकलने की सूचना मिली है।

**Shri Amjad Ali:** Arising out of the answer to part (a) of the question, may I know what mode of survey is intended—seismic, gravimetric or aeronautical?

**Shri K. D. Malaviya:** No; mostly terrestrial or ground survey has been undertaken.

**Shri Amjad Ali:** Only terrestrial?

**Shri K. D. Malaviya:** Yes.

**श्रीमती कमलदेवमति शाह :** सरकार और किन किन स्थानों का सर्वे कराने की योजना कर रही है?

**श्री के० डॉ० मालवीय :** सरकार का तो एक सालाना प्रोग्राम बनता है। देश भर में जहां से सूचना मिलती है और भौ-गोलिक दृष्टि से जहां मनासिब होता है वहां के लिए प्रोग्राम बनाया जाता है।

**अध्यक्ष महोदय :** आंडर, आंडर। यह सवाल तो नेपाल के लिये था।

#### SHASTRI AWARD

\*1009. **Shri M. S. Gurupadaswamy:** Will the Minister of Finance be pleased to state:

(a) whether an appeal against the Shastri Award is pending before the Labour Appellate Tribunal;

(b) whether Government have applied naming itself as a party to the dispute; and

(c) if the answer to part (b) above be in the affirmative, the reasons therefor?

**The Deputy Minister of Finance (Shri A. C. Guha):** (a) Yes, Sir.

(b) The Government appeared in the proceeding before the Appellate Tribunal in exercise of its right under Section 13 of the Industrial Disputes (Appellate Tribunal) Act, 1950.

(c) The Government did so in the interest of the development of Banking in rural areas. The application of Government submitted that banking in rural and semi-urban areas having a population of and below 30,000 should be excluded from the scope of the award for a period of two years in case of existing branches and offices and for a period of 4 years in cases of new ones.

**Shri M. S. Gurupadaswamy:** May I know whether any decision has been made already on this appeal and judgment pronounced?

**Shri A. C. Guha:** The Tribunal held that the Government can only appear on behalf of the one bank which has filed an appeal. The Government felt it was no use fighting the issue only on behalf of one bank. The Tribunal has dismissed the appeal.

**Shri M. S. Gurupadaswamy:** If the judgment has been pronounced in this case, may I know whether the Government still think that they should press this demand on behalf of banks which are started in rural and semi-urban areas?

**Mr. Speaker:** I am afraid the question is premature at this stage.

**Shri M. S. Gurupadaswamy:** I am just asking whether the Government is appearing on behalf of all the banks hereafter?

**Mr. Speaker:** He has clearly stated that the Tribunal did not allow it.

**Shri Bansal:** May I know, whether in view of the decision of the Labour Appellate Tribunal, Government are considering any amendment of the Act?

**Shri A. C. Guha:** The decision of the Tribunal has come only I think a week ago. So, it is too premature to say anything. Anyhow, when the Government appeared before the Tribunal as an appellant, I think the Members may take it that the Government are serious in the matter.

#### GRANTS TO WEST BENGAL

\*1010. **Shri N. B. Chowdhury:** Will the Minister of Education be pleased to state:

(a) the amounts of grants made by Government to West Bengal during the year 1953-54 towards the cost of higher education in the State; and

(b) whether the State Government have approached the Union Government for any monetary help to meet its educational expenditure?

**The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das):** (a) If the question refers to grants made to Government of West Bengal, the reply is that Rs. 12,000/- was paid for Post-graduate Basic Training College in the Banikur area under the Ministry's Five Year Plan of Educational Development.

(b) It is not possible to reply as the Hon'ble member has not specified the period to which the question refers.

**Shri N. B. Chowdhury:** May I know whether the Government lays down any condition before any such grant is sanctioned?

**Dr. M. M. Das:** Grants to the State Governments from the Education Ministry are given under several heads. Unless the hon. Member tells us in his question as to what particular head he refers, it is not possible to reply.

**Shri N. B. Chowdhury:** May I know what amount has been granted towards university education?

**Dr. M. M. Das:** The question refers to higher education only and to the Government of West Bengal. The question of grants to universities is a different one.

**Shri N. B. Chowdhury:** May I know whether any amount has been granted under the National Extension Scheme? If so, what amount?

**Dr. M. M. Das:** National extension of what? Agriculture?

**Shri N. B. Chowdhury:** Appointment of teachers in West Bengal.

**Mr. Speaker:** Order, order.

**Shrimati Renu Chakravarty:** May I know if during the last one year, any appeal has come from the State Government of West Bengal to the Union Government for monetary aid in order to help them to pay increased salaries to the teachers?

**The Minister of Education and Natural Resources and Scientific Research (Maulana Azad):** No.

#### MHOW CANTONMENT

\*1011. **Shri N. L. Joshi:** Will the Minister of Defence be pleased to state what are the arrangements provided by Government for medical relief to people in the Cantonment area at Mhow?

**The Deputy Minister of Defence (Sardar Majithia):** Medical facilities for the civil inhabitants of the Cantonment area in Mhow are provided by the local Cantonment Board which maintains a General Hospital. This Hospital provides treatment for indoor and out-door patients, and has a Maternity Ward, an Operation Theatre as well as X-ray and other medical facilities.

**Shri N. L. Joshi:** May I know whether the Government have curtailed the aid given for medical relief in the Cantonment area after independence; if so, by how much and why?

**Sardar Majithia:** As a matter of fact, Government have not curtailed any aid. This hospital is entirely dependent upon the local Cantonment Board and they run it. They were previously spending Rs. 45,000 per annum and now they are spending Rs. 50,000.

**Shri N. L. Joshi:** May I know whether the Government have instituted an enquiry into the question whether the people in the Cantonment area are better or worse off now so far as medical relief is concerned, than they were during pre-independence days?

**Sardar Majithia:** It has not been brought to the notice of the Government that medical facilities are not adequate and therefore, no enquiry has been called for. In any case, we are doing the best that we can do under the circumstances.

**Shri R. K. Chaudhuri:** May I know whether it is the practice or policy of the Government to maintain any kind of charitable dispensary in the Cantonment area for the benefit of the civilian population living in that area?

**Sardar Majithia:** If somebody is inclined to be charitable, we will certainly accept it with the greatest pleasure.

**Shri R. K. Chaudhuri:** Do Government maintain...

**Mr. Speaker:** Order, order. I am going to the next question.

#### INDUSTRIAL MINERAL LABORATORY

**\*1012. Shri K. C. Sodhia:** (a) Will the Minister of Natural Resources and Scientific Research be pleased to state whether an Industrial Mineral Laboratory has been set up?

(b) If so, where and what is the total staff working in it?

(c) What is its present programme of work?

(d) What is the nature of help it is likely to render to the industries?

**The Deputy Minister of Natural Resources and Scientific Research (Shri K. D. Malaviya):** (a) No, Sir.

(b) to (d). Do not arise.

**Shri K. C. Sodhia:** Is any laboratory work on minerals being done at any other place?

**Shri K. D. Malaviya:** Yes, Sir. Qualitative test work is being done

at the Alipore Test House, Calcutta. Besides this, the Customs Department have got their own arrangement to check the quality of minerals that are exported from the country.

**Shri K. C. Sodhia:** Are there any private laboratories doing this work?

**Shri K. D. Malaviya:** I learn that there are private arrangements also for checking the quality of minerals.

HINDUSTAN AIRCRAFT LTD.

**\*1013. Shri V. P. Nayar:** Will the Minister of Defence be pleased to state:

(a) the value of articles classified as disposals in the Hindustan Air Craft Ltd., as on 1st January, 1954; and

(b) what, if any, are the rules regarding the sale of such disposals?

**The Minister of Defence Organisation (Shri Tyagi):** (a) Rs. 1,32,473/-.

(b) I lay on the Table of the House, a copy of the rules framed by Hindustan Aircraft Limited relating to disposal sales. [See Appendix IV, annexure No. 8.]

**Shri V. P. Nayar:** Is it not a fact that the articles once sold from the HAL as disposals are again bought for use by the HAL at fantastic rates?

**Shri Tyagi:** The suggestion seems to be quite queer. I do not think that any article which is declared surplus will be purchased.

**Shri V. P. Nayar:** May I know whether it is not a fact that neither the Prime Minister nor even the Minister of Defence Organisation were taken to the disposals dump when they visited HAL recently?

**Shri Tyagi:** I cannot vouchsafe for the Prime Minister whether he has seen these dumps or not. I personally did not see, I confess.

**Shri V. P. Nayar:** May I also know which authority of the HAL decides whether any article is to be classified as disposals?

**Shri Tyagi:** The prior approval of the Board of management of the HAL is taken in each case of disposal.

**WITHDRAWING INDIAN CAPITAL FROM PAKISTAN**

**\*1014. Shri Bishwa Nath Roy:** Will the Minister of Finance be pleased to state:

(a) whether the Indian capital invested in Pakistan is allowed to be withdrawn by Indians; and

(b) whether Government allow the Pakistan citizens to withdraw their capital invested in any industry in India?

**The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat):** (a) and (b). No, Sir.

**Shri Bishwa Nath Roy:** May I know whether the Government propose to have any negotiation with the Pakistan Government for withdrawal of Indian capital?

**Shri B. R. Bhagat:** The Governments of India and Pakistan have conferred several times over this matter. Unfortunately, as yet, no agreement has been arrived at.

**Shri Bishwa Nath Roy:** May I know whether the Government of India have any estimate or record of the Indian capital invested in Pakistan by the Indian nationals?

**Shri B. R. Bhagat:** No, Sir.

**Shri T. N. Singh:** May I know whether any Indian invested capital has already passed hands by mutual agreement in regard to assets there and assets here?

**Shri B. R. Bhagat:** There has been some. The number of such transfers has been quite a few and the amount involved is very small.

**Shri Bansal:** May I know if the Government of Pakistan restrict the remittances of profits of Indian industrialists in Pakistan to India?

**Shri B. R. Bhagat:** We have not received any serious complaint in this regard.

**Shri Bishwa Nath Roy:** May I know whether the Government have any estimate about the amount of investment of Pakistan citizens in India?

**Shri B. R. Bhagat:** We have no such information.

**PUBLIC SCHOOLS AT LOVEDALE AND SANAWAR**

**\*1016. Shri N. M. Lingam:** Will the Minister of Education be pleased to refer to answer to part (a) of unstarred question No. 481 asked on the 17th December, 1953 and state:

(a) the nature and extent of control exercised by Government over the public schools at Lovedale and Sanawar in respect of their administration and finances;

(b) whether the administration reports of the schools have been published at any time after they were transferred to autonomous bodies; and

(c) if so, whether copies of such reports will be placed on the Table of the House?

**The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das):** (a) The two Lawrence Schools at Lovedale and Sanawar are autonomous institutions and the Government of India only pay them a grant-in-aid.

(b) Government of India are not aware that any such administration reports have been published.

(c) Does not arise.

**Shri N. M. Lingam:** Am I to understand that the Government have abdicated their responsibility in respect of these schools and have no powers even in matters of policy?

**Dr. M. M. Das:** These schools are under autonomous Administration Boards. So, the Government have nothing to do with their policy of administration.

**Shri N. M. Lingam:** In view of the fact that it is the policy of the Government to make instructions in these schools conform to the national pattern of education, what steps have

**Government taken to bring about this change?**

**Dr. M. M. Das:** These public schools are trying to model themselves after the public schools in England. So, it is thought by Government that unless full autonomy regarding administration is given to these bodies, that goal cannot be achieved.

**Shri Velayudhan:** May I know whether any general concession is given to the Scheduled Caste and Scheduled Tribe candidates in the schools, and whether any of them are admitted in these schools?

**Dr. M. M. Das:** Yes, Sir. During the current year Government arranged for giving scholarships to poor students of merit. The total amount was about Rs. 1 lakh, but actually on the number of students who have been selected for these scholarships, the total expenditure will be Rs. 70,000.

**Shrimati Renu Chakravarty:** May I know if the Government of India accepts the policy that we should have public schools on the pattern of the public schools in England and whether the Government of India is going to increase the number of such public schools?

**Dr. M. M. Das:** These public schools are very expensive. To these two schools Government have to give a lump sum aid, but there are other public schools which are managed by private bodies.

**Mr. Speaker:** We will go to the next question.

**Shrimati Renu Chakravarty:** This is no answer to my question. I want to know if it is the policy of the Government.

**Mr. Speaker:** The hon. Member may not be satisfied with the answer given. It does not necessarily follow that there is no answer to the question.

**Shrimati Renu Chakravarty:** It is a dangerous answer.

**INDIAN NAVAL DOCKYARD EMPLOYEES' UNION, BOMBAY**

**\*1018. Shri H. N. Mukerjee:** Will the Minister of Defence be pleased to state:

(a) whether recognition has been refused to the Indian Naval Dockyard Employees' Union, Bombay; and

(b) if so, the reasons therefor?

**The Deputy Minister of Defence (Shri Satish Chandra):** (a) and (b). The Union has been informed that its request for recognition cannot be considered so long as it has on its executive either dismissed employees or outsiders.

**Shri H. N. Mukerjee:** Is it a fact that Government have singled out and dismissed employees who were prominently engaged in trade union work, and thereby intimidated other employees from joining the union concerned?

**Shri Satish Chandra:** There has been no case of victimisation. If any specific case is brought before Government, it will certainly be looked into.

**Shri H. N. Mukerjee:** May I know why, when there is provision in our Trade Union Act regarding the inclusion in the committees of trade unions a certain percentage of outsiders, Government denies recognition to the union on that score?

**Shri Satish Chandra:** The Trade Union Act is meant for the registration of the trade unions. They get duly registered under the Trade Union Act, but recognition by the Government is an entirely different thing. It is not considered expedient that the dismissed employees and outsiders should be on the executives of the unions in defence installations. In this particular case, about which the hon. Member has put the question, the president, the secretary, and the treasurer were all dismissed employees or outsiders.

**Shrimati Renu Chakravarty:** Are any rules framed by the Government

of India specifying that in the case of one union in a particular Department the only stumbling block to giving recognition will be the question of having outsiders on it?

**Shri Satish Chandra:** There are practical difficulties. It has recently been decided, and the All-India Defence Employees' Federation has been intimated that this will be our policy in future.

#### U.P.S.C.

\*1019. **Shri P. N. Rajabhoj:** (a) Will the Minister of Home Affairs be pleased to state whether it is a fact that it takes, sometimes, nearly fourteen to fifteen months for an applicant to be informed by the U.P.S.C. about the fate of his application?

(b) Who is responsible for this inordinate delay?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) The average time taken for communicating to candidates the final result of their applications is less than nine months. In 27 cases out of 293 in 1953, the time taken was more than nine months, including nine cases which took fourteen months or more.

(b) Every possible care is taken by the Union Public Service Commission and also by the appointing authorities to ensure expeditious selection and appointment of candidates. Some delay is, however, inevitable on account of the processes involved in making careful selection.

**श्री पी० एन० राजभोज :** क्या मैं जान सकता हूँ कि बहुत सी एप्लीकेशन्स के जवाब अभी तक उन को नहीं मिले हैं, मेरे पास उन के नाम हैं और मैं मंत्री महोदय को बतला सकता हूँ ?

**Shri Datar:** I shall be obliged if the hon. Member gives the names of such instances. My information is that all the applicants are duly intimated.

**Shri B. S. Murthy:** May I know whether the inordinate delay is due

to the lack of the full quota of members of the U.P.S.C.?

**Shri Datar:** No, that is not the reason.

**Shri R. K. Chaudhuri:** Is it a fact that no intimation is given to a candidate who is not called for interview, or who is not appointed?

**Shri Datar:** My information is that intimation is given to all those persons, including those whose applications have been finally rejected.

**Shri R. K. Chaudhuri:** My question has not been answered.

**Mr. Speaker:** That is always the complaint. Next question.

#### MERGER OF BILASPUR

\*1020. **Shri Anandchand:** Will the Minister of States be pleased to state whether Government contemplate to give an opportunity to the people of Bilaspur to place their views about the future of Bilaspur before the States Reorganisation Commission before taking any steps to complete its merger with Himachal Pradesh?

**The Deputy Minister of Home Affairs (Shri Datar):** As was informed in this House on the 4th December last, Government have already decided that Bilaspur should be merged in Himachal Pradesh. Necessary steps to bring about such a merger are being taken.

I may also add that a Bill to this effect will be introduced in the other House either today or at the earliest time.

**Shri Anandchand:** In view of the Agreement entered into by the Government of India with the Ruler of Bilaspur on 15th August 1948, which stipulated an obligation on the part of Government to administer Bilaspur as a separate unit, will the hon. Minister be pleased to state whether this term has now been dropped from the Agreement or modified in any manner?

**Shri Datar:** I am not aware of any conditions under which the Government of India were bound to keep it as a separate unit. To keep it as a separate unit is administratively very difficult.

**Shri Anandchand:** Are Government aware that an overwhelming majority of the people of Bilaspur are totally opposed to the merger of their State in Himachal Pradesh, and a petition has already been submitted to the States Ministry, recording their protest, and signed by nearly fifty thousand people?

**Shri Datar:** That is not true.

**Shri A. M. Thomas:** May I know the total area of this State, and also the area submerged by the river valley project there?

**Shri Datar:** The total area, if I mistake not, is 29 square miles.

**Shri A. M. Thomas:** What is the total area submerged by the river valley project?

**Shri Datar:** I am not aware of that.

**श्री राधेलाल ध्यास :** क्या मैं यह जान सकता हूँ कि बिलासपुर स्टेट के मर्जर के विरोध में एक आनंदोलन वहाँ के भूतपूर्व नरेश के द्वारा किया जा रहा है और उस सम्बन्ध में आप को जो आवेदनपत्र मिलता है वह टाईप और साइक्लोस्टाइल उन्हीं के मकान पर होता है और वो लोगों से दम्भ-खत कराये जाते हैं ?

**Mr. Speaker:** Order, order.

**Shri Anandchand:** Is it a fact that the Punjab Government have consistently opposed the idea of the merger of Bilaspur in Himachal Pradesh?

**Shri Datar:** That question is entirely irrelevant. Bilaspur is not going to be merged in Punjab.

**Mr. Speaker:** The hon. Minister may give the information, if he has.

**Shri Datar:** I have no information.

SCHEDULED CASTES AND SCHEDULED TRIBES  
IN PUNJAB

\***1021. Shri Ram Dass:** Will the Minister of Home Affairs be pleased to state:

(a) the total amount of grant given to the Punjab State for the betterment of the Scheduled Castes and Scheduled Tribes separately for 1963-54; and

(b) the main items for which this grant is to be spent?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) No grant has been made for the betterment of Scheduled Castes as no detailed schemes have been received from the State Government. A sum of Rs. 6.0 lakhs has, however, been allotted to the State for the welfare of Scheduled Tribes and development of Scheduled Areas. Out of this a sum of Rs. 3.0 lakhs has already been sanctioned and the balance will be paid before the close of the financial year on the receipt of full details regarding the actual expenditure etc. incurred by the State Government on the various schemes including that met from their own funds.

(b) Educational and Economic development and provision of medical and communication facilities.

**Shri Ram Dass:** May I know whether the State Government have also contributed to these schemes?

**Shri Datar:** I am not aware of what they have contributed, but we have not received their detailed schemes.

**Shri Hem Raj:** May I know what sums have been sanctioned for the development of the Lahaul and Spiti area?

**Shri Datar:** There are different sums for different kinds of work. If the hon. Member mentions any particular work, I can give the answer.

**Shri Hem Raj:** May I know the full amount that has been sanctioned for the different categories of development?

**Shri Datar:** So far as the amount for the purpose of eradication of untouchability is concerned, a sum of Rs. 6 lakhs has been sanctioned for payment to the Punjab Government.

**Shri Thimmaiah:** May I know, Sir, whether the items under which the amount is being spent in respect of the Scheduled Castes and Scheduled Tribes are uniform throughout the country or they differ from State to State?

**Shri Datar:** The items are generally the same. The details might differ here and there.

#### REHABILITATION FINANCE ADMINISTRATION

\*1022. **Dr. Ram Subhag Singh:** Will the Minister of Finance be pleased to state the total amount of money sanctioned by the Rehabilitation Finance Administration from 1st December, 1953 up-to-date for distribution as loans, among displaced persons?

**The Deputy Minister of Finance (Shri A. C. Guha):** The total amount of loans sanctioned by the Administration from 1st December 1953 to 28th February 1954 is approximately Rs. 82.73 lakhs.

**Dr. Ram Subhag Singh:** What part of this sanctioned amount has so far been distributed among displaced persons?

**Shri A. C. Guha:** Rs. 55.17 lakhs have been distributed during these three months.

**Shrimati Ila Palchoudhury:** May I know, Sir, how much of this amount has been allotted to refugees in West Bengal?

**Shri A. C. Guha:** I have not got the figures here.

**Shri R. K. Chaudhuri:** May I know, Sir, whether this loan, to which reference has been made, is granted only to East Bengal refugees or it is granted to West Pakistan refugees also?

**Shri A. C. Guha:** These figures are in respect of loans granted to refugees from both sides.

**Shri R. K. Chaudhuri:** Is it not a fact that so far as loan to West Pakistan refugees is concerned, the loan register has been closed and no application is entertained now?

**Shri A. C. Guha:** The previous applications which were pending are now being sanctioned and payment is also being made on account of this.

**Shri Gidwani:** May I know, Sir, whether the Government have considered the unanimous recommendation of the RFA and the Advisory Board regarding the reduction of rate of interest and if so, what is their decision?

**Shri A. C. Guha:** I think the hon. Member may please have some patience on this point.

#### GOVERNMENT RULES OF BUSINESS

\*1023. **Shri S. C. Samanta:** Will the Minister of Home Affairs be pleased to state:

(a) whether the revised Rules of Business examined by the Committee of selected Secretaries, have been finalised;

(b) if so, whether they have been approved by the Cabinet;

(c) whether a copy of the revised Rules will be placed on the Table of the House; and

(d) whether necessary action has been taken on the same?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) Preparation of the Revised Rules of Business is still in progress.

(b) to (d). Do not arise at this stage.

**Shri S. C. Samanta:** May I know, Sir, when this act of revision was taken up?

**Shri Datar:** This act of revision was taken up about two years ago.

**Shri S. C. Samanta:** May I know why there is unnecessary delay in the revision of the rules?

**Shri Datar:** Sir, there is no unnecessary delay. We have to consult the various Ministries and have to consider all the suggestions they make.

**Shri S. C. Samanta:** Is it not a fact that the recommendations have already been submitted to the Government and were to be considered by the Cabinet?

**Shri Datar:** It was true, but ultimately two other matters intervened. There was consultation with Mr. Appley, and in addition, an officer, Mr. A. K. Chanda, was appointed to review all the existing rules and procedure so as to have greater despatch of Government business. Therefore, the matter is now awaiting consideration.

#### UNAUTHORISED ENTRY OF PAKISTANIS INTO INDIA

\*1024. **Shri Bahadur Singh:** Will the Minister of Home Affairs be pleased to state:

(a) the number of Pakistanis who were arrested by our Police for unauthorised entry into India during 1953;

(b) the action taken against them; and

(c) whether any of them were subsequently permitted to remain in India?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) 7,600.

(b) 6,595 persons were prosecuted, of whom 5,605 were convicted; 39 were discharged or acquitted, and cases of 951 are pending trial. 859 persons were sent back to Pakistan, and the cases of 16 are still pending.

(c) 130.

**Shri Bahadur Singh:** May I know, Sir, if the Government know the reason why Pakistanis come to India without getting proper permits—why

they prefer to come over here when they opted for Pakistan at the time of Partition?

**Shri Datar:** They come to India possibly in the belief that conditions in India are better than they are there.

**Shri Bahadur Singh:** What are the special reasons for which they were allowed to settle in India?

**Shri Datar:** Only in exceptional cases are they allowed to stay here longer, as for example, when their relatives or dependants are here and when they have no corresponding property in Pakistan.

**Shri Bahadur Singh:** May I know what is the number that have been allowed to settle in India permanently?

**Shri Datar:** That number is not here, but, it is extremely small and not very large.

**Shri Bahadur Singh:** May I know, with regard to those who are allowed to remain and settle in India, whether the Government propose to give them their original homes and lands which they possessed before Partition?

**Shri Datar:** That is a question for the Rehabilitation Ministry.

#### HYDERABAD MONEY IN ENGLISH BANKS

\*1025. **Shri Krishnacharya Joshi:** Will the Minister of States be pleased to refer to the reply given to starred question No. 204 asked on the 23rd November, 1953 and state:

(a) the steps since taken by Government to realise the money illegally transferred by Shri Moin Nawaj Jung to the credit of the Pakistan High Commissioner; and

(b) whether any judgment has been delivered by the Courts of England, on the suit filed by Government in England?

**The Deputy Minister of Home Affairs (Shri Datar):** (a) The Solicitors have been instructed to file a Statement of Claim immediately.

(b) Does not arise.

**Shri Krishnacharya Joshi:** May I know whether the money belongs to the Nizam or to the Hyderabad State Government?

**Shri Datar:** I believe the money belongs to the Hyderabad Government.

**Shri Krishnacharya Joshi:** May I know whether the money was credited in the Bank to purchase arms and ammunition as hinted in the Government of India's White Paper on Hyderabad?

**Shri Datar:** I am not aware of that but this money was deposited in the Westminster Bank.

**Shri H. G. Vaishnav:** May I know whether the decision by the Court in England has stated that that is the personal property of the Nizam and the State Government has nothing to do with it?

**Shri Datar:** I am aware of that but from the information available with the Government of India, this money belongs to the State Government.

#### STATE TREASURIES IN TRAVANCORE-COCHIN

\*1026. **Shri V. P. Nayar:** (a) Will the Minister of Finance be pleased to state whether it is a fact that after the federal financial integration, State treasuries in Travancore-Cochin State are receiving remittances due to the Central Government which, before integration, had to be remitted through the Imperial Bank of India?

(b) What was the commission paid to the Imperial Bank on such remittances before integration, and what is the total amount being saved by the Central Government yearly on account of remittances of Government dues in State treasuries since 1951?

**The Deputy Minister of Finance (Shri A. C. Guha):** (a) Yes, Sir.

(b) The commission payable to the Imperial Bank of India for the conduct of Government business is based on a sliding scale which is determined once in five years and applies to the

sum total of the turnover of Government business at all their branches in India. It is not possible to determine the commission payable to them in respect of any individual branch.

**Shri V. P. Nayar:** May I know whether the Government are aware that on account of the additional work of collecting money for the Government of India, the employees of the State treasuries have to do overtime work and sometimes have to remain very late in order to finish their work?

**Shri A. C. Guha:** I do not think there is any reason for this because, after the financial integration, the treasuries were reorganised and additional staff was also given, and new treasuries were also opened, particularly, considering the additional work that may come to them for handling these remittances.

**Shri V. P. Nayar:** May I know whether the Government of India is giving any amount to these Travancore-Cochin treasuries for this additional work which they have necessarily to do for the Government of India?

**Shri A. C. Guha:** I think that would come within the normal relations between the State Government and the Central Government.

**Shri V. P. Nayar:** May I know whether the Travancore-Cochin Government has brought this matter to the notice of the Government of India and whether the Government of India has taken any decision as regards the paying of money for overtime work for these State treasuries?

**Shri A. C. Guha:** I do not think there is any question of overtime work. Additional staff was given and additional treasuries were also opened.

#### WEST BENGAL BANKS IN LIQUIDATION

\*1029. **Shri H. N. Mukerjee:** Will the Minister of Finance be pleased to state:

(a) whether Government are aware of the anxiety of depositors and

other creditors as well as the employees of banks in liquidation in West Bengal on account of the delay in the appointment of a Court Liquidator; and

(b) if so, when such appointment is to be made?

**The Deputy Minister of Finance (Shri A. C. Guha):** (a) Yes, Sir.

(b) The appointment has already been made.

**Shri H. N. Mukerjee:** Will the Government see to it that the Court Liquidator retains the existing staff of banks under liquidation, without whose help it would be difficult to find out the acts of omission and commission of the liquidators at present in possession?

**Mr. Speaker:** Order, order. I think the matter is *sub judice*; it is the jurisdiction of the Court to deal with the liquidator,—not of Government who have no hand in it.

**Shri H. N. Mukerjee:** The Court Liquidator is going to be appointed soon.

**Mr. Speaker:** By the Court?

**Shri H. N. Mukerjee:** By the Central Government.

**Shri A. C. Guha:** As for the staff, I think the Court Liquidator has already been asked to retain as many as possible of the old staff. But, I should frankly tell my hon. friends that the purpose of amending the Act is to reduce the expenditure, and so it would not be possible to retain all the staff now employed in about 70 Liquidators' offices. The concentration of work in one hand would mean certain reduction in the staff, but, I think, I can assure my hon. friends that in discharging old hands no new hand may be taken.

**Shri H. N. Mukerjee:** Pending the appointment of a permanent incumbent, will Government consider the desirability of immediately appointing the Assistant Registrar of Companies attached to the Calcutta

High Court who deals with banking companies under liquidation?

**Shri A. C. Guha:** I have already said that the court liquidator has been appointed. The appointment has been made and he has taken over charge some four or five days ago.

#### HINDUSTAN AIRCRAFT LTD.

\*1030. **Shri V. P. Nayar:** Will the Minister of Defence be pleased to state whether Government have any proposals to provide alternative accommodation to the residents of the old bachelors' quarters and the F type family quarters in the Hindustan Aircraft Ltd.?

**The Minister of Defence Organization (Shri Tyagi):** Hindustan Aircraft Ltd. have already provided alternative accommodation to the residents of these quarters.

**Shri V. P. Nayar:** May I know whether the hon. Minister, during his recent visit to the Hindustan Aircraft Ltd., had been to these quarters and seen them?

**Shri Tyagi:** I must confess I have not been to the bachelor quarters, but I have seen the married quarters.

**Shri V. P. Nayar:** May I know whether Government are aware that these quarters are uninhabitable and it is dangerous if these people are to stay in them?

**Shri Tyagi:** I know that these quarters were not fit for residential purposes. They were built during the last war. Alternative accommodation is being provided. Two hundred quarters had been built last year under the housing scheme of the Government of India. It is also proposed to build another one thousand and three hundred quarters. All the families living in these quarters have already been accommodated in new quarters. Some new ones are also coming up.

**Shri R. K. Chaudhuri:** May I ask only one question?

**Mr. Speaker:** I am going to the next question.

## SLATE DEPOSITS

\*1031. **Shri S. C. Samanta:** Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether slate deposits in the six States of the country are being fully exploited;

(b) if so, how much of our internal consumption is met from it and how much from outside;

(c) whether any quantities are exported; and

(d) if so, how much?

**The Deputy Minister of Natural Resources and Scientific Research (Shri K. D. Malaviya):** (a) Yes, Sir: these deposits actually occur in 9 States, namely, Andhra, Bihar, Bombay, Himachal Pradesh, Hyderabad, Mysore, Punjab, Rajasthan and Uttar Pradesh.

(b) to (d). All the slate quarried is consumed in the country and there are no exports to or imports from outside countries.

**Shri S. C. Samanta:** May I know for what other purposes slates are used other than for writing purposes?

**Shri K. D. Malaviya:** Slates are used for roofing for floor-tilling and electrical purposes.

**Shri S. C. Samanta:** Is it a fact that the consumption of slates in India has decreased and therefore, the slate exploitation is also going slow?

**Shri K. D. Malaviya:** As far as my information goes, the exploitation has not gone down. But I cannot say anything specifically about the demand.

## BERYL

\*856. **Shri Bahadur Singh:** Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether any fresh sources of beryl have been discovered in any parts of India during 1953-54; and

(b) for what industrial and other purposes can this mineral be exploited?

**The Deputy Minister of Natural Resources and Scientific Research (Shri K. D. Malaviya):** (a) Yes, Sir.

(b) Besides its employment in Atomic Energy, Beryl can be used for the manufacture of alloys used in Industry.

**Shri Bahadur Singh:** What is the quantity of beryl that we expect to produce during 1953-54?

**Shri K. D. Malaviya:** I am afraid I should not give this information just now. It would not be advisable.

**Shri Bahadur Singh:** Do we export beryl; and if so, to what countries?

**Shri K. D. Malaviya:** Nothing can be said specifically about it.

**Shri Amjad Ali:** Is there any possibility of finding beryl in Andhra?

**Shri K. D. Malaviya:** A working party has been deputed to Madras area also to carry on investigation.

## WRITTEN ANSWERS TO QUESTIONS

मध्य भारत में सैनिक केन्द्रों की बेकार भूमि

\*१०१५. श्री आर० सौ० शर्मा : क्या रक्षा मंत्री यह बताने की कृपा करेंगे कि :

(क) मध्य भारत में सैनिक केन्द्रों में कितने एकड़ भूमि बेकार पड़ी है ;

(ख) क्या सेनाओं के एकीकरण के समय केन्द्रीय सरकार और राज्य सरकार के बीच इस सम्बन्ध में कोई समझौता हुआ था ; और

(ग) यदि हां, तो क्या ?

**The Deputy Minister of Defence (Sardar Majithia):** (a) There is no acreage of waste land in the military stations in Madhya Bharat but if the Hon'ble Member is referring to camping grounds, there are 38 of them which were formerly utilised by the

ex-State Forces for training and camping purposes.

(b) and (c). No special arrangement other than the general agreement for the take-over of the State Forces assets by the Centre was made at the time of integration. The general agreement was that whatever was in use of the ex-State Forces on the date of Federal Financial integration would accrue to the Central Government.

#### CUSTOMS SQUAD

\*1017. **Shri Raghuramaiah:** Will the Minister of Finance be pleased to state:

(a) whether the Customs Squad operating in the Karwar-Goa land frontier recently seized a large quantity of gold which was being smuggled into India by a taxi; and

(b) if so, the amount of gold so found?

**The Deputy Minister of Finance (Shri A. C. Guha):** (a) and (b). The Customs Flying Squad, Supa, recovered 15,850 tolas of gold in all from a taxi going from Karwar to Hubli; the gold was suspected to have been smuggled into India.

#### ORIENTAL GOVERNMENT SECURITY LIFE ASSURANCE CO.

\*1027. **Shri Raghuramaiah:** Will the Minister of Finance be pleased to state:

(a) whether it is a fact that the Oriental Government Security Life Assurance Company proposes to convert itself into a mutual Company;

(b) whether Government have accorded their consent to the proposal; and

(c) what are the conditions subject to which the consent has been accorded?

**The Deputy Minister of Finance (Shri M. C. Shah):** (a) Government have not received any formal proposal from the Company under Section 30 of the Insurance Act.

(b) and (c). Do not arise.

#### OIL PROSPECTING IN SAURASHTRA

\*859. **Shri Bansal:** Will the Minister of Natural Resources and Scientific Research be pleased to state the progress that has so far been made in prospecting oil in Saurashtra and near-about area?

**The Minister of Education and Natural Resources and Scientific Research (Maulana Azad):** A statement giving the information required is laid on the Table of the House. [See Appendix IV, annexure No. 9.]

#### NATIONAL PHYSICAL AND CHEMICAL LABORATORIES

\*890. **Shri Gidwani:** (a) Will the Minister of Natural Resources and Scientific Research be pleased to state the annual recurring expenses on National Chemical Laboratory, Poona and National Physical Laboratory, Delhi?

(b) What is the expenditure on the salary of the staff in each Laboratory?

(c) Have any students been admitted in any of the Laboratories for Post-graduate degree?

(d) If so, is it intended to convert these Laboratories into affiliated University Laboratories?

**The Minister of Education and Natural Resources and Scientific Research (Maulana Azad):** (a) and (b). A statement giving the required information is laid on the Table of the House. [See Appendix IV, annexure No. 10.]

(c) Yes, Sir.

(d) No, Sir.

#### SOCIAL WELFARE ORGANISATIONS

187. **Shri N. Rachiah:** Will the Minister of Education be pleased to state:

(a) the number of social welfare organisations, to which financial aid has been granted by the Central Social Welfare Board in Mysore State up to 31st January, 1954; and

(b) the total amount of assistance given to the State so far?

**The Minister of Education and Natural Resources and Scientific Research (Maulana Azad):** (a) 27.

(b) Rs. 68,200/-

ELECTIONS

**188. Shri K. C. Sodhia:** Will the Minister of Law be pleased to state:

(a) the total expenditure incurred during the current year in connection with (i) the preparation and printing of electoral rolls and (ii) the conduct of elections and bye-elections;

(b) whether any amounts were paid to the State Governments for this purpose; and

(c) if so, how much to each?

**The Minister of Law and Minority Affairs (Shri Biswas):** (a) A statement is laid on the Table of the House [See Appendix IV, annexure No 11.]

(b) and (c). Expenditure on the preparation and printing of electoral rolls and conduct of elections and bye-elections to Parliament and State Legislatures is incurred initially by the State Governments. Payments to the State Governments towards the Government of India's share of expenditure are made towards the close of the financial year provisionally 'on account' pending final adjustment later on the basis of audited figures. Payments proposed to be made to the State Governments during the current financial year are shown in column 4 of the statement referred to at (a) above. These payments are not confined only to the Government of India's share of election expenditure for the current financial year but also relate to the arrears due to be paid to the State

Governments on account of Government of India's share for the previous years.

HINDUSTAN AIRCRAFT LTD.

**189. Shri V. P. Nayar:** Will the Minister of Defence be pleased to state:

(a) whether Government are aware that a large number of employees working in the Rail Coach Section of the Hindustan Aircraft Limited, Bangalore, are exposed to the danger of inhaling foul air as a result of the spraying of thinners and nitro-cellulose paints; and

(b) the steps taken if any, for protecting the workers in the rail coach "Hangar" shed?

**The Minister of Defence Organization (Shri Tyagi):** (a) and (b). There is no spraying of thinners and nitro-cellulose paints in Hindustan Aircraft Ltd.'s Railcoach Factory and, therefore, the danger of inhaling foul air as a result of such spraying, does not exist.

There is, however, general painting work in the Railcoach side for which Hindustan Aircraft Ltd. have provided—

- (1) a well ventilated separate building,
- (2) protective clothing to workers
- (3) free supply of milk to maintain good health,
- (4) respirators to avoid inhaling fumes; and
- (5) adequate washing facilities.

Proposals are under way to instal a suitable paint fume extractor system at a cost of Rs. 1.5 lakhs.

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THE  
PARLIAMENTARY DEBATES

(Part II—Proceedings other than Questions and Answers)  
OFFICIAL REPORT

26.11.201

2215

HOUSE OF THE PEOPLE

Monday, 15th March, 1954

*The House met at Two of the Clock*

*[MR. SPEAKER in the Chair]*

QUESTIONS AND ANSWERS

*See Part I*

3 P.M.

PAPERS LAID ON THE TABLE

(i) APPROPRIATION ACCOUNTS OF THE DEFENCE SERVICES FOR 1951-52, AND COMMERCIAL APPENDIX THERETO TOGETHER WITH AUDIT REPORT THEREON

(ii) AUDIT REPORT, DEFENCE SERVICES, 1953.

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to lay on the Table a copy of each of the following papers under article 151 (1) of the Constitution:—

(i) Appropriation Accounts of the Defence Services for the year 1951-52 [Placed in Library. See No. S—70/54.];

(ii) Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1951-52 and the Audit Report thereon [Placed in Library. See No. S—71/54.]; and

(iii) Audit Report, Defence Services, 1953. [Placed in Library. See No. S—72/54].

23 P.S.D.

2216

NOTIFICATION NO. S.R.O. 812.

**The Deputy Minister of Home Affairs (Shri Datar):** I beg to lay on the Table a copy of the Ministry of States Notification No. S.R.O. 812, dated the 7th March, 1954, publishing the Proclamation made by the President revoking the Proclamation made by him on the 4th March, 1953. [Placed in Library. See No. S—73/54]

(i) ESTATE DUTY RULES

(ii) ESTATE DUTY (CONTROLLED COMPANIES) RULES.

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to lay on the Table a copy of each of the following Rules, under sub-section (3) of section 85 of the Estate Duty Act, 1953:—

(i) The Estate Duty Rules, 1953 [Placed in Library. See No. S—74/54.]; and

(ii) The Estate Duty (Controlled Companies) Rules, 1953. [Placed in Library. See No. S—75/54].

REHABILITATION FINANCE  
ADMINISTRATION LOANS

**The Deputy Minister of Finance (Shri A. C. Guha):** The question of reducing the rate of interests on the loans being advanced from the Rehabilitation Finance Administration has been under the consideration of the Government of India for some time.

[Shri A. C. Guha]

It will be recalled that during discussions on the Rehabilitation Finance Administration (Amendment) Bill in Parliament last session when such suggestions were made, I undertook to examine the matter.

The Rehabilitation Finance Administration is at present charging 6 per cent. rate of interest with a rebate of 1 per cent. on regular payment. The Rehabilitation Finance Administration is meant to be run on business principles as distinguished from other measures of Government for the relief of refugees. Already the interest charged to the Administration on the funds made available by Government is 3 per cent. which is lower even than the Government's own borrowing rates.

Nevertheless, with a view to helping the rehabilitation of refugees, Government has decided that with effect from the 1st April 1954, on all loans granted or to be granted by the Rehabilitation Finance Administration up to and including Rs. 20,000, the interest should be 4½ per cent. for the first five years and 5 per cent. afterwards with a rebate of 1 per cent. in both cases if and so long as there is no default in the payment of interest or instalments. Loans for amounts exceeding Rs. 20,000 will, with effect from the same date, bear the rate of interest at 5½ per cent. with a rebate of 1 per cent. if and so long as there is no default in payment.

The Administration is being asked to propose an amendment of the regulations to give effect to this decision.

#### FINANCE BILL

##### PRESENTATION OF PETITIONS

Shri Jangde (Bilaspur—Reserved—Sch. Castes): I beg to present a petition, signed by a petitioner, in respect of the Finance Bill, 1954.

Shri K. K. Basu (Diamond Harbour): I beg to present a petition, signed by seven petitioners, in respect of the Finance Bill, 1954.

#### UNTOUCHABILITY (OFFENCES) BILL

The Deputy Minister of Home Affairs (Shri Datar): I beg to move for leave to introduce a Bill to prescribe punishment for the practice of untouchability or the enforcement of any disability arising therefrom:

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill to prescribe punishment for the practice of untouchability or the enforcement of any disability arising therefrom."

The motion was adopted.

Shri Datar: I introduce the Bill.

#### GENERAL BUDGET

Mr. Speaker: We shall now proceed to the discussion of the General Budget. I have to announce to the House that for the benefit of hon. Members, I would like to draw their attention to Rule 225(1) regarding the scope of the Budget as differentiated from the Finance Bill. During the Finance Bill, grievances may be brought to notice. That will be the proper occasion for that purpose. So far as the discussion of the Budget is concerned, under Rule 225(1), the House will be at liberty to discuss the Budget as a whole or any question of principle involved therein. The discussion will be regarding the point whether the items of expenditure ought to be increased or decreased having regard to the importance of a particular head and also the manner in which the Budget is framed. Grievances not related either to the Finance Minister's speech or not directly arising out of the proposed expenditure will not be in order at this stage. They may be deferred for ventilation at the time of the Finance

Bill. Under rule 225(3) I fix that, fifteen minutes will be the time-limit ordinarily for every hon. Member, excepting the Finance Minister for whom one hour or more will be allowed, if necessary.

So far as Leaders of particular Groups are concerned, if they want some more time, they can take up to a maximum of thirty minutes, but this extra time will be accounted against the time allotted to the particular Group.

**Shri Tulsidas (Mehsana West):** Sir, I thank you for giving me the opportunity to make my observations on the General Budget. Let me, at the outset, congratulate the Finance Minister for the stable financial policy which has created the least possible disturbance and the gradualness with which he has adopted the financial policy in the course of his four Budgets to the needs of planning. His success is partly due, in my opinion, to the conservative policy that he has been able to continue throughout these four years of budgeting.

Sir, I shall illustrate why I call that as a conservative policy. He has always been under-estimating revenues and capital receipts and over-estimating expenditure and capital disbursements. In the budget year 1951-52 the overall deficit was to the tune of Rs. 78 crores as budgeted. In the revised budget the overall deficit was Rs. 96 crores; the actual was a surplus of Rs. 1 crore. In 1952-53 the budgeted deficit was Rs. 76 crores; the revised estimate was Rs. 82 crores and the actuals Rs. 46 crores deficit. The difference here is Rs. 30 crores. And now in 1953-54 the budgeted deficit was Rs. 138 crores; revised estimate was Rs. 128 crores. I do not know what the actuals will be. That we will be knowing only next year.

Sir, we have also been told that in the year 1954-55 we will have a deficit on the revenue side of Rs. 14 crores, and with the amount of Rs. 250 crores of deficit finance, we may be able to

manage through the year. Now, Sir, I would like to point out that most of the receipts have increased on the revenue side. In 1951-52 on the revenue side the budgeted estimate of receipts was Rs. 402 crores, while in the revised budget it was Rs. 497 crores; and actuals Rs. 515 crores. In 1952-53 the revenue side showed a budgeted estimate of Rs. 404 crores; the revised amount was Rs. 418 crores and actuals Rs. 435 crores. Similarly, with regard to the expenditure side, the expenditure was estimated at Rs. 375 crores in 1951-52, the revised estimate is Rs. 405 crores while the actuals are Rs. 387 crores. In 1952-53, Rs. 401 crores was the budgeted figure; the revised estimate is Rs. 423 crores and the actuals is Rs. 396 crores.

[MR. DEPUTY-SPEAKER in the Chair.]

What I do want to point out to the hon. Finance Minister is that though I had called it as conservative finance, and a conservative Budget, as we bankers usually do, it is not really in good interest that he has framed this budget in a most conservative manner. I feel the difference between the budget, revised and actual which is, in my opinion, much more conservative. It is intended to maintain taxation at a level that is higher than is warranted by the actual needs of the Government. This results in the imposition of taxation which is heavier than it need be.

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** What about the deficit?

**Shri Tulsidas:** I am talking of the previous years. I am not talking about 1954-55—I will come to that later on.

I find that the hon. Finance Minister is afraid of making any major change in the taxation structure. He has made certain changes, particularly in the excise duties and import duties. He has rightly pointed out,—and I know this year most of the Budgets even of the State Government have

[Shri Tulsidas]

mentioned that,— that till the Taxation Enquiry Commission's report is out, no major changes should be made in the taxation structure, but he did, naturally, find that some change was necessary. If that is so, I do not know why he has not gone further and made whatever changes that were necessary in order to increase the productivity and the savings of the country which he thought necessary even before the report of the Taxation Enquiry Commission.

If the Taxation Enquiry Commission makes recommendations of a different nature, or some changes become necessary, then, I do not think there would be any difficulty in making those adjustments. When excise duties on different goods and an increase in the import duty on betel nut have been introduced even before the report of the Taxation Enquiry Commission, this is, in my opinion,—if I may use the word,—an omission on the part of the Finance Minister.

I clearly see from his speech that he does not wish to make any change though there may be a necessity for changes in the taxation structure. He has not spoken anything with regard to any change. I feel that this is a sort of omission. All important countries, such as U.S.A., U.K., Australia, Germany, etc., have made changes or are going to make changes in the near future. They have done this in order that the productivity of the country may increase. Our taxation system has been in operation from the time when there was an inflation soon after the war, and we will have to adjust it on the basis of the needs of the country for increased savings, increased production and increased investment. Therefore, the policy should be changed to suit the needs of the country. Our Finance Minister was a party to the decisions reached at the Commonwealth Finance Minister's Conference held at Sydney and that is why this omission, I say, is all the more glaring.

Sir, I am quoting a portion from that communique:

"We have reaffirmed our determination to press on with development, in conformity with our general policy, to the limit of available resources. In some of our countries private enterprise is making a large contribution to development."

I would like you, Sir, to mark the sentence that follows.

"Governments will be concerned to promote balanced development, whether public or private, to pursue policies designed to increase the flow of savings, and to encourage private investment from both internal and external sources."

I mean there are different places where these changes in the taxation structure are being pointed out and I am sure the Taxation Enquiry Commission will recommend whatever adjustments are necessary. I do not wish to dwell on this particular problem, but I do feel that the present high level of taxation discourages productive effort, inhibits the flow of savings and discourages investment in industry. The private sector, even in the Plan, has to shoulder the responsibilities for the bulk of the investment in industry and almost all the investment in trade. This responsibility it cannot discharge on its own at the present level of taxation. I know that the Finance Minister has mentioned in his speech and the Government has realised that there is a sort of lack of capital available to the private sector. For that reason the Government has floated Industrial Finance Corporations. In fact they have gone further. As even the Industrial Finance Corporations are not meeting the needs, they have gone further, and the Reserve Bank has appointed the Shroff Committee to look into how capital could be made available to the private sector. Further, as the Finance

Minister has mentioned in his speech, two new Corporations will be floated in order to see that increased resources are made available to industry in the private sector. It is also very significant to point out here that even in the public sector the borrowings have not been as successful—according to the words of the Finance Minister, it has been slightly disappointing. I would be happy to hear from him that I am not correct. But that shows that with this increased taxation which we have been having all these years for particular purposes—we are taxing much more for the needs which have been shown in the Budget—the object has not been attained, because on the one hand the moneys have been withdrawn and on the other the moneys necessary to be put in for our economy have not been put in. That has not been gone into. It has been a sort of contraction. And that reflects the unavailability of the capital requirements in the private sector as well as in the public sector. Therefore even the borrowing programme of the Government have not been so successful; they are rather disappointing.

The returns in the receipts from the other sources also are diminishing—I am not saying with regard to the budget proposals—but with regard to each type of taxation the returns are diminishing. I do not wish to dwell upon the point of high rates of the taxation of income and also inflation, which together have been responsible for the erosion of industrial capital to the tune of hundreds of crores of rupees, especially owing to the faulty practice of calculating depreciation on the basis of historical instead of replacement costs. That is one factor by which industry does not get sufficient internal resources to rehabilitate or to put any more capital goods. I am sure, as I said before, this would be looked after by the Taxation Inquiry Commission. But, I would like to emphasise here that it would make more capital available to industry if the Government allowed

the private sector directly to retain a greater proportion of its internal resources instead of giving back to the private sector in a round about way a part of the resources taken away from it by way of taxation. That is what I have been trying to point out and even in the Bernstein Report this has been pointed out. It says:

"Business will not be able to save if price controls squeeze profit margins too tightly or if taxes are excessive. Both the remaining price controls and taxes on corporate profits should be re-examined with a view to facilitating internal financing by business of capital outlays for replacement and expansion."

This high level of taxation has been continued even after it was known to have reduced capital formation in the private sector on the ground that it causes a shift of investment from the private sector to the public sector. But, that does not happen. Experience has shown that the loss of private investment has not been made good by a corresponding increase in public investment. Here again, we feel that there is not enough purchasing power and we must therefore, pump some money. According to the Budget figures we have not been pumping the money, but we have been taking the money by way of taxation. That is what I am trying to make out.

Taxation on industry and trade has, in my opinion, been kept at a high level on the assumption that the Government would be able to maintain a certain level of investment expenditure, but since the actual amount of investment is considerably less than the assumed amount, the public is called upon to bear a burden of taxation that is not commensurate with the benefits obtained by way of development. Sir, I have dwelt on this point at length and I would rather request the hon. Finance Minister to go into this point and say whether the point that I have tried to explain

[Shri Tulsidas]

is not the real cause for the private sector not having the capital or resources available.

I would like to mention the question of deficit financing. The Finance Minister in his speech has very rightly pointed out that this is a matter which has to be handled in a rather difficult manner. I know that as long as Shri C. D. Deshmukh is there we are in safe hands, that he will be able to control, and the deficit financing will not have much effect. I have mentioned many times before my views about deficit financing. The Finance Minister says that the climate is now better; and because the climate is better, he feels that deficit financing should now be resorted to. Now, Sir, with regard to the climate, he has mentioned that we have increased our production. I agree that there is an increase in production. But, the increase is not so much and if slightly the balance goes the other way round, it may cause a certain amount of difficulties. Therefore, he will have to be rather very cautious, and I am sure he will be cautious. I see in his speech in the other House he has definitely said that, if he finds in course of time that the conditions are not so good, he will even go to the extent of reducing the expenditure. I am very glad that he has said so in the Council of States. Under his care, I have not the slightest apprehension that there will be any difficulty with regard to deficit financing. But, I would like to point out to him that now that there is going to be deficit financing of such a magnitude, simultaneously, as has also been referred to by him in his speech, we must come back to a certain amount of normalcy. We have to create conditions for a certain amount of normalcy to come back and it must come within a couple of years, or three or four years. We are now on the threshold of the Second Five Year Plan when resources will be required in a much larger magnitude. Unless we create those conditions, we do not

know how we will be able to find resources for a bigger Plan. We hear that it will be of the order of Rs. 7,000 crores; some say Rs. 6,000 crores; the papers say 6 or 7 thousand crores. Whatever it is, we take it that it would be bigger than the First Five Year Plan. It was mentioned in the Preamble of the Plan that the savings which were 5 per cent. in the beginning of the Plan would be increased to 6.75 per cent. at the end of the Plan. I would like to know from the Finance Minister what indication he has got to show that the savings have gone up and, if so, to what extent. If the savings have not gone up, I do not know how he will be able to get resources both in the private sector and the public sector for the Second Plan which is now being planned, which may be of a larger magnitude. If we go on with deficit financing, as a last resort, I do not know how that will work. Deficit financing is a very easy way of producing money. During the Railway Budget discussions, many Members said now that we are embarking on deficit financing, why not spend more? Similarly when we consider the Demands of the various Ministries, we will hear similar expressions in the House, and even some of the Ministers may naturally expect some more money. I would like to lay stress on one point. I only hope that this expenditure will be on productive purposes and not on unproductive purposes. I am sure the hon. Finance Minister will look into the matter and see that the expenditure is on productive purposes.

Then, I come to a very important point. The hon. Finance Minister has mentioned in his speech:

"The bulk of deficit financing this year and the coming year will be more than accounted for by the Central assistance given to the States for their development schemes."

This is a very important question. Here we are voting for deficit financing, and most of that money will be given in the form of assistance to the States. A total amount of Rs. 25 crores was given in 1952-53 to the States. A sum of Rs. 96 crores was budgeted for 1953-54, but the revised estimate is Rs. 118 crores. In the budget estimate for 1954-55 it is Rs. 184 crores. I know there is a certain amount of constitutional difficulty. States naturally do not like control by the Centre. But, after all, when a large proportion of the money voted by this House goes to the assistance of the States, is it not proper that a commission of this House should go into the States' expenditure to see that the money is spent properly and for the purpose it is intended?

**Shri S. S. More (Sholapur):** What about provincial autonomy?

**Shri Tulsidas:** I am not saying that Government should do it. I am only saying this Parliament which gives sanction for Rs. 250 crores of deficit financing ought to have some body—I am only just throwing out a suggestion—which ought to have a certain amount of control, or, let me say, supervision if control is not liked, on the expenditure of the States.

I do not like to criticise certain of the States' policies, but I would like to illustrate one point. Here is the question of our sugar industry. We are going to import to the extent of Rs. 25 crores worth of sugar this year. This is really wasteful expenditure. The State Governments put a cess on cane for improvement of the variety of cane. And what do we find? The production of sugar, instead of improving, has gone down during the last two years, and the position today is we have got to import 5 lakh tons. We do not require increased area for cultivation of sugarcane. We only want improved variety of cane and improved method of cultivation. If we have that, we will be able to stop this import. This cess which was

meant for the development of cane, is now appropriated on revenue account by the States. Therefore, I feel that this House ought to have some supervision over States' expenditure and some knowledge of what is being done in the States. As it was suggested in the case of State enterprises, I feel that we should have some sort of Parliamentary control over States' expenditure.

Of course, with regard to Parliamentary control over State enterprises, I know that Government is rather over-sensitive. They have not come to any decision in spite of Members being keen on having a committee. I find that most of the accounts of these State enterprises, which are now private limited companies, are not available. I have been able to get only one or two accounts. To give an instance again, in the Chittaranjan Locomotive Factory, the capital at charge is about Rs. 21 crores and the production is one hundred locomotives at a cost of about Rs. 5 crores. That is the production of this Factory. I do not know how far it is true, but I am told that only for about thirty or thirty-five locomotives that are produced here, the boilers are made in the Factory, while for the rest, the boilers are imported from outside the country. Thus, out of the total capital at charge, only Rs. 2 or 3 crores go towards production.

Similarly in the Abarnath Prototype Machine Tool Factory, we do not know what is happening. We have got an enormous capital at charge on this Factory, but nothing much seems to have been done in this regard. I hope I am wrong, but I would like to be enlightened in the matter.

At least in the case of those concerns which have been made into private limited companies, we should have some knowledge of what is happening in them, and they should be accountable to this House. I have been trying to get at the accounts of these private limited companies, but so far

[Shri Tulsi das]

I have not been successful, excepting in the case of two or three. I would therefore suggest that Government should agree at least now, to the appointment of a Parliamentary committee or commission, to go into these matters. There is no question of any party politics here. As the Parliament of India, sanctioning the money for the various projects, I think, we should all unanimously agree to the setting up of an organisation to scrutinise the expenditure on the State projects, and also the working of the private limited companies.

I hope the hon. Finance Minister will look into all these matters.

**Shri T. S. A. Chettiar (Tiruppur):** I am not accustomed either by training or by habit, to vainly congratulate those in power. But today I believe I am saying something more than a formality, when I say the hon. Finance Minister deserves congratulations for what he has submitted.

With the achievement of independence, there has been a surging enthusiasm on the part of our people in this great country, and new India is also taking shape before us. We see tremendous activity everywhere, and it has been our purpose to utilise that activity in proper channels. Firkas development schemes, community projects, national extension schemes, etc. have helped in our work. Food production has increased, and fortunately nature has helped us with timely rains this year. Industries have reached their peak production. Prices have been stabilised. Deficit financing, over which we were so much afraid, has not done harm.

In addition, to develop industries in our country, industrial development corporations are in the making, and the International Bank has been consulted as to how best they can help in setting up those corporations. Only one word of warning, I would like to say, and that is this. Once we are accustomed to deficit financing, it is something

which may mislead us somewhere, but I hope the vigilant eyes of the hon. Finance Minister, and the Finance Ministry will see that they put the reins when and where it is necessary.

This Budget is pre-eminently a plan budget. This has been willed and planned so that it may effectively put into operation the Five Year Plan that we have got. The original Plan was for a sum of Rs. 2,069 crores, but the amount has been further increased by Rs. 175 crores, so that the total outlay on the Plan comes to Rs. 2,244 crores, out of which nearly one thousand crores of rupees have been spent during the last three years, and about Rs. 1,244 crores still remain to be spent. Our problem now is how to find that money.

If we look at the revenue side as well as the ways and means picture, we find that the revenue deficit is Rs. 26 crores, capital investment Rs. 395 crores, repayment of loans etc. Rs. 53 crores, all of which comes to a total of Rs. 474 crores. If we look at the details as to how this amount is sought to be met, we see the dangers, so far as our achievements are concerned. The way in which it is sought to be met is as follows:

Loans in market—Rs. 75 crores.

Foreign assistance—Rs. 48 crores.

Small savings—Rs. 45 crores.

Miscellaneous dues and remittances—Rs. 56 crores.

Deficit financing—Rs. 250 crores.

When we study these figures, Sir, I find that they have got certain features over which we should be well warned. In the coming years, I doubt whether we can take credit for that foreign assistance which we have taken in this budget. With the trend of events in the world, with the way in which things are going on—I should not like to explain further—we do not know how the feelings of those portions of the world which are assisting us today will be in the coming

years, and I think we will be well advised not to rely on these Rs. 48 crores of foreign assistance in the coming years. In the same way, customs have been giving us a very good revenue. But this year's budget has shown that our income from customs has been dwindling and it is up to us to find out whether we will have alternative revenues to meet these two and other deficits.

There are also certain other features which we ought to take into consideration so that we may be forewarned, so that we can find out alternative methods; if we cannot find alternative methods, we should consider whether we should not go further in taxing our people in our own country.

Sir, I feel that one of the obstacles in the way of the putting into effect of this Plan is the weakness of our State Governments. I find that many of the States have not been able to gather enough money to put in their share of expenditure. If I may give an example—and I am giving Madras, my own State—I find that Rs. 92 crores was the amount to be spent under the Plan by Madras, out of which Irrigation and Power account for Rs. 50 crores, Agriculture and allied subjects take Rs. 18 crores, Social Services and Education Rs. 19 crores, and Miscellaneous Rs. 5 crores. I find that except for irrigation and power, the expenditure for which they propose to cover by loans, and for agriculture and allied subjects, which account for Rs. 18 crores and which they propose to make somehow, for the most important aspect of the Plan, namely, education and social services, they have been unable to find the money. There is a gap of nearly Rs. 25 crores and we ought to see how we are going to help the States to cover these large gaps of deficits that they are having. This Plan is a composite whole. It is not enough if the Centre merely finds the amount, its part of the share. It is also necessary that the Centre, with its large resources,

should help the States in finding that portion which is necessary for them to find. It is rather unfortunate that in the States' portion, lies one of the most important aspects of our social services, namely, education. To my mind, education is perhaps the most important thing in national regeneration, because if we are to develop efficiency, if we are to develop greater productive capacity, if we are to have greater intelligence and greater effort, the basic thing is to give the proper type of education. That unfortunately, has been put to the States' share. The responsibility that has been taken by the Centre in education is so very small that Rs. 8 crores has been allotted for the whole of India in this budget. Many States are not able to find the portions that come in for their responsibility so far as education is concerned. How are we going to put the Plan effectively into practice? I appreciate the priority being given to agriculture; I appreciate the priority being given to irrigation and power, because they are necessary. Food must be produced so that the large drain that we have been incurring by importing food may be avoided, so that we may be self-contained in such a vital matter as food. But more vital perhaps than this is education and yet education has been, almost wholly, put into the States' share. That is a weakness of the Plan, and unless we help the States to cover that part of the amount to cover that part of the Plan, I think we will be failing to that extent.

So I would like to suggest that if the Plan is to succeed as a whole, not only is it necessary that the centre should see through these priorities given according to the Plan, but wherever possible, whenever possible and as much as possible, we should help the States to get through their plans with regard to education and other social services.

I would like to suggest some constructive ideas through which these obstacles may be overcome. They may

[Shri T. S. A. Chettiar]

Have defects, but they are points which we may examine. These are a few points which I would suggest before I go further.

We have received the reports of the Public Accounts Committee and it has been pointed out many times that there has been wastage on many of the big projects. I think we should examine, whether the money is properly spent or whether it has been wasted through corruption or otherwise. It has been brought to our notice through the reports of the Public Accounts Committee that there have been a few cases in which wastage could have been avoided. When we are spending large sums of money and when we are getting that money with very great difficulty, it is our duty to see that in all these projects we have proper financial control. We must have some persons to go through these things and see that not even one pice more than is necessary is spent on these projects.

Sir, there were two bridges which were very similar—one in Northern India and the other in Southern India,—which had almost the same specifications, but for the one in Northern India we spent more than double of what we spent in Southern India. It also formed the subject of questions in this House. I see no reason why there should be so much difference between these two projects with the same specifications. It is up to us and for the Finance Ministry to go into these cases.

I have been suggesting one way of taxation, taxation through labour. I think most of the works that are being undertaken in the districts, in the States are amenities to villages: dispensaries, roads, schools and such other things. I am one of those who believe that in a country where the scope for taxation is so low as in this country, where the taxable wealth is so small, taxes by way of labour can yield an amount of work which, in

terms of money, would be a great deal. Thirdly, I think, we should make the people plan conscious so that these plans may be accelerated.

One matter which I think this House would like to hear is about the worsening of the conditions of Indians in Ceylon. Hon. Members are fully aware that a certain agreement was entered into between the Prime Ministers of India and Ceylon. We find that certain acts are being done in Ceylon so that this agreement is not given a proper trial. I would like to read a small passage.

"The Ceylonization policy of the Government as enunciated by the Labour Minister, Dr. M. C. M. Kaleel, last week is to be first implemented in Colombo and then gradually extended to other areas."

"A spokesman of the Congress said that the Congress was inclined to interpret the Government's move as an indication of their intention to use employment as a lever to drive Stateless persons to embrace Indian nationality so that they could be eventually repatriated.

Under the last census figures in a population of nearly one million persons of Indian origin, over eight lakhs are Stateless. The former Prime Minister of Ceylon, Mr. Dudley Senanayake, had estimated in June last that about half the number of Stateless persons would become citizens in the course of a year under the Citizenship Act. Since then, however, the ratio between acceptance and rejection of applications is understood to have radically altered. In the last three or four months the number of applications rejected is understood to have risen very considerably so that Indian circles fear that at this rate not more than one and

a half lakh out of the total of eight lakhs would qualify for citizenship. This would mean that over six and a half lakhs of estate labour would be Stateless in the present circumstances and they would be asked to register themselves as Indian nationals if they wished to continue in their jobs."

I should point out that our Government should take note of this and see that whatever happens, these unfortunate people are not disturbed from their employment, because a large number of them are born and bred up in that country.

**Shri Gadgil** (Poona Central): Nothing is perfect in this world and therefore, to predicate that this year's Budget will be a perfect one is wrong. I have been in this House for a long period and I do not remember even a single budget which has been approved without exception by every quarter of the country. Therefore, the Finance Minister must be ready always to receive a fair mixture of congratulations and criticism, sometimes well expressed and sometimes warmly expressed.

So far as I am concerned, I am inclined to congratulate him, but I have deferred that till I see the final shape in which the Finance Bill is passed.

**Dr. Lanka Sundaram** (Visakhapatnam): Thereby hangs your tale!

**Shri Gadgil**: That only shows that I am....

**Shri Velayudhan** (Quilon cum Mavelikkara—Reserved—Sch. Castes): Cautious?

**Shri Gadgil**:....no, but that I am very responsible and I do not want to criticise unnecessarily.

One thing is certain, namely, that this Budget provides enough money for the implementation of the Five Year Plan, and if for any reason the State Governments or the Central Government are not able to fulfil it,

the fault will certainly not be that of the Finance Minister. He has taken a risk, namely, of raising deficit finance. There is nothing wrong about it under controlled circumstances. As a very cautious man by nature, by temperament and by experience, he has taken every precaution to see that any moment he can withdraw it from the field of experiment without any serious damage to our economy. Therefore, I am entirely one with him in this respect.

There is only one little postscript that I want to add to this, namely, that it works as an indirect taxation on the whole community, and to that extent, the richer classes have escaped. That is my grievance. If he could have lessened the deficit amount by raising additional direct taxation, I would have been right glad, but this time he has a very good excuse, namely, the Taxation Enquiry Committee is sitting, and after its labours are completed and its report is submitted, I am sure he will take all those recommendations into consideration.

My own fear is that the Taxation Enquiry Commission will not recommend any radical change in the system of taxation. That is because the terms of reference, the composition and the social outlook of those who are concerned with it do not justify a belief of radical recommendations coming from them. Secondly, the role of any Taxation Enquiry Commission is to work within the framework of the economic policy propounded by the government of the day and in this case the Government of the day has not made up its mind whether the economy could move towards nationalisation or whether the field for private enterprise should remain what it is and intensive help should be given to it.

So far as what is stated in the Constitution is concerned, I think it is an obligation on the part of the Government, whether the present one or any

[Shri Gadgil]:

other that may come in its place, to see that the system of taxation is in consonance with the realisation of the ideals as stated in the Constitution itself. I therefore say that the recommendations, as I visualise them, will not be radical. I mean no reflection on the Committee. In view of this, I am requesting Government to make its policy clear.

As far as I am concerned, I have come to the conclusion that so far as direct taxation is concerned, there should be no tax below a certain minimum and there should be no income beyond a certain maximum. The range between the minimum and the maximum may be adjusted from time to time, but if somebody asks me to give an indication of my mind, I am prepared to say that there should be no income tax on incomes below Rs. 5,000 and there should be no income above Rs. 30,000. We have to see that we bring about a society in which there will be no vast differences in economics, in wealth and in happiness, and that is possible only if we limit the two extremes of income—the maximum and the minimum. I am not asking Government to give the range here and now. I am asking them to agree in principle that beyond a certain maximum there will be no income, and at the same time, beyond a certain minimum there will be no direct tax.

I am happy that so far as the estate duty is concerned, it is already the law of the land, and those classes which are to be affected have not taken to it kindly. I am told that trusts and gifts are the order of the day. A lawyer who is also a M.P. told me the other day, "I must thank you and Deshmukh, because for the last four months I have been having a roaring practice. Not a day passes without somebody coming and consulting me". He said people came to him to consult how to escape the clutches of the Estate Duty Act.

Shri S. S. More: No thanks to the House?

Shri Gadgil: That is so far as direct taxation is concerned.

Now, I am not against indirect taxes. I honestly feel that this country belongs to the poor, and there must therefore be no section which is rich.

Shri R. K. Chaudhuri (Gauhati): Once poor, always poor!

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Shri Gadgil: If this country belongs to the poor, we must all help in the implementation of the Five Year Plan No. 1, No. 2, No. 3 and so on. If the responsibility for raising the standard of life is to be shared by everybody and everybody is to put his shoulder to the wheel, I welcome indirect taxes. But there must be equity between citizens and citizens and there must be equality of sacrifice. Am I asked to give finances for a Plan in which I find the emphasis shifting gradually from the public sector to the private sector? I do not want to dilate on this, because I have not got the strength enough today. All I say is that there are two tendencies clear. One is that every effort or every wooing is done to make the private industrialist do this or do that, because Government feels that they cannot meet the problem of unemployment unless they enlist the sympathy and co-operation of the private sector on their terms. All sorts of concessions are therefore being made. Prices of raw products are controlled in their favour and there is no control on the finished products, which can be sold whenever they can get the highest prices. So far as small industries and cottage industries are concerned, I regret to say that during the last two years, they have suffered more than what they have suffered during the last half a century. It is not necessary here to cut the thumb of an expert weaver: there are ways and ways of taxation.

Shri S. S. More: You can starve him now.

**Shri Gadgil:** But how many thumbs have you? To continue my argument, it is my tentative view,—and I do not say that I have come to any final conclusion,—that smaller industries are deliberately neglected and discouraged. Most of the industries which had come into existence and had prospered during war time, are finished. Imports are allowed, on the ground of quality, of biscuits and chocolates. Smaller laboratories evolved certain colours and to a certain extent, the Government policy was to help them. There was ban on the import of certain colours, and after going through the pioneering pangs of that industry last year and this year, they had some ray of hope of earning a little. Suddenly, the Government policy changes and those British and foreign firms, which were exporting those particular colours here, have come here and are thinking of a combine with private industrialists and Government is going to help them because Government wants bigger production, although the requirement of the particular colours is fully met by our own industry. It is time that Government looks a little more carefully. For example, take the tin plate industry. Only yesterday I received a pamphlet by one B. K. Ghosh. It contains this information. In 1947 the Government said, "No more licensing of companies that come into existence later on". Then, 1949, 1950 and 1953, dates were changed because a certain British firm wanted to expand its productions, the result is that the British firm is getting more quota than can be consumed here, whereas Indian companies are going to dogs. I can quote other examples, but the point I want to make out is this. When we are out for a planned economy, we do not engage a private industrialist, whether Indian or otherwise, to manage the economy in such a way that instead of solving the problem of unemployment, it will add to it. Foreign capital and foreign interests are more welcome here! I am told that in the Secretariat, if an Indian merchant goes there, he is

treated with contempt, and if a foreigner goes there, he is welcomed. I want to ask the Government as to how many functionaries of the Government have given recommendatory notes to foreign firms to engage their friends and relatives. This is a matter to be enquired into. One can easily see how things move on. After independence when we want to be self-sufficient in matters of strategic importance and in certain matters here and there, something else is actually happening. Nobody knows what is happening. I want the Government to tighten up the situation—not that they should have a public enquiry. I am not against A, B or anybody else, but I honestly feel that in the context of the present uncertainty in the world, we have not developed civilian industries which can be switched over to war production in a short time. This was an aspect which some of us placed before the Planning Commission, but it seems that no notice has been taken of it. Even now, it is not too late, although time is the essence of the situation. This is a point too delicate to be spoken frankly and freely on the floor of the House, but the hon. Finance Minister can just read my mind, and every Member of the House also can do it.

So far as actual proposals about indirect taxation are concerned, I know there is another occasion, when the Finance Bill comes, to raise this point, but now I just want to give an indication. Take the soap factories. There are small factories which are run by people here in the last two years, but Lever Bros. are being given permission to erect a plant capacity of which is more than what India needs, and if that plant is installed all other soap factories will have to close down. This "India Limited" has been the bane of the country.

**Pandit Thakur Das Bhargava (Gurgaon):** It will limit India!

**Shri Gadgil:** I remember that in 1939—you were with us—when

[**Shri Gadgil**]

Gandhiji specially asked me to move a resolution, and it was a well-documented book that was given to me, we moved the resolution. But then we left the Assembly because of war circumstances and the matter was not pursued. Today, I have no theoretical objection to foreign capital but what is happening is that foreign capitalists, either by themselves or in conjunction with our own capitalists, are driving out the small industries and creating a situation in which it is highly necessary that we hold all the key positions but where we may be suddenly found to be finking. That is a situation we should avoid.

Take the case of betel nut. This is the only luxury left in Bombay for the poor man. Apart from the religious aspect of which my friend Shri Deshmukh is well aware, I just calculated that one piece will cost a quarter of an anna. It was stated in the Finance Minister's speech that the additional burden may be borne by the middlemen. I have yet to know of a middleman who has failed to transfer the burden of the tax and has borne it himself. His shoulders are proverbially slippery. I urge upon the Government that in the name of the common man, for whom all the planned economy and ten thousand officers are working, they should give him a little relief. If you can withdraw the whole of this tax, well and good. In the end I will be able to tell you that your general financial arrangements are not going to be prejudiced. You have budgeted for Rs. 238 crores of deficit. A little more does not matter. When the Taxation Enquiry Commission reports, add three annas a rupee to the income-tax. If you accept my proposal, which you should, then there is no difficulty of capital formation. Tax everyone of us because it is our country.

**Shri S. S. More:** Is it a personal talk going on between Mr. Gadgil and the Finance Minister?

**Mr. Deputy-Speaker:** The hon. Member will address the Chair, but may look at the Finance Minister.

**Shri Gadgil:** This Member unnecessarily wants to get up every time on some pretext or other.

**Mr. Deputy-Speaker:** All Members here are hon. Members.

**Shri Gadgil:** Regarding cloth, Government were getting Rs. 4 crores by way of import duty on foreign cotton. What is the reason for giving it up? Somebody said it is only Rs. 4 crores. Even if it is Rs. 1,00,000, let me have it. I want to know how much of this fine cotton for the manufacture of fine and superfine cloth used in the export of fine and superfine cloth. And what have you done? Rs. 4 crores are sought to be met not by adding excise duty on the fine and superfine cloth alone but on my own cloth—medium and coarse. Why? This is robbing Peter to pay Paul. The textile interests have a pull greater than any other industry with the Government of India. Last year for eight months they went on accumulating profits, and suddenly they raised a hue and cry and Government abolished this, that and the other duty. They have the Government entirely in the fold of their hands. I suggest that you waive the duty on medium and coarse cloth and raise that much on the fine and superfine variety—I do not mind.

Then there is the question of art silk. Here also the art silk cloth is in competition with the fine and superfine cloth. I am told that this duty is imposed more as a result of representations of certain mill owners who manufacture fine and superfine voile, because they want to reduce competition from the art silk industry. This is a small industry confined to Surat and one or two other places. One of the Gujarat Members told me that many in this industry have a loom or two. I understand that the Finance Minister is going to exempt cottage or

small industries. But a man may have one or two power looms. So, you must define what constitutes a cottage industry. Are you going to confine it merely to the mechanism of power, or mechanism of hand which works it? In the second place, this industry—I am speaking from literature supplied to me and cannot vouchsafe for its accuracy—has not been doing well for the last three years. They are already paying an import duty of 36 to 38 per cent. At Bhivandi, the cloth is sold at 7 annas 6 pies; another variety at 8 annas or 10 annas. On that you are charging I think one anna and six pies. Just consider what the percentage works out to. You are going to exempt cotton which is going to be used for the manufacture of fine and superfine cloth from import duty. But why this discrimination? If it is your policy to exempt raw materials for industrial purpose from import duty, then have a little equity in it. Do justice between competing industries. I entirely agree that the Finance Minister has every justification to raise by excise whatever he loses by way of import duty, because of the policy of protection. That is perfectly correct. But, as I said, there must be equity, and equality of sacrifice.

I have nothing to say about the expenditure side. I do not agree with my hon. friend Shri Tulsidas Killa-chand that there must be this control and that control. It is a matter for the State Legislatures. The general control is certainly there. Let them not say that we have not been able to implement the Plan because of lack of finance. Give them more.

So far as deficit financing is concerned, it is a *Kamadhenu*, provided you use it with care. I am convinced that so far as these matters are in the trusted hands of my hon. friend Mr. Deshmukh we need not fear anything. All that I want him to do is to realise that this country is a country of the poor, it belongs to the poor and there must be no rival owner. It must

at least be our sacred duty to see that the disparity between the rich and the poor is not widened and closed gradually, but effectively.

**Shri V. G. Deshpande (Guna):** Mr. Deputy-Speaker, Sir, I rise to express my deep disappointment on this Budget. Some hon. Members have congratulated the Finance Minister. But I really congratulate the spokesman of the Congress who has just spoken for the way in which he has congratulated the Finance Minister. I am also going to congratulate the Finance Minister in that manner. My own complaint against this Budget is...

**Shri Gadgil:** Once in a way you have become a Congressman!

**Shri V. G. Deshpande:** In this way, when all Congressmen come forward, to expose cases of corruption, giving chits to their relatives, etc., I would also be a Congressman by all means!

My complaint against this Budget is mainly based on the taxation measures which are likely to affect the middle classes. My feeling is that the excise duty on soap, on cement, and last but not least on shoes, and other types of taxation, will do grave injustice to the middle classes. I disagree with Mr. Gadgil when he says that indirect taxes are better.

**An Hon. Member:** He did not say so.

**Shri V. G. Deshpande:** Then, I misunderstood him.

I may say that the burden of the indirect taxes necessarily falls upon the middle classes and the poorer classes. This Budget has been framed with a view to give advantage to the capitalist classes, and the middle classes would be the sufferers. My complaint is not only against small taxes here and there, but also against what is known as deficit financing. It is a great magic, which the great magician, our Finance Minister is, displaying in this country. When we have

## [Shri V. G. Deshpande]

no money, Rs. 250 crores are going to be spent and we are watching with wonder this great experiment of deficit financing. My own fear is that this deficit financing may end in nothing. It may on the other hand result in inflation. Our country has been congratulated by many foreign countries for having checked inflation. But now our Finance Minister in his anxiety to give economic prices to different industries and the agriculturists is trying this experiment. I would not have complained even against this deficit financing of Rs. 250 crores. My main complaint is that this Budget is conceived in a spirit of complacency, without taking into consideration that this country is on the brink of a crisis. India has to take into consideration the great dangers facing here. We have to take note of the fact that America has decided to give military aid to Pakistan. In the face of this, the country is experimenting in prohibition, thinking of community projects and thinking in terms of the Colombo Plan. We still find that our Finance Minister expects Rs. 48 crores of foreign aid. This very fact shows that he thinks that the whole world politics will go on as it is going on. With the self-respect that we are at least showing, on the face of it my feeling is that a time may come when it will be impossible for us either to receive this Rs. 48 crores or for them to donate this Rs. 48 crores to us. In view of this, my complaint is that this Budget has not taken into consideration the danger that is confronting India.

Another thing which I want to mention, in passing, is that our Finance Minister has infinite and unending faith in the good intentions of Pakistan. We on this side have repeatedly said that we have no faith in Pakistan. Pakistan does not implement the agreements. Our Finance Minister in the first year put Rs. 9 crores to be realised from Pakistan. The next year he put this figure at Rs. 18 crores. I

still remember that last year our late Dr. Syama Prasad Mookerjee warned our Finance Minister that he was not going to realise this Rs. 18 crores. This year our Finance Minister comes and says that the deficit is only on account of Pakistan having failed to pay Rs. 18 crores. With his unending hope, he says that this year he is confident that by having talks with representatives of Pakistan he will have Rs. 9 crores. I do not know what Pakistan is going to send us. The hon. Member, Mr. Gadgil also has given some gentle hint. Responsible as he is, he believes in giving gentle hints! My complaint is that our Government has not taken any hint from the events that are developing in the world. India may be a great country; it may be claiming to be the champion of world peace but we do live in this 20th century and we have to be realistic. My complaint is that this Budget is inaccurate and unrealistic.

England is not a country which you can call a war-mongering country. Those who have followed the British Budget must have seen what huge defence programme they have prepared. They have taken American aid, I think, to the extent of 120 million sterling in the new defence programme. When Britain with all its preparation and defence policy thinks that its defence preparations have to be increased, our Government, with deficit financing to the extent of Rs. 250 crores, has increased its defence expenditure by only Rs. 6 crores. Even for building bungalows in Delhi they are going to spend more than four crores and for the defence of this vast country they are thinking of increasing their defence expenditure only by six crores. My feeling is that the defence expenditure is not to be spent for any material improvements in the defence preparations but on some purchases for the Air Force. They are going to spend this and our defence will remain where it was. I cannot blame the Finance Minister for the

position in which the country is placed; it is just a mirror of the country's administration and the Budget just reflects it.

Our main defect has been the mistaken foreign policy of the Government which has landed us into the present trouble. My feeling is that had the Prime Minister of this country not followed the mad game of what they call 'dynamic neutrality', we would not have found ourselves in the present situation. We have unnecessarily involved ourselves in Korea, and even after burning our fingers in Korean affairs our Prime Minister makes an appeal for cease-fire in Indo-China. The French Parliament is discussing the great offer given by Pandit Nehru. This way we are going on solving all problems but our own problems; and we have landed ourselves in the present trouble.

When we find that such a powerful country as America is giving military aid to Pakistan, the enemy is at our door and we are not still thinking in terms of war. If we talk of war, they say we are war-mongers. These are delicate matters and ought not to be spoken frankly, but my reason for stating this matter frankly is that our Government is still following the blind game of appeasement of Pakistan. Yesterday, we had read that at Amritsar 1,300 Muslims from Pakistan have come; a great reception was accorded to them and they are to be followed by others. 7,000 persons are going to come to Saharanpur. All of us know, our Prime Minister himself knows, that the relations between Pakistan and India are so strained but Muslims who had migrated from India in 1947 are to be allowed to come and colonize and they are to be brought back to their homes. I have nothing against these particular Muslims but we have to take realities into consideration. If you say that Russian influence is working on the Communists here, if our Congress Ministers bear eloquent testimony against the Communists

because Russian influence is on them, are these 7,000 Muslims not under the influence of Pakistan whose interests are positively inimical to this country? I want to ask this question. If you bring them and rehabilitate them in this country, will not the security and safety of the country be endangered? Our country is still not realising the dangers that are ahead.

You are taking so much pains to rehabilitate those people but what have you done for the refugees? I find that in this Budget only Rs. 4 crores are going to be spent on this score. Rs. 250 crores are to be secured by deficit financing but there is no arrangement for a proper defence plan nor is there any money for the refugees. I want to ask, on what is all this money being spent? This is the way our country is going. On this question I want to tell them that unless they make a revolutionary change in their defence policy and unless they give a call and mobilise the forces in the country for the defence of the nation, I feel that India has no future.

In the first place, I must say that our Government has to change its foreign policy fundamentally. We have seen the tragic results of our dynamic neutrality. Our Prime Minister said that if we say that it is bad for Pakistan to accept aid from America, why should it be good for us if we accept aid of America or any other country? I am not championing the cause of America. My feeling is this. We have been told that it will not be possible for us to receive or accept any aid from America. But you will have to accept it from somebody—from the same party or the other—whether you have to go to the same person, or both parties, for aid as Arjun and Duryodhan both went to Lord Krishna for accepting aid. Lord Krishna went to one party and his vast army went to the other party. I do not know whether you have to go to America in this manner or whether you should adopt the *sanatana* line—that is if America

[Shri V. G. Deshpande]

chooses to be our enemy, America's enemy Russia—the enemy's enemy—should be our friend. In politics there is nothing like friend and foe. Today one may be a friend, as we find that England first fought against the combination of Germany and Russia and then made friendship with Russia. Today we may take the aid of Russia and tomorrow if we have great love and affection for democracy, we may make common cause again with the democratic nations. We cannot take any risk in this country. My feeling is that India has to make a decision and unless you do, all your budgets will be unrealistic. We are depending upon foreign aid and are thinking—our Deputy Defence Minister or whatever his designation is, has said in the Council of States that we are now thinking—of having war industries and that we may begin manufacturing after four or five years. Perhaps war may be over by that time. Therefore, a decision has to be taken first and the sooner the decision is taken, the better.

I am not a believer either in communism or in so-called democracy. I feel that both these blocs are out to establish their empires. Therefore, I do not advocate anybody's cause. The country's cause, I advocate; I advocate the cause of India not on any abstract principle. Enlightened self-interest is my guiding principle so far as the foreign policy is concerned. After that we should decide to have the defence preparations of this country.

In this connection, I may make one or two suggestions which should be followed by our country. The first thing that we have to do in addition to taking aid, is concentrating all our energy on starting defence industries. We should not waste money on propaganda. I know that this Five Year Plan is being used for party propaganda, as our hon. friend Mr. Kila-chand said. We have no control over the money. At least in the State which I represent, Madhya Bharat, they

have appointed local advisory committees in which non-Congress members are not given place. I have some glimpses of the way in which the money is spent and I feel that all these Rs. 250 crores or whatever money is raised by deficit financing, should be invested so that if the country is called upon to make even greater sacrifices it will be prepared. My complaint is not that the proportion of the defence expenditure is much larger but that no proper attention is being paid to defence.

Therefore, the first thing that our country will have to undertake is to start war industries in this country. Much more than the starting of war industries, in my opinion, is that a proper call has to be given. I do not want to embitter feelings, but Government have to understand what section will stand by the Government and what section they have to look to with suspicion. That is what a realistic and prudent government has to do. Beyond giving this suggestion I would not say anything more.

The second thing I want to say is this. Last time our Prime Minister ridiculed my idea of giving compulsory military training to our young men. He thought that would only make their bodies better. It is not so. Instead of making our spirit rise higher and higher and go to the sky, I would like that we should have able-bodied young men in our country and give them military training. In addition to giving military training I would say that they should be given some amount of training in guerilla warfare because we have to prepare the second line of defence in our country. We cannot have money like America or England. We cannot spend crores of rupees, nor can we afford to allow our country to become a slave. We must develop a war technique whereby with less expenditure we will be able to utilise our huge man-power and defend the country. So that is the

second thing that has to be taken into consideration by our Government.

The third thing that our country has to take into consideration is that this war may take place on the issue of Kashmir. And when this question of Kashmir comes we have to make up our minds once for all. We have to take away all this question of plebiscite from the U.N.O. Up to this time when talks of negotiations were going on between the two countries it was understandable that Pandit Nehru should have said "I stand by my commitment". But when Pakistan has openly said that the taking of American aid may help to solve the Kashmir problem,—that means that they want to solve the Kashmir problem by resort to arms,—then we must also accept the challenge and tell them that the people of Kashmir have expressed their desire to accede to India by means of a resolution in their Constituent Assembly, and now after they have expressed their desire we withdraw the question from the U.N. and go forward with the integration of Kashmir with India. The integration should be made full and complete. The present accession is still limited, and we should think of the ways and means whereby the integration of Kashmir with India may be complete.

Unless these things are done my feeling is that we are not going to see a great future. The hope was expressed here that the Estate Duty was being imposed for the purpose of implementing the Five Year Plan. But the paltry sum which the Estate Duty has given shows that that hope is not being realised.

**Shri T. T. Krishnamachari:** People refuse to die!

**Shri V. G. Deshpande.** Up to now nothing has come and even in the next year they expect only a very paltry sum. All these taxes and deficit financing are not going to benefit the country, particularly in view of the

great danger that is confronting the country. And unless the budget is framed keeping constantly in mind that the country has to face certain dangers, when the whole aspect of Indian economy would be changed, I think the days ahead are not bright.

**Shri Velayudhan:** Sir, I am very happy to speak on the Budget and, as you know, Sir, this is not the first speech that I make on budgets in this Parliament. If I remember aright, this is the fourth budget speech I am making in this Parliament.

**Shri S. S. More:** Budget speech?

**Shri Velayudhan:** Yes.

**Shri S. S. More:** Are you in charge of the budget?

**Shri Velayudhan:** Speaking on the budget. I think my friend Mr. More will be always thinking of the treasury bench and to jump over it. But I must tell you frankly that I am not so anxious.

**Mr. Deputy-Speaker:** Jump over it or into it?

**Shri Velayudhan:** I must say jump on it, Sir. When I speak on this Budget I must express the feelings which I had about this Parliament as such. When I entered this Parliament it was my great satisfaction and hope that this Parliament would be the spokesman of democracy in the country and would reflect the will and desire of the people. But after these five years of experience in this Parliament I must humbly submit that I have a kind of suffocating feeling when I come into the Parliament. It must of course be said here clearly that by its self-imposed rules and regulations the Parliament has practically curtailed its rights of discussion and free speech. This Parliament stood high as the Central Legislature where you also, Sir, were a member for a long time. Now this is the first time in India that we have an independent Parliament, an independent democratic institution which we are working

[Shri Velaudhan]

This is the place where we will have to grow democracy and develop democratic institutions. But it is my disappointment and I feel that this Parliament is not giving vent to those ideas and is not developing democracy and democratic institutions. I do not know, I am in a confused mind when I think of the future of this country.

**Mr. Deputy-Speaker:** What does the hon. Member suggest?

**Shri Velayudhan:** I am suggesting just now, Sir.

**Shri S. S. More:** He is confessing that he has a confused mind.

**Shri Velayudhan:** Party government and party leadership are the tools of running a parliamentary form of democracy. The task of a majority party leader is very responsible in a country like India where democracy is passing through an infant stage. A party leader, when elected, is not the sole authority of the party. The practice that a party leader can choose anybody for his team, whether from the party or from outside, must be used only in exceptional cases and on emergent occasions. The majority in the majority party must have a psychological satisfaction in the choice of the team for the cabinet by its leader. In fact in India, in the States and at the Centre, the party leaders who formed the cabinets were satisfied with choosing the inferior cadre in the cabinets and leaving the best men of the party as back benchers. This practice is dangerous to the healthy growth of democracy.

Then regarding the administration I wish to express some of my feelings. The administration is the field where democracy has to develop as a machinery for the welfare of the people. But the Government of India failed to face the task of converting it in this direction. All the measures taken by the Government to change the climate of bureaucratic administration have failed. The Government, in spite

of the great injury done to democracy and democratic running of the government by the administration, still thinks of keeping the administration intact with the same personnel. It wants only to change the papers, ink, tables and chairs. The time has come for the Government to realise that both the Government and the administrative personnel it backs today will go with a good government and democracy. It is poor statesmanship for a ruling party to safeguard the interests of the administration against the interests of the state and also to the detriment of the ruling party itself.

Then, coming to the Budget, I must tell you that I have very carefully gone through the speech made by the Finance Minister. Of course, he has claimed that it is a developmental budget. Therefore, the only progressive aspect of the budget now presented by the Finance Minister is the amount he has allotted to the Five Year Plan. I do not know much about the progress made by the Five Year Plan and the various schemes under that. Of course, the long-term schemes are there and they have worked very well. But, I must tell you that it has not benefited the common man who wants immediate succour and relief. There is great unrest in the country as a whole, not only among the poor people, but also among the middle class and the upper middle class. It is because the Five Year Plan has completely failed to react to the people's psychology as a whole. Certain aspects of the Five Year Plan were talked about in my State during the recent elections there. There was a lot of propaganda literature published by the Government as well as the various parties themselves regarding the Five Year Plan. I read some of this literature and it was a surprise to me that all the schemes now worked on the Five Year Plan basis in my State were included in the plan that was initiated just after the war by a committee appointed in the

Travancore-Cochin State called the Post-War Reconstruction Committee. There was not a single item added to it in the working of the Five Year Plan. Therefore, the Five Year Plan now taken as a whole, is not a new thing, excepting perhaps the social services scheme which is now working through the community projects and also the various schemes sponsored by the Government.

I will have to speak a few words regarding my State which is now coming out with a critical situation. You all know that it is now being talked of not only in the Capital of India, but in the whole world, about the future of Travancore-Cochin State in relation to India as a whole. I am very happy to say that the Travancore-Cochin people have expressed their will in the last election. It is a great thing that the people worked in the most democratic way in the recent election that we had. I must say that I am very proud of the people of Travancore. I myself was born and brought up on the soil which has now created history for the first time in India. At the same time, it is not only my duty to say 'yes' to what has happened, but also to see what next should be done. I have my great fear about the future, not only of Travancore-Cochin State but of the whole of India considering the way in which India is going today. We are not only in a political crisis, but also in a psychological crisis. It was left to the responsibility of the Congress Government, who had inherited the administration from the British Government, to see that this crisis was eliminated to the satisfaction of the majority people of India. I must tell you that the Congress could not satisfy the aspirations of the people of this country even though they have remained in power for about six years. It is a matter to be laughed at or criticised. Great changes are taking place in the minds of the people about many of the Members who are now murmuring may not be aware of. I

must say that the future of India is dependent on my State. I am not saying indirectly that I am afraid of communism. I am not afraid of any other form of Government. I must say that I want a revolution, a peaceful revolution to take place in India. I am not afraid of a violent revolution, and if a violent revolution alone can change things in India, I am prepared to face it and sacrifice my life. Millions in India are illiterate. They are poor and are starving. If things are going to continue as they are today, I am sure they will end in a civil war.. It is the responsibility of the Congress Government in power to see that this crisis is avoided and see that a perfect democratic set-up is established in all the States and at the Centre.

Sir, another thing that I want to say is about the Scheduled Caste Community, which I represent here. I am the only Member from the Travancore-Cochin State representing about twelve lakhs of people. Therefore, I must tell you that I have a responsibility towards that community which has remained backward for centuries. I am happy to say that for the last five or six years the Scheduled Caste people in India have developed political as well as social consciousness, so that they are now standing on their own legs not only in this Parliament, but in all the States and in the various fields of life in the country. But that is not enough. About seven crores of people are suffering in one way or other having some sort of social disability in the name of caste system. There is a kind of slavery which exists today between the Scheduled Castes and the upper class. There is no need of any patch-work or half-hearted measure. Unless and until we wipe away caste system completely, I do not think India can develop itself into a perfect democracy. Sometimes I have analysed the various political, economic and social problems coming up in this country and I have finally come to the conclusion that unless and until we wipe out caste system, there is no future for democracy in the country.

## [Shri Velayudhan]

This is what Mahatma Gandhi said some years ago; he said not only once but on several occasions, that if India is to survive she will have to abolish caste. But, we have not yet gone to that extent. We have not yet taken courage to see that caste is wiped out from India.

With regard to the few measures that the Finance Minister has brought forth in the Budget relating to taxation, I have to say that most of the present taxes are hitting the common man to which class I belong. During the last election there was an interesting point that was raised among the various party leaders regarding certain measures that are now being taken up by the Government of India. Take for example, family planning. I could hear some of the speakers saying from platforms that the Congress Government will not even allow women to beget children. That was the type of propaganda that was being staged in the last election campaign because of the family planning scheme. It will have a very great effect on the minds of the people who are sentimental against family planning or birth control. Now the Finance Minister is adding insult to injury. Soap, chappal, betel are all things to benefit the poor man and the Finance Minister is going to tax all these goods. I do not think that even one per cent. of the people in India are using shoes or chappal. When we go to Western countries, any country outside India, we cannot see a single man or woman walking along the road without chappal or shoe. I do know whether the Finance Minister has measured the weight of the criticism that would be levelled against this measure in this House or outside. He has imposed a tax on chappals and shoes which are absolutely necessary not only for the health of the people, but also for the comfort and convenience of the people of this country.

He has also imposed a tax on art silk. Of course, India is a poor country and so cannot afford to put on real silk; the women and children wear only art silk. I do not know what the women will feel when a tax is levied on art silk. We can see plenty of art silk—not only in the Delhi shops but everywhere. I know that not only the people of South India, but also the people in North India, especially the Punjabi ladies are fond of wearing art silk. Mills in Ludhiana and other places produce art silk. It is a great hit on the comforts and convenience as well as the taste of the people when you are taxing art silk also.

The Finance Minister has gone still further and he has imposed a tax on betel nuts. Of course, there is a certain section of the people in my own constituency, who are mostly arecanut agriculturists. They have welcomed this measure. I also join them in welcoming this measure. But, at the same time, I must tell you that the taxation is a little high. It could have been 50 per cent. or something like that, less than what it is.

India is facing a great crisis not only in the economic sphere, but also in the political sphere. How are we going to face it? We must have an ideology. The other day, my hon. friend Shri H. N. Mukerjee was speaking on the Press (Objectionable Matter) Bill and he put certain things to the Government. He said because of lack of ideology all these difficulties have come. I also said the same thing. Any political party cannot stand the test of time unless it has a definite ideology.

**An Hon. Member:** Idiocy.

**Shri Velayudhan:** Yes; I agree; I join with you. I must tell you....

**Mr. Deputy-Speaker:** Whatever the hon. Member says, by way of retort, is cast on me.

**Sardar Hukam Singh (Kapurthala-Bhatinda):** He tells you all right; but he is addressing this side.

**Shri Velayudhan:** What is happening in this world today, adds to the tensions. There is no meaning in saying that we are going to have a 'third area' built in this world. When there is an international ideology, we too must have an international ideology to counteract. I stand for democracy in India not because it is a fad today, but because it will effect a peaceful social revolution in the country that was envisaged by our forefathers: I mean the Father of the Nation. I stand for that. I hope that real economic and national guidance will be given by him and by the Cabinet as a whole in the near future.

**Shri A. M. Thomas (Ernakulam):** I am glad to follow Shri Velayudhan who has heralded Travancore-Cochin into the discussion of the Budget.

The Budget that has been introduced by the hon. Finance Minister has been generally welcomed by the first three speakers though Shri Gadgil has welcomed it with a certain reservation. Shri V. G. Deshpande has referred to the Defence aspect of the Budget. I think it will bear repetition to say that out of the total expenditure of Rs. 467.9 crores, Rs. 205.62 crores will be on Defence services. I think this is a substantial amount that we can bear. The inherent stability or strength of a State lies in its economic stability and strength. I do not join with my friend in advocating a race for armaments for a country of the nature of India. I am ashamed to see an hon. Member of this House advocating arms aid from whichever State it may be forthcoming, whether from America or Russia. I do not know which section of the people of India the hon. Member represents, when he advocates that. The hon. Prime Minister's statement made a few days ago in this House has been welcomed by the people of India and it has elicited

admiration and respect from other countries of the world also.

We have given, I should say, general concurrence to the sentiments expressed in that statement. It is too much for an hon. Member of this House to advocate receipt of aid from any source irrespective of the countries from which the aid originates.

The reactions to this Budget have been of a varied nature. While a section has received it as a bold, development Budget, a diametrically opposite view has been expressed, namely, that it is a disappointing and distressing Budget. In between these two opposing views, there have been couched in abusive epithets also. I do not propose to classify them and examine the Budget analysing each aspect.

It has been said that the Budget does not contain many pleasant surprises. But, the charge that it is not heartening and does not instil enthusiasm is absolutely unjustified. We are not justified in expecting fresh thrills from the annual financial statement. We have taken in hand the implementation of the Five Year Plan as finally approved, with suitable modifications as circumstances compelled us to adopt. Each year's budget is therefore wedded to the Plan and the Plan is the touch-stone for the Budget. Examined in this context, it is a development budget in the full sense of the term. It is heartening in the sense that it reflects the Finance Minister's firm determination to achieve the targets laid down in the Plan within the period of the Plan itself whatever be the difficulties. The Plan, as has been stated in more than one journal or newspaper, is not to be allowed to fall into arrears. It may be that the expenditure in the first half period of the Plan has not been of the order as originally decided upon. Development expenditure is the keynote of the present Budget. I am very glad that the Finance Minister views with some concern the shortfall in the development expenditure in the first

[Shri A. M. Thomas]

half of the period of the Plan. It is somewhat smaller than the proportionate outlay, we can understand that. But the rate of progress has been rather disappointing. We have laid our full faith in the Plan. Everywhere, in important sectors there has been a shortfall. Some have been pointed out by the hon. Finance Minister himself. We had expected much from the community development projects. They have not given any appreciable results. It is a matter of regret that the provision for local works has not been exhausted. There have been lapses in the provision for basic and social education. Unless there is prompt utilisation of the Budget provisions and a bold policy followed in that respect, we need not be told of the logical results of that.

The Industrial housing scheme of the Central Government is a first class venture. But, has there been any expansion of industrial housing? I can very well understand a slow progress in the expansion of the scheme where the co-operation of the industrial employees comes in. What about that section wherein 50 per cent. is given by way of subsidy to and the other 50 per cent. is given by way of loans to the States? My information is that papers pass between the two Governments, namely the Central Government and the State Governments, and either sanction is not given or the grant is not made. In these matters, we have to take into account the local conditions and problems. The State Governments should be given a freer hand in drawing up the detailed specifications and putting them into effect. I am one with my hon. friend Shri Tulsidas when he says that the expenditure must be properly supervised. At the same time I would submit that for the sanctioning of any amount or for making any grant, a more liberal policy must be followed by the Centre and the main emphasis should be on the principle of not

standing as a hindrance to the utilisation of the resources. It is totally absurd that financial sanction should be withheld for months after administrative decisions are taken. In this connection, I would advocate a policy of decentralisation in the administrative set-up.

In the first Progress Report of the Planning Commission, on page 141 it has been said that "in addition to the work which the Bharat Sevak Samaj or other voluntary organisations and groups can undertake over a long period, it is of the highest importance that the village panchayats and other local self-governing bodies at different levels should become fully responsible in the matter of organising development programmes in their respective fields for seeking the maximum local co-operation and participation".

5 P.M.

We were assured that a substantial portion of the amount which is to be spent under the Five Year Plan will be spent through local panchayats. In my State, for example....

**Mr. Deputy-Speaker:** The hon. Member may stop at this stage. The House has to proceed to some other business. He may continue tomorrow.

#### COMMONWEALTH FINANCE MINISTERS' SYDNEY CONFERENCE

**Mr. Deputy-Speaker:** Now, the House will take up discussion of the Commonwealth Finance Ministers' Conference, held at Sydney.

Two hours are allotted for this, from 5 to 7 o'clock. I understand the hon. Finance Minister may take between 25 and 30 minutes. There are as many as eight hon. Members who want to participate in the discussion besides Dr. Lanka Sundaram who has given notice of the motion and Mr. Gurupadaswamy who has supported it. In all there are ten. I will allow 15 to 20 minutes to the hon. Member who is

the opener of this debate. So, 50 minutes are over. An hour and ten minutes are left. I will try to distribute the time over the Members who have given notice under the rules. They will get five to ten minutes each. At the end of five minutes I will ring the bell.

**Shri K. K. Basu** (Diamond Harbour): It is better to drop out some of the speakers.

**Shri Bansal** (Jhajjar-Rewari): May I suggest that this is a very important subject? In fact, in the House of Commons a full-dress debate was raised on this subject. This should not be disposed of within a matter of two hours. I think the House will be willing to sit even longer. If not, some other day may be allotted. At least two more hours should be given for discussion of this subject.

**Mr. Deputy-Speaker:** I have nothing to do with the extension of time. I was personally feeling whether such matters ought to be allowed to interrupt the Budget proceedings. I am in favour of giving time for such discussions, but there is no meaning in introducing such matters as this, however important they might be, during Budget discussions. A number of hon. Members have sent me chits. Many of them have not taken part in the debate on the President's Address. Many have not had an opportunity to speak on the Railway Budget. If even this opportunity is denied to them, they need not go back to their constituents at all! That is what is happening.

Of course, I am not going to extend the time. The time allotted is two hours. It must be finished within that time. I will try to allot the time as fairly as possible among those Members who have given notice.

**Shri M. S. Gurupadaswamy** (Mysore): Three of us have raised this discussion. So, I submit the time given to all the three may be equal, so that sufficient time may be available to us.

**Mr. Deputy-Speaker:** I cannot help it. The opener will have some more time than the other two.

**Shri S. S. More** (Sholapur): There are three sponsors like three Musketeers for the proposition. Who is the leader of the trio?

**Mr. Deputy-Speaker:** Why did they allow the first name to be put in favour of somebody?

**Pandit Munishwar Datt Upadhyay** (Pratapgarh Distt.—East): May I know whether the time for the Budget discussion will be extended by these two hours?

**Mr. Deputy-Speaker:** Wait until the Speaker comes tomorrow and then ask him.

**Dr. Lanka Sundaram** (Visakhapatnam): Before I make my submissions to this House on the Sydney Conference, I would like to lodge my emphatic protest against the manner in which Government is denying to this House access to information on questions involved in a conference of this character.

The House would recall that in the House of Commons on the 3rd February last this very same question was discussed on a Motion for Adjournment. Such was the assessment of England of the importance of the decisions taken at Sydney.

I have put myself in correspondence with my hon. friends, the Finance Minister and the Minister for Parliamentary Affairs, asking for data to be circulated to us, in fact for the issuance of a White Paper even weeks ago, and what do we get?—the communique from Sydney dated the 15th January, a brief statement of less than three pages made by the Finance Minister on the 18th of last month in this House, and yesterday morning—I would like you to mark the words—only yesterday morning, something purporting to be a paper done by the Economic Affairs Department of the Ministry of Finance, rehashing mostly

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what the Finance Minister told this House on the 18th February, with only half a page of statistics added, were made available to us.

You would also recall that when my hon. friend the Finance Minister made the statement in this House on the 18th February, my hon. friend Mr. Bansal promptly stood up and said that only four days after the issue of the Sydney communique, a treaty was signed—a trade agreement—between the United Kingdom and Japan on the 19th January, and he wanted information. Even that information is not vouchsafed to this House. I regret to say that this is not the manner in which this House should be dealt with by the Government, and I would ask my hon. friend the Finance Minister to please remember that this is Parliament, and not the office of a district official or a bank.

In the notes circulated to this House by the Economic Affairs Department of the Ministry, the following sentence occurs: "The detailed discussions at the conference are treated as confidential". And small wonder that the information made available to this House by the Finance Minister is most meagre, even though the questions involved in the discussions at Sydney touched upon such a wide variety of important subjects like international trade, balance of payments, convertibility, commodity exchanges, wages and employment and a host of other questions.

In fact, I was astonished at the language and the meaning of the communique issued from Sydney on the 15th January this year. I have no desire to indulge in what might be termed the gentle art of debunking, what may be called Deshmukh Finance, but I would like to quote to this House the very high tribute paid to my hon. friend the Finance Minister by no less a person than the Chancellor of the Exchequer, Mr. Butler, in the course of the discussion on the Ad-

journement Motion in the House of Commons on the 3rd February on this Conference. Mr. Butler said: "I may say without betraying any secrets that one or two of those present, including the Prime Minister of Australia and the Indian Finance Minister, two great students of English, did their best to improve the language of the communique". I have for the first time come across a reference to my hon. friend the Finance Minister becoming something like a janitor for Her Majesty the Queen's English. But look at what the *London Economist* wrote about the communique, as well as what the *Financial Times* of London wrote about this communique, both as regards language and content. I am quoting the *London Economist*. It says:

"A jumble of careful contradictions, in eight pages of double talk and bad grammar."

The House would mark the words "careful contradictions".

The *Financial Times* says on this communique from Sydney as follows. I am quoting:

"The Sydney conference has provided something of a record in the production of garbled reports. If the final communique runs true to form, it is not likely to clear up the confusion very much."

This is the reason why, I am sure, that in all the statements so far made, not only in this country by my hon. friend the Finance Minister, but also by his colleagues in various countries in the Commonwealth, there is an attempt to deny information to the countries concerned. I will deal with that in some detail a little later on.

I will direct the attention of the House to the preamble of the communique from Sydney of the 15th January issued in the name of the United Kingdom including its colonial territories, Canada, Australia, South

Africa, New Zealand, India, Pakistan, Ceylon, and the new Federation of Rhodesia and Nyasaland. The preamble of the communique in part runs as follows I am quoting:

"We have been informed of the discussions between the United Kingdom, representing us...."

—I would like the House to mark the words "representing us" meaning all the countries—

"....and the Western European nations and the United States of America. The relevant facts have been faced, and future trends estimated."

The House would not fail to note the power of attorney given by India to the United Kingdom to conduct negotiations with the Western European countries and the United States of America. I would ask my hon. friend, the Finance Minister, to tell us in this debate what exactly these facts are, what the estimated trends will be.

Shri Deshmukh on the 18th February when making a statement in this House said in part as follows:

"The action taken in the previous years had enabled it to overcome the crisis in its central reserves of gold and dollars and a continuous deficit had been turned into a moderate surplus during 1953."

This statement was made before the House to lull this country into a sense of security as to the manner in which our external finances are being handled by the Government. But let us examine the record. And here I am quoting no less a person—I repeat again—than Mr. Butler, Chancellor of the Exchequer in England, who on the 2nd February in the debate in the House of Commons said as follows. I am quoting again the *Hansard*:

"Taking the reserves at the first point, the Sterling area deficit in 1951-52 amounted to £1,000 million.

Its surplus by mid-1952-53 was over £400 million."

And then he said "Not a bad achievement". Immediately in the debate Mr. Hugh Gaitskell, former Chancellor of the Exchequer, to whom I will make a reference again in a few minutes time, asked Mr. Butler whether this sum of £400 million surplus was not just only £257 million, and whether it did not include defence aid of the order of £118 million, besides £45 million as "other capital grants for movements into the Sterling area", with the result that the surplus was only of the order of £94 million and not £400 million. As I said at the outset, lack of information, and denial of access to information are at the bottom of all this trouble. This House does not know, and this country does not know what exactly these figures are, and what the implications of these figures are.

I shall now quote from page nine of the Reserve Bank *Bulletin* for January 1954, the latest available to me so far, to carry the story forward. It says:

"Preliminary compilations of India's balance of payments position show that during the quarter July-September 1953, there was a small surplus of Rs. 0.2 crores on current account, compared with the deficit of Rs. 10.4 crores for the quarter April-June 1953. This improvement of Rs. 10.6 crores was, however, achieved at a reduced level of trade."

This, if I am not mistaken, is the balance-sheet of our foreign trade in recent months. I have got here built up a complete analysis of the balance of trade figures, and even though I concede that during September-October 1953, there was improvement, most of the months in the preceding year were deficit, and the years 1952-53, 1951-52, and even earlier years were entirely and heavily deficit.

I have attempted to examine as much as possible the statistical table

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attached to the note circulated to us in the name of the Ministry of Finance, and here is the result. For the twelve-half-yearly periods from 30th June 1948 to 31st December 1953, our contributions to the central reserve pool of gold and dollar of the sterling area were six times plus and six times minus, i.e., for six half-year periods, it was minus, and for six half-years, it was plus. The actual contributions were \$190 million, and withdrawals \$412 million; in other words, our net withdrawals were to the tune of \$222 million. My hon. friend, the Finance Minister, there seems to be an improvement in the dollar access to India, as a result of the ministrations of the finances of the country, which he has made with the past four budgets.

Without taking much time of the House, I would like to direct its attention to two very important questions, involved in the Sydney communique, relating to the decisions of the Commonwealth Finance Ministers' Conference. My regret is that in all the documents circulated or made available to this House, there is not a single mention of the words 'imperial preference'. In the light of what is happening now, as regards the conflict between Canada, which is a member of the Commonwealth and still belongs to the dollar area, and the rest of the Commonwealth, I would rather welcome the creation of a rupee area, the freeing of the rupee from the thraldom of sterling, in view, in any case, of the fact that the sterling area is breaking up, even as Mr. Gordon Walker wrote in one of the local papers today.

Here, I would like to make two propositions. I regret that my hon. friend the Minister of Commerce and Industry, Shri T. T. Krishnamachari, who promised to place before the House the conclusions of his investigation into imperial preference, has not done so. That undertaking was given by him to this House nearly a year ago. I concede the point that the hon.

Finance Minister has in the current Budget, abolished to a symbolical extent, imperial preferences, especially with respect to the import of motor vehicles of certain categories. But look at the implications of the communique and what Mr. Butler said in the House of Commons, and what we are doing here.

In the highfalutin language of the Sydney communique, they speak of 'great, though intangible matters' in the following language:

"For, we have faith in ourselves, and in our future, and in our enduring company, one with another....The underlying element of thought and feeling at our meeting has been our deep and united faith that the strength of our Commonwealth is the strength of freedom: that the freer exchange of currencies and trade can be best assisted by the strength of our own currency and the expansion of our own trade and commerce....We avow ourselves, and the nations which it is our honour to represent, the friends of peace, the advocates of peaceful trade, the apostles of understanding."

The communique includes, of course, my hon. friend the Finance Minister among the apostles. And what does one such apostle, Mr. Butler say in the House of Commons? I crave the indulgence of the House to quote four pointed statements from the speech he made to the House of Commons on 3rd February 1954. They are as follows:

(i) "...it is the United Kingdom, which through all this difficult period, kept an open door for all imports from the sterling area..."

(ii) "...this Government hoped from the start that there might be an opportunity of getting the abrogation of the 'no new preference' rule in the GATT..."

(iii) "...The view of the Commonwealth as a whole—and I think I can mention this for each individual country—is that it wishes to see the existing preferences retained."

I would like my hon. friend the Finance Minister to tell us what exactly his reaction is to these statements of the British Chancellor of the Exchequer. Finally, Mr. Butler—and to my mind, this is the most important statement he made—said:

"...when the terms of trade have been running as they have been running, the United Kingdom profits more than the sterling area, because those very commodities, which go down in price and therefore reduce the earnings of the Commonwealth, naturally make our imports easier, and improve the position of the United Kingdom."

I have no quarrel with the prosperity of England. She has braved the storm of the second world war, and I have the greatest admiration for her. But what about my country? In what way do these declarations by the British Chancellor of the Exchequer, and the actions taken at Sydney affect the economy of my land? I would like to know whether Shri C. D. Deshmukh would like to have freer trade, and if so in what manner he proposes to get this done. Of course, I will concede the point that in the recent meeting at Geneva on the GATT, a symbolical concession was made to India as to the manner in which new preferences can be taken in hand, if this country or any other country wants them.

The second point I would like to direct the attention of the House to is regard to investment and development, which I consider to be one of the most important points discussed at Sydney. I have here before me, the Economic Report of the President to the U.S.A. Congress, the Randall Commission Report, the I.M.F. Annual

Report for 1953 and a host of other publications of the U.N.O. Each one of these publications is conclusive with reference to three or four important issues. They are, according to my analysis, the following. Curbing of inflation must be there side by side with increased investment. Freeing of international trade must be there. The recession of the U.S. economy will be there, and a drastic cutting down of U.S. economic aid to the countries overseas will also be there. These are the four principles involved here. I have before me here the Randall Commission Report—I am most unhappy that this very precious document is not available to many Members in this House or outside in this country,—and I am quoting from page nine of that Report, which I think just clinches the issue, and I want my hon. friend the Finance Minister to answer me at the proper moment. It runs as follows:

"Underdeveloped areas are claiming a right to economic aid from the U.S.A. in proposals in the United Nations and in the Inter-Parliamentary Union. We recognise no such right."

The Randall Commission was appointed by President Eisenhower, and the note of the Economic Affairs Department of the Finance Ministry says that Mr. Randall's services have been still retained by the American President, with the result that this important statement which I have quoted—it is not out of context, I can give you my assurance on that point—and which is to be the basis of the economic policy of the United States, and financial and even military policy of the United States in the coming months, is a matter which has got to be remembered in the present context.

Having said this, I would like to quote Mr. Butler again—I am sorry I have to give a number of quotations, but it is most important for us to know what our hon. friend the Finance Minister would like to say on this. On 3rd February 1954,

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Mr. Butler stated in the House of Commons as follows:

"I was able to discuss the matter with their excellent Finance Minister, Mr. Chintaman Deshmukh, and I thought that a most remarkable factor about India's economy was that she has curbed inflation."

It was a very fine compliment, and I am happy that our Finance Minister gets this compliment by the Chancellor of the Exchequer in England.

But, Sir, what happened between 3rd February\*, when Mr. Butler made this statement, and the 27th February, when my hon. friend, the Finance Minister, presented the budget to this House?

**Shri Bansal:** Was there any other statement on 3rd February? I thought it was on the 4th.

**Dr. Lanka Sundaram:** 4th was the date of record of the *Hansard*. The debate was on the 3rd. My hon. friend, Mr. Bansal, should know that the date follows the debate.

**Shri Bansal:** I am learning from you now.

**Dr. Lanka Sundaram:** It is there for you to see.

**Mr. Deputy-Speaker:** One minute is lost in this way.

**Dr. Lanka Sundaram:** I am sorry, Sir. In the House of Commons, the publication carries the date following the date of debate. It is a small issue.

I would conclude now and I would crave your indulgence only for three more minutes. I was quoting just now Mr. Butler about the remarkable factor concerning India's recovery by curbing inflation. I was saying that between the 3rd February when Mr. Butler made this statement giving this high tribute to Mr. Deshmukh and

the 27th February, a number of things happened resulting in the declaration by my hon. friend, the Finance Minister on deficit financing of the order of Rs. 250 crores for this year. Later, Sir, my friend said in the other place that during the coming two years, it might be anything between Rs. 500 and Rs. 600 crores. With the result that the question must be posed—and I am sure my hon. friend would not Burke it—as to how he proposes to curb inflation with this enormous pumping of fiat money, with his pilgrimage, which is long, remorseless, but deliberately undertaken, to the Nasik Printing Press. Because, as far as I can understand the documentation of the Sydney Conference, curbing inflation and putting the economy of each unit of the Commonwealth on an even keel are the primary criteria for the continuance of the Commonwealth as a sterling bloc.

Mr. Butler also said—and this to my mind is most important for this evening's debate—

"Moreover she (India) is actually not utilising her usable, available sterling balances even for the purpose of development. If she needs reserves for developmental purposes, I do not anticipate that she will have to go necessarily to the markets, for she has these reserves there. There, again, is another country which has taken most strict measures."

A great tribute to our Finance Minister—that he has taken strict measures to keep within the limits. But the point is, how does he propose to get money, with the Randall Commission report completely clear, with every possible declaration which is now coming from the U.S.A. stating that no more economic aid would be given by U.S.A. to any country, including India, as a matter of their global strategy, or the lack of it? We

\*Corrected as "4th February" by the Member at later stage.

have already used more than a thousand crores of rupees of our sterling balances which were there at the time of partition. Now we have got somewhere about Rs. 723 crores, today, and this is anticipated to be taken into account. In fact, my hon. friend, the Finance Minister, said so in his budget speech. But the point to which I am directing the attention of the House is, how do we propose to go about in terms of the grandiloquent statements made at Sydney, in that communique, in regard to economic assistance for internal development of the Commonwealth in the light of this statement of Mr. Butler?

Sir, last year, £120 million were released in Britain for economic assistance to the various countries of the Commonwealth, including India. I would like to have figures from my hon. friend as to how much this country has got out of that amount. Mr. Butler said 'a variety of sources in the City of London for these purposes' will be available. That is a very important issue, and I want the Finance Minister to tell us about the manner in which, in the light of the growing drying up of American or other foreign assistance, Britain, according to the declaration made at Sydney, is going to release funds outside our own sterling balances.

Sir, Mr. Gaitskell, a former Chancellor of the Exchequer, with whom my hon. friend has negotiated a sterling settlement a few years ago, happens to have arrived in New Delhi yesterday, and I do not think I am doing him an injustice by quoting from a report of a special interview he has given which has appeared in the *Times of India* this morning. He said:

"As a former Chancellor of the Exchequer, I was not particularly satisfied with its working—i.e., the working of the sterling area."

I want my friend, Mr. Deshmukh, to tell us how exactly he reacts to this. The sum total of the events so far is that the sterling area is cracking up.

India alone has devalued to the fullest extent to which devaluation was done by Britain. Pakistan has not devalued. Canada has not devalued to the extent to which India has devalued, nor for that matter Ceylon. I repeat again in the words of a former Chancellor of the Exchequer, Mr. Gaitskell, that the sterling area is cracking up.

Sir, you would recall that each one of us in our early days, student days, has come across a publication styled something like "Benefits of British Rule in India", which each one of us was compelled to get by heart in those days. I trust that my hon. friend would not consider me to be indulging in levity if I ask him to bring out a similar document on the benefits of India's membership of the Commonwealth in the commercial sphere.

My final complaint against the Finance Minister—and I say it with a sense of responsibility—is that this House is entitled to information and that information is not made available. Even the figures announced by Mr. Butler were contested in the House of Commons on the 3rd February about these accruing dollar reserves by Mr. Gaitskell, and Mr. Butler could not rebut him in argument.

This, Sir, is my case, and I have raised this discussion in this House in order to enable this country to get the actual facts about the benefits that we are receiving as a result of our membership of the sterling area and the Commonwealth.

**Shri Bansal** rose —

**Mr. Deputy-Speaker:** I find that some of the hon. Members who have given notice that they would like to participate in the discussion do not appear to be in their seats here, so much so I shall allow some more time to other hon. Members who wish to participate.

**Shri M. S. Gurupadaswamy:** Sir, the previous speaker said that this House is entitled to know the full information regarding the Sydney Conference.

[Shri M. S. Gurupadaswamy]

I agree with this view. This House being a sovereign Assembly is entitled to full information. Unfortunately, the Finance Minister is treating this body with contempt. The communique that has been released at Sydney is very scrappy and conventional and contains little information, and we cannot arrive at any decision. Sir, this is a very important matter which concerns our economic and foreign trade policy and so this sovereign body is entitled to know all the facts.

Unfortunately, some of the things are not given to us on the ground that they are confidential. Sir, the Finance Minister, if he wants to carry the House with him, must create confidence in us. We must have confidence in him. Unless we have trust and faith in him, it is very difficult to support his policies or support his decisions.

[PANDIT THAKUR DAS BHARGAVA  
in the Chair]

Now, the Sydney Conference has met and dispersed. It has become an annual show of the Finance Ministers of the Commonwealth. Finance Ministers from various countries of the Commonwealth meet, talk to each other, discuss problems and disperse, issuing a very vague and general communique. Sir, this communique is very badly worded and it contains little information. If I may be allowed to say so, I feel that most of the communique is a pitiful jumble of incoherent nonsense.

At Sydney the Finance Ministers have discussed the problems of balance of payments. That has appeared in all the papers. That is an important problem. Regarding this question, our position is not so happy. The Finance Minister said in his Budget speech that the balance of payments position this year is slightly better. But at what price? The balance of payments position is improved because there has been reduction of foreign trade. Im-

port has dwindled, export has also dwindled when compared with last year. So the balance of payments position is improved because there is a sort of austerity, restraint, restriction imposed upon foreign trade. So, there is not much foreign trade this year and there is not much progress. We cannot say that it is in any way an advancement on the previous year.

The Finance Minister, in the course of his speech, said that we will utilise our surplus reserve to purchase rupee coin from the International Monetary Fund to avoid payment of interest, and he also said that he may pay back debts to Pakistan. In this connection, I want to submit, when we are in need of huge sums of money, of great resources for our developmental projects, it is not at all wise to use our external resources for payment of debt or purchase of rupee coin. These things can wait. We can use this surplus more profitably for our developmental expenditure. Why should we have external aid when we have ample sterling resources? Why not use them for developmental purposes; where is the overriding necessity to earmark this surplus for purchasing rupee coin?

There is another point. If the Finance Minister does not utilise this surplus for financing developmental expenditure here, I can very well ask him—it may look a little fantastic—to invest that amount in some foreign business which may be more profitable than the projects here.

There is yet another important problem connected with foreign trade. Here, I want to say that we are bound hand and foot to the Anglo-American bloc. It is very tragic. Now, the bulk of our foreign trade is with the U.K. and U.S.A.

An Hon. Member: No, no.

Shri M. S. Gurupadaswamy: Unless we are completely free from this bondage, we cannot call ourselves

independent and we cannot follow our own independent economic policy. What has happened in Sydney? We hear that they discussed about GATT. Some of the countries did not agree for doing away with imperial preferences. Particularly, Australia and New Zealand laid emphasis, we hear, on having imperial preferences, and Canada and India disagreed. But, what happened? We do not know whether they have taken any decision in the matter and whether they are going to continue imperial preferences or not. We do not know whether the structure of our trade will remain as it is and whether it will always be linked up with the Anglo-American countries. We know nothing about this matter.

There is another matter which is equally important and that is about U.S. policy with regard to sterling countries. It is not a very happy one. America is not willing to change its foreign trade policy; it does not want to bring down tariff walls. It does not want imports from sterling areas. On the other hand, it wants to promote exports. Recently, the Randall Committee has been set up. It is not certain whether this Committee will be helpful in easing the tension. I doubt very much whether the dollar problem will be solved by the Commonwealth countries. It is not possible for them to solve the problem. It can be solved only by America; but, America is not prepared to solve it because it is not in its own interest. If it solves the dollar problem, if it creates facilities for the expansion of trade, if it promotes world trade, then American domination will come to a close. There will no longer be the financial colonisation of the world by America. That is the fear that is working in the minds of big, giant combines of American business and they do not allow America to follow any other policy in the matter. They want to be the money masters of the world.

We are hearing of the free world and the non-free world. We are now-a-

days having more attachment to the so-called free world which are represented by the West European countries and America. Unfortunately, we have not promoted same relation with Eastern Europe and China and other countries. They are not at all participating in our conferences. It is unfortunate that we call ourselves international, we call ourselves neutral and claim that we are friendly to all nations and we are not acting accordingly. At least economically, let us follow a truly international policy. But our policy is, unfortunately, altogether one-sided: we are completely tied hand and foot, have become almost slaves to the economic domination of the Anglo-American powers. Especially America has increasingly entrenched herself in our foreign trade. That is painful to all of us. Hereafter at least. I expect the Finance Minister to be more bold and courageous and would view the problems from a different angle. He must be a little less rigid and orthodox in his views. He should change the old ways and methods. Finally we want that these Conferences should not become a joke or a farce.

**Mr. Chairman:** This is the fifth time that I am ringing the bell. I expect the hon. Members will not force me to ring the bell so many times. Now, six or seven Members are to take part in the debate. I would request them to be kindly indulgent to me and not force me to ring the bell more than twice.

**Shri Bansal:** Sir, I must say that the House would be thankful to Dr. Lanka Sundaram for initiating this debate and for showing a very fine understanding of all the problems that were involved in this Sydney Conference, even though his reading of the *Harvard* may not be as perfect as I would have expected it to be. The debate was held on the 4th; he can take it from me, which is borne out fully by the copy he has in his hands. A lot of what Dr. Lanka Sundaram said will certainly get headlines in the Press, particularly, his idea of the

[Shri Bansal]

rupee area and so on. But, was he serious when he was shooting this? Does he know what is the position of our external trade today? Our trade is stabilising at lower levels. The terms of trade are going against our country. I have the figures here; and I am sure he also had those figures. Our terms of trade in recent months have gone down from about 122 in 1950-51 to 89 in April-June 1953. When your position of external trade is like this, to talk of a rupee area or a smaller area than the sterling area is sheer moonshine. I am sure Dr. Lanka Sundaram would realise that the suggestion he has made would not do credit to his understanding of economics.

I am one with him when he complained that the Finance Minister did not give this House sufficient information as to what happened in the Sydney Conference. I have another grouse, that important subjects like this should not be discussed at the instance of one or two hon. Members of this House who happily happen to be vigilant. Discussions on these subjects must be initiated in my opinion by the hon. Minister in charge who is dealing with those subjects.

**Dr. Lanka Sundaram:** Let them put down a motion.

**Shri Bansal:** These are vital problems, and to dispose them off in a matter of two hours is, in my opinion, to say the least, not doing justice to this House. As my time is limited, I would ask a few straight questions of the Finance Minister arising out of the Sydney Conference.

I notice from the Press communique that the Conference took a rather Micawberish attitude about the recession in America. I do not believe that a depression of the type of the thirties is likely to develop in America, but the fact remains that recession is taking place there. I want to know whether the Commonwealth Finance Ministers' Conference did discuss a common policy about it. If not, what

is the Finance Minister himself in this country thinking about it?

I was reading an interesting article by Mr. Gaitskell who, I find, is just now in the gallery. He had made a suggestion which, I am sure, would have come to the notice of the Finance Minister. He made a suggestion which must merit very close consideration by this country. In fact, in my opinion he gave an advice of desperation inasmuch as he suggested that if the position about dollars worsens, we must leave every country of the Commonwealth to itself; we must set some maximum limits and those limits must be governed by the dollars that that country earns. I want to know what is the attitude of our Finance Minister to such a proposal.

My next question is relating to the sterling agreement of U.K. with Japan. The ink on the Press Communiqué was hardly dry when England, which was leading the Commonwealth countries in Sydney on discussions about common policies, signed an agreement with Japan absolutely unilaterally. Inasmuch as India is going to be very vitally affected by that agreement, I want to know whether our Finance Minister was taken into confidence even at the Sydney Conference as to what Britain was going to do with regard to the sterling payments agreement with Japan.

I have already referred briefly to the terms of trade. Again, I think it was Mr. Gaitskell who pointed out in the House of Commons that in recent years the terms of trade had gone against Britain, excepting for the past few months. The same is the position with India, but I want to know what is the position of our terms of trade *vis-a-vis* U.K. and the Commonwealth countries. The figures which I have quoted are relating to the terms of trade of India *vis-a-vis* the rest of the world, but before we know what is the position about the terms of trade of India *vis-a-vis* U.K. and the Commonwealth countries, to jump to any conclusion like the one drawn by

Dr. Lanka Sundaram will not be doing justice to the Finance Minister.

The next question I would ask the Finance Minister is about the future of GATT. A vague reference was made in the Press communique that some decision was taken as to the future of GATT. But I want to know what is the attitude of the Government of India regarding GATT. As you know, I was a delegate to the last GATT Conference. I must say India did not come out badly from that conference, but at the same time I must take the House into confidence and say that when America wanted Japan to come into the GATT, they were all the time cajoling India, and when the United Kingdom wanted the waiver from the "no new preference" rule, they were almost begging India for her support, but when India wanted some concessions—and those concessions were not something out of the way; they were very ordinary type of concessions for we simply wanted releases from certain agreements which we had entered into with a few countries—we were cold-shouldered. Our request for a reservation was simply not granted and we had to be satisfied only with the remark that our request for re-negotiating those items will be favourably considered by the Inter-Sessional Committee. I wish to know whether the Government of India is going to follow the lead of these countries—U.K. and U.S.A.—in regard to GATT or are they going to evolve an independent policy of their own? As you are aware, again and again the Government of India said that they would take a decision in regard to the Havana Charter only after U.S.A. had decided the policy. I do not know why we should adopt that attitude. If we see something good in the GATT let us continue in it, but let there be some independent policy, and it is high time that this House is taken into confidence after a full-dress debate on the floor, so that we know where we stand with

regard to this big organisation of the world.

My last question is in regard to internal policy. The press communique that was issued after the Sydney Conference says:

"That on the application of sound economic policy depends the purchasing power of money, cost of living, the ability to sell exports in increasingly competitive world markets. Short coverings in the internal policies of anyone member affect the external fortunes of the whole sterling area by creating excessive demand for imports diverting resources from export industries and throwing the balance of payments out of equilibrium."

I want to know whether our Finance Minister was a party to this statement in the press communique. It certainly comes as a surprise to me because in under-developed countries, embarking on huge programmes deficit financing has come to be acknowledged on all hands as a legitimate means of tapping resources. The Finance Minister has been indulging in deficit financing and in the current year he is providing for more than Rs. 250 crores. The same is the position with U.K. as far as I understand from the debate in the House of Commons, to which the hon. Mr. Gaitskell had made a reference. I would not have cared very much for the wording of the press communique had I not come across a sentence in the paper which was circulated by the Ministry to all of us. It states—

"It was generally agreed that the Commonwealth countries would continue the sound internal policies agreed upon at various conferences."

I want to know whether this statement, which finds a place in the press communique, was one of the agreed policies of the Commonwealth Conference. If this represents the agreed

[**Shri Bansal**]

policy, then I can only say that I am surprised in view of the budgetary policy that is being followed here.

As you are ringing the bell again, I do not want to take the time of any other hon. Member. I would again request the Government that, in future, when such subjects are discussed, they will not allow the initiative to pass to some hon. Members of the Opposition, but initiate the debate themselves.

**Dr. Lanka Sundaram:** On a point of personal explanation. I made a mistake about the date of the Hansard. The debate took place on the 4th and the Hansard reads immediately under the 'Contents' as February 3rd, and below that is the continuation of the proceedings, though the date at the top is February 4. I am grateful to the hon. Member for pointing this out.

**Shri K. K. Basu:** The discussion today is certainly concerned with one of the most important subjects. In the context of our economy, that is, in the context of under-developed countries which propose to industrialise themselves as far as possible, we have to consider the agreement or whatever arrangements that are arrived at in the last Commonwealth Finance Ministers' Conference.

Sir, the unfortunate part—as far as we could make out from reports in the papers and the press communique that was issued—of the whole Conference was that the decisions arrived at were based on three vital factors. The Conference accepted the proposition that the United States of America will not have an economic recession. They have tried to explain it away by the fact that in view of U.S.A's. economic potentialities they would try to avoid a recession; therefore, we must not be alarmed by the recession that might set in in the United States and *vis-a-vis* their trade with other countries. The second factor is that

our Government at the Economic Conference tied themselves to this proposition that the interests of our nation are absolutely linked up with the interests of the United Kingdom and the Commonwealth countries. Thirdly it has been conceded that whatever economic policy we take must be sanctioned by, or discussed with, or be in collaboration with, the particular group to which we belong.

So far as our country is concerned, we should aim at our economic development as fast as possible. We have been told that there has been improvement in our balance of trade; there has been improvement in the balance of payments and there has been improvement in our export trade with foreign countries. Theoretically speaking, there might have been some improvement in all these matters. Of course, during the last one year we have ceased importing foodgrains and other very essential articles which we were importing from the United States of America and the Commonwealth countries.

But the most important thing which we should consider in the present context is to what extent the pattern of our export and import trade is in keeping with our national interest and the industrialisation of our country. An hon. Member tried to explain away that our export trade has not shrunk to any great extent. But if we analyse the character of our export trade, we find to our regret that even today, after nearly eight years of independence—or whatever you may call it—we have not been able to change the pattern of our export trade. It continues to be just as it was when the British rulers were ruling over us: we are still exporting mainly industrial raw materials, while we keep on importing machineries and other capital goods which we require. Take, for instance, any of our important items of export—tea, jute, pepper. The quantum of our exports has not appreciably diminished but the values

have. But our dependence on a particular system—the Commonwealth and through the Commonwealth the dollar link—is such that they are in a position to dictate terms to us, so far as prices are concerned. I do not want to give the figures because the time is up. The value of imported articles has not diminished to the extent the value of our export articles has diminished. There is no point in saying that our balance of trade has improved or our balance of payments position has improved. We have been told by the Finance Minister that President Eisenhower has given a message that America will take a very lenient attitude and have an open and free market, which my hon. friend who has spoken before referred to. What has been the result is yet unknown to us.

There is another point I would like to emphasise. We have been told that there has been an increase in the sterling reserve. What have you gained by it? They are in Great Britain and so far as our country is concerned, we have not been able to utilise whatever release that Her Majesty's Government is pleased to give according to the arrangement. I am not going into the agreement by which a large part of the sterling reserves which were accumulated during the war was eaten up and is being released slowly because that is not within the purview of this discussion. We have not been able to utilise the amount because the goods and articles that India needs could not be supplied by the sterling area countries for which sterling could be utilised. During the British period, there has been a huge accumulation; our credit balance with the Bank of England has mounted up but they declined to say to what extent we can utilise the reserve which has been built up by the export of essential raw materials. We cannot utilise the amount that has been accumulating there. There is another point on which Dr. Lanka Sundaram emphasised and

I would also like to know something about it. It is said that they have released in the last year 160 million pounds sterling. I would like to know what proportion of that our country has been able to utilise and benefit thereby. There is no point in our Finance Minister saying, 'I am satisfied with the talks that we had with all the Commonwealth countries'. To what extent are our country's interests being looked after?

We have been told that our export-import trade is improving. The main item of our export is textiles. My hon. friend, Mr. Bansal said that immediately after the Conference, Great Britain entered into an agreement with Japan and Japan is coming as a powerful competitor in our export markets so far as textiles are concerned. Therefore, we want to analyse to what extent this Conference of the Commonwealth Finance Ministers will benefit our industries. They have hoped that the International Monetary Fund will at least arrange for the release of dollars but we are not to be duped by hopes; we want real facts. In case the proceedings of the meeting are confidential, the Finance Minister should satisfy us on these points.

Last year we have been told that there has been an increment of sterling reserves and the London money market has improved, and that Great Britain will be pleased to allow us to raise money on the London money-market, possibly in the private sector. You know how our nation has been exploited by foreign investors. Apart from going into the merits of the case, I may be permitted to quote from page 9 of the press communique to show the condition that is attached to the raising of the credit in the London money market:

"The United Kingdom Government will therefore wish to be sure, first, that the programmes as a whole are in conformity with

[**Shri K. K. Basu**]

the general policy of concentrating on the improvement of the sterling area's balance of payments, and secondly, that the country concerned is making an adequate contribution from its own resources. It is also necessary in the general interest for the timing of any such borrowing to be carefully regulated."

That means that they will not allow investment on such industries in our country which may not be suited to Great Britain's interests. Therefore, I feel that the time has come when we must know what our relationship with the Commonwealth countries is. We should not depend on a particular system. Our criterion should be, whether we go to China, South America, or America or Great Britain, to what extent the particular trade relationship of that country will be helpful to the industrial growth of our nation. Unless that is our criterion, I shudder to think what the future of our country will be.

6 P.M.

**Shri V. B. Gandhi** (Bombay City—North): Sir, Dr. Lanka Sundaram has asked that the Finance Minister should make a categorical statement as to what decisions were arrived at at the Sydney Conference regarding Imperial Preference. My friend Mr. Bansal also wanted to know if the probable American recession was at all discussed and, if it was discussed, what were the decisions of the Conference.

Sir, reading all the material that has already been placed before us it is very clear that the Conference considered and discussed both Imperial Preference and preferential trade, as well as American recession, and discussed many other points besides.

There was a general sense in this House that this House has not been taken into confidence on what has been decided at the Sydney Conference.

**The Minister of Finance (Shri C. D. Deshmukh):** Sir, may I just ask the hon. Member where he has found a reference to Imperial Preference in any of the papers relating to the Sydney Conference?

**Shri V. B. Gandhi:** I beg your pardon. I thought Imperial Preference was referred to by Dr. Lanka Sundaram. (**Shri C. D. Deshmukh:** That is right). Therefore the very next expression I used was preferential trade.

**Shri Bansal:** Sir, if you would permit this small interruption, I have come across the words Imperial Preference used in a number of press reports that have emanated from Sydney in connection with this Conference.

**Mr. Chairman:** But not in the paper submitted by the Finance Minister.

**Shri C. D. Deshmukh:** Which one is it?

**Shri V. B. Gandhi:** Therefore, Sir, a feeling persists in the House that the Finance Minister is withholding information to which this House is entitled. Now, in this connection we should be very fair to ourselves and to the Finance Minister and ask ourselves whether we really are entitled to the kind of information that we are asking for. The Sydney Conference was not a conference of politicians. The Sydney Conference was not a meeting of the General Assembly of the United Nations. It was a conference of Finance Ministers and Ministers responsible to their Governments. Leaving that part also aside, in matters of trade is it considered very wise to publish everything that you decide, particularly when those decisions refer to hypothetical conditions such as a probable recession in the American economy? We must also not forget that when this Conference was actually discussing these matters the Randall Commission was still sitting and had not published its report. Now, questions such as have been raised by Dr. Lanka Sundaram and Shri Bansal

in this House, have been raised equally forcibly elsewhere. I am going to read here a statement by Mr. Butler and Mr. Menzies to a Press conference in Sydney which will probably give us an idea as to the position that our Finance Minister will have in regard to making available information of the kind sought. Here is the statement:

"At a Press Conference on the same date, (that is on the 15th of January, 1954) Mr. Menzies and Mr. Butler explained why the communique had contained no reference to preferential trade within the Commonwealth. Mr. Menzies said that while this question had emerged, and while the general sense of the conference was that much might be done, it was not precise enough for statement in the communique. Mr. Butler explained that it was difficult to make general statements on such a subject..."

Let us note those words "it was difficult to make general statements on such a subject". There is particular significance in this attitude taken by Mr. Menzies because his country was not only the host country for this conference, but in fact, his country had a special grouse, inasmuch as they saw that Australian wheat was not taken by the United Kingdom when United Kingdom was buying wheat with dollars in Canada on the ground that Australian wheat happens to be slightly dearer, although available in sterling. Dr. Lanka Sundaram belittled the achievements of the sterling area and said that the achievement of a surplus of four hundred million pounds in the last year, ending June 1953, was not the correct figure.

**Dr. Lanka Sundaram:** I did not say that.

**Shri V. B. Gandhi:** He said that someone proved it otherwise in the House of Commons and the correct figure was ninety-four millions. Very

well, but I think, even ninety-four millions is an achievement which should be noted, particularly when we remember that this surplus had to be achieved over a deficit of a thousand million pounds in the previous year. If Mr. Butler said that it was "not a bad achievement", I think, it was characteristically an English understatement.

Then, something was said about the present position of the balance of payments of this country and the lower level at which this country's trade stands today. Let us remember one thing in relation to this sterling area arrangement. It is not only the individual country's gain that we seek but the whole objective is that our balance of payments position should be achieved at a higher level of trade for the whole community in this arrangement.

Finally, Dr. Lanka Sundaram quoted a sentence from the Randall Commission report. Unfortunately, I have not seen that report and I could not properly grasp that particular sentence. But, let us not forget that the Randall Commission report has been hailed as a considerable step towards liberalisation on the part of America.

**Shri Sarangadhar Das (Dhenkanal—West Cuttack):** Hailed by whom, may I know?

**Shri V. B. Gandhi:** By those who have considered the report.

**Shri Sarangadhar Das:** Americans?

**Shri V. B. Gandhi:** Of course, not Americans. Most of my sources are English newspapers like the *Manchester Guardian*, *Economist* and others. Dr. Lanka Sundaram quoted the *Economist*. In the next issue to which he made reference, you will find a whole article, an editorial....

I have finished....

**Mr. Chairman:** Then, I will call another hon. Member. If you have finished, there is no point in still taking the time of the House.

**Shri Tulsidas** (Mehsana West): This is a debate; I do not think that any Member can do justice to the subject by speaking for five or ten minutes. This is a very technical subject.

I have been listening to the general remarks of my hon. friends Dr. Lanka Sundaram and Shri Bansal. Somehow or other, I think that there is a certain amount of feeling that the information which the Members ought to have, has not been made available. I think that I must agree with that complaint that the Members have not received the information that they should have otherwise received.

The question at issue is the Commonwealth Finance Ministers' Conference and the decisions that they have taken. The present context of our foreign trade has to be taken into consideration. I just heard somebody saying that our foreign trade is of the old pattern of the pre-war days. I must say that the whole pattern of our foreign trade has changed since the war. We are now exporting more manufactured goods. There is no question of exporting essential raw materials. If we have to export more manufactured goods.....

**Dr. Lanka Sundaram:** More and more.

**Shri Tulsidas:** ....we have to cater to the trade from those areas, which are, in my opinion, important and which are in the sterling area. If we get away from the sterling area, what will be the position? Today, Japan is finding it difficult to sell their goods because they have not got the same amount of sterling availability as a country in the sterling area has. Look at the position of Burma. We just heard only a few months back that Burma said, we do not want any imperial preference because we have got certain difficulties. If we are going to completely get out of the sterling pool and get away from the foreign assistance from countries like America or other countries, what will be our

position? I do not think we can completely say that our remaining in the sterling pool has not been beneficial to us. When we did want dollars for our capital requirements, we got dollars from the sterling pool. Though we have to contribute whenever we can, it is always a better thing to remain in the sterling pool. After all, it is a club and the members of the club have to function properly.

It has been made very clear in the Finance Minister's Budget speech that with regard to the policy of the sterling area, each country is free to do what it likes and there is no question of binding one by anybody else. Each country is independent and each country has to look after its own economic conditions in its own way.

There is no question of binding or any sort of compulsion. Therefore, if we get away from the sterling area, as my friend said here, I do not know what will happen. I feel that in our interests, even of our foreign trade, we have to continue in the sterling area, and what has been said by the Finance Minister in his speech is perfectly correct. That is the position.

Even in a club we may find sometimes that certain members are not behaving properly. That does not mean that we must completely get away from the club. Since we get a certain advantage I think it is better we should continue to be in this club.

Now, what is the position with regard to our economic set-up? According to the communique, each country is entitled to get a certain amount of aid provided, of course, it has acted in a satisfactory manner in the opinion of the other countries. Then, what about multilateral convertibility? That is a problem, and unless this sterling pool ultimately becomes a powerful body having multilateral convertibility, I am afraid there will be a certain amount of handicap. The aim of the sterling area is to reach that goal, and if we reach that goal, then naturally

there will be much more freedom in the whole set-up. In order to reach that goal, it is not proper to say that we should get out of the club and then we will be much better off. On the contrary, we may be still worse off.

Then, the most important point in the communique and the statement made by the Finance Minister is, I feel, that each country should so manage its internal policies that the sterling pool is not unnecessarily eaten away by undue demand being made on it. Equally important to our country, I feel, is a sentence in Mr. Eisenhower's statement, *viz.*, "economic preparedness is as essential to a nation as military preparedness". Therefore, we must put our economy on a sound footing. Unless we do that, it will not be possible for us to achieve any progress.

The other day we heard the Prime Minister speak about the United States giving aid to Pakistan. We have taken a certain attitude in that matter. If a country takes aid from another country we cannot say anything. In the same way, if we take aid from other countries, no country can object to it. If we have to take aid from foreign countries, we should belong to a certain club where we have better advantages. If we remain separate, we will have to please everybody to get aid.

**Dr. Lanka Sundaram:** The old *Ma Baap* club is all right for you.

**Shri Tulsidas:** I think there are definite advantages in remaining in this club. It is not a question of a *Ma Baap* club.

**Pandit K. C. Sharma** (Meerut Distt.—South): Brotherly co-operation.

**Shri Tulsidas:** Unless our export trade is quite big, I do not think we can completely get out of it. We have got to import capital goods etc., and that is why I personally think it is no use our trying to keep away from the sterling area. I am sure the Finance Minister is fully alive to the

necessity of properly shaping our internal policies.

**Shri Joachim Alva** (Kanara): This morning I sent notice of three questions addressed to the Finance Minister through the Speaker. They are as follows:

"Will the hon. Finance Minister be pleased to state:

- (a) whether India is irrevocably tied up to the sterling bloc;
- (b) whether India will stick to the sterling bloc, even if countries other than those of the dollar and sterling blocs make serious inroads on the oil and gold monopolies hitherto held by the Western bloc, thus upsetting the currencies of the latter area; and
- (c) how India hopes to overcome the drastic limitation of the convertibility of the currencies, which are the direct consequences of the second world war?"

We should no more conduct a *purdah* conference either in our finance or in any other matter. We are on the high road to independence. India has been for long under the influence of the *purdah*, ever since we had the oppressive British *raj*, and today when they have become our friends, still we say, we shall again go into *purdah*, when it is a question of India's economic or financial policy. This House, consisting of laymen like myself, unacquainted with dollars or figures or high finance like my hon. friend Shri Tulsidas, is entitled to get full information on any vital topic affecting the future of our country. This House must be taken into confidence, so far as rupees, annas and pies are concerned.

When one or two Members from the other side spoke of our loan to Burma, I almost put down my head in shame and pain. Here is Burma, the sister country to our right, while Egypt is there to our left, Ceylon is down, and Afghanistan above; when Burma was war-ravished, she asked for help, and we gave her some money

[Shri Joachim Alva]

to protect herself from the enemy. When millions of rupees have been thrown away into Britain, either out of the sterling balances or by the manipulation of the sterling bloc, we do not take stock of these moneys; yet we have the temerity to ask, when will Burma repay her loan? That question should never be asked in this House, as long as our fundamental policy is one of friendship with Burma, and in Asia, with Indonesia, China, Ceylon, Afghanistan and Egypt.

I want to mention one other thing. We have had devaluation of the pound, and following in its wake, the devaluation of the rupee. We went into *purdah*, when we devalued our rupee, and we did not invite Pakistan. Today Pakistan is doing *puja* at the court of the dollar-god for arms, because we went first to do *puja* at the shrine of the sterling. We did it without telling Pakistan, and we did it in *purdah*, I make bold to say, with all the sense of responsibility, in this House that Pakistan was entitled to know from India whether we had devalued the rupee or not. And why did we do it in *purdah* then? We did it to please the British Chancellor of the Exchequer, the late Sir Stafford Cripps—who was, no doubt, a great friend of India—and his disciple Mr. Hugh Gaitskell, who was here a few minutes ago. We devalued our rupee, in order to please Britain, who devalued the pound, in order to get out of the tangle with the dollar area, that she then got into.

What happened when we devalued the rupee in India? There was the outbreak of suspicion on the part of Pakistan, and that suspicion has continued all along, and they have stuck to it. I am mentioning all these things, just to point out that we should not do anything in *purdah*. We are all laymen, as I said earlier, and we are entitled to get full information, on all these financial matters. We know everything on many subjects, but on this intricate subject of finance and deficit financing, we are altogether laymen. The hon. Finance Minister has

been a bureaucrat all his life, and he may know everything, but public life is something different, and we, being public men, ought to have been supplied with more information. When I got this shabby communique issued by the Ministry of Finance, I felt that tons of paper are being wasted by the Government of India, when small journals run by us go to the wall because we have no paper. Here is the shabby communique telling us:

"There is no question of the Conference as a whole or any country participating...or any policy being dictated to our country."

Policies have been dictated in *purdah*, and policies are being dictated by the Britishers even today. Ever since the end of the war, we have witnessed the drastic limitations of the convertibility of currency. The answer to this was given by them, as follows, viz. we shall enthrone the pound sterling as a convertible factor, so that the world may follow it, and may exchange the pound through their goods.

I would like now to make a reference to a speech of Mr. Robert Butler and quote one passage, which my hon. friend Dr. Lanka Sundaram, who made a really very good speech, and made uncomfortable the position of those who belong to the majority party, forgot to mention.

This goes to the root of our Defence and economy. This is what he said:

"I must emphasise that external deficit must be covered; otherwise, economic foundation to any defence effort goes. That is why it must remain a cardinal point of U.K. policy to reconcile defence programme with expanding exports....From whatever aspects they are considered, the problems of an economically strong sterling area and a militarily strong North Atlantic Territory are very closely associated. It may be questioned whether latter can be solved while the former is in doubt."

Here the cat is out of the bag. The North Atlantic area is to be commercially backed up by the sterling area. They have finally ushered in an armed Pakistan by the backdoor by means of American dollars. Here is Mr. Butler making a responsible speech and paying a great tribute to our hon. Finance Minister. Mr. Butler lays a flattering unction unto his soul. It is time we considered whether we should remain in the sterling area. Britain wants to be the banker of the sterling area. Britain made us devalue our rupee and compelled us to sell to America and buy from the Commonwealth. There must be an end to this kind of business.

Today my hon. friend, Mr. Gadgil, made a very important point about foreign firms coming into India and establishing themselves as '(India) Limiteds'. They are threatening us. Time was in 1947 when we used to send Indian coloured representatives, we are now having European representatives. At the rate that we are going our country is going to be in great danger. Millions of pounds are sacrificed and we do not know what is going to happen.

Take the GATT—the General Agreement on Tariffs and Trade. Their Secretary, Mr. White was here the other day and I asked him one question about Ceylon which is entirely dependent for her bread and butter on rubber. Ceylon said: 'If you do not buy from us, we will sell to China'. Then the Secretary said that they gave in in the interest of security. Under this agreement, India has accepted a lot of restrictions on her right to raise or lower her tariffs as she likes. We shall neither raise our tariffs nor lower them, because we are a member of the GATT. GATT is America and Britain brought together. Soviet Russia is not there. Today with our Sterling Balances in London, we cannot buy from any non-sterling area. We will have to buy from the sterling area, because Britain says so. What is the effect of it? We cannot buy

things from Russia and China, two big chunks of territory with millions of human beings. There is a lot of misrepresentation made in regard to our national border and frontier with China and Russia. I started off as an anti-Communist. But now you see there is a real confusion. We have to look to geographic factors; Russia and China are on our borders and we have to have trade with them. These GATT negotiations and the sterling bloc do not permit us to do anything.

This is a very important issue and on such an important subject we should have devoted a whole day for debate. I shall give some instances. Take Soviet oil. Soviet oil is going to be dumped in the world markets. What is going to happen? Shall we be tied up with the sterling area or shall we have an independent economy? Our Planning Commission should look into this matter. Britain, at the Colombo Plan Conference, put all the emphasis on agricultural production. Their idea is that we produce the agricultural goods and they produce industrial goods and dump them in our country. We should adopt the attitude of sturdy gentlemen who have been nurtured in the fight for freedom in our dealings with foreign nations. The old bureaucratic methods will not do. We must say: 'this is our money and you have had enough loot of our money. We shall not allow it to be taken away any more'.

Mr. Gordon Walker, ex-British Commonwealth Secretary in an article in the *Hindustan Times* this morning spoke about the split between the Canadian dollar and the American dollar. Says he in effect: 'We shall not buy from Australia, our blood brother, but we shall buy from Canada!' In the name of this Commonwealth vanity, the interests of India are going down the drain. We have to stop this. We have to stop this and, in the interests of national unity, this cannot go on.

I now come to the question of Soviet gold which is flooding the western countries. The world economy will be affected by the Soviet gold.

[Shri Joachim Alva]

What is going to happen? Today the world is having a shortage of gold. We are paying dollar through the sterling and when the gold shortage overwhelms the sterling market what is going to happen? These are points on which the Finance Minister must take us into confidence and must give full information to the House. We are entitled to know more in detail than the information that has been supplied to us in the Communiqué of the Ministry of Finance. I have no time and I shall explain to you later on how this sterling business is a danger to our country.

**Shri Morarka** (Ganganagar-Jhunjhunu): Sir, when we received the first intimation of the intention of the hon. Member in opposition to raise a discussion on this subject, I wondered—purely on the economic ground—what could be the criticism of this Conference. By this I do not mean to say that on political grounds, the parties who are wedded to different political philosophy cannot criticise our participation in this Conference. But, purely from the economic point of view, and keeping in mind the freedom and sovereignty which this Conference allowed to each country to enjoy, I have been wondering what could be the possible criticism that can be made against such conferences. I must confess very frankly that even after hearing the entire debate this afternoon, I have not been able to follow the possible criticism that hon. Members have against this Conference.

**Shri V. P. Nayar** (Chirayinkil): You will take some time more.

**Shri Morarka:** There are many reasons why we should align ourselves with the sterling bloc. First and foremost, is that we have got to our credit more than 700 crore rupees worth sterling and in order to make our position secure, we have to see that the sterling currency remains strong, stable and convertible. It is not in anybody else's interests but in our own that we have to safeguard

the interests of the sterling area. We have to keep our sterling balances strong and freely convertible so that we can make good our 700 crore rupees.

[MR. DEPUTY-SPEAKER in the Chair]

The second point which is equally important for our aligning with the sterling bloc is our historic relationship. We have been dealing with sterling countries for the last few centuries. Even today, our foreign trade is mostly with the sterling area countries, and also with America though to a smaller extent. But with the third bloc namely, the Communist bloc,—our foreign trade is almost negligible.

At this stage, Sir, I would like to give you a few figures. At the end of the 1948, our total import trade amounted to Rs. 470 crores, out of which our trade with sterling countries was Rs. 355 crores, with the dollar countries Rs. 109 crores and with the Communist countries only Rs. 7 crores. Similarly, our export for the same year was Rs. 330 crores out of which Rs. 220 crores was with the sterling countries, Rs. 70 crores with dollar countries and only Rs. 8 crores with the Communist bloc. In 1952-53, out of a total foreign trade of Rs. 450 crores, Rs. 272 crores was with sterling countries, Rs. 181 crores with dollar countries and Rs. 4 crores with Communist countries. Similarly, in our export trade out of a total of Rs. 377 crores, Rs. 264 crores with the sterling countries, Rs. 111 crores with the dollar countries and only Rs. 2 crores with the Communist countries. Looking to our foreign trade, I think, one cannot but say that our remaining in the sterling bloc is vital necessity.

In these days, the idea of self-sufficiency or the policy of isolation in every thing is not only politically unwise but, in my humble opinion, it is economically wasteful.

Then, Sir, I wish to invite the attention of this House to the aims and objects of this Conference. First and

foremost is the development and expansion of international trade. Second, to oppose closed system of discriminatory arrangements which can lead only to chronic restrictions and recurring crises. Thirdly, to devise ways and means to see that the gold and dollar reserves are not unduly depleted and to ensure currency convertibility. Last, but not the least, is to afford an opportunity for free and frank discussion on many points of common interest.

There is one point which I must particularly refer to here. Hon. Members have complained that sufficient information is not supplied to this House. I do not disagree that sufficient information is not supplied, but, at the same time, Sir, even the information which was supplied has not been, I regret to say, read by many hon. Members.

**Shri S. S. More:** Is it not a slur on the hon. Members, Sir?

**Mr. Deputy-Speaker:** It is possibly somewhat true in some cases.

**Shri Morarka:** There is a passage in the information supplied to us, which says:

"There is no question of the Conference as a whole or any participating country dictating any policy to individual countries, who are sovereign and independent and free to pursue policies which they consider in their best interests."

Every country which is in the sterling bloc has got full economic freedom so much so it is free to regulate its trade either by physical quota system or by tariff policy, free to fix and maintain any price level at home, free to fix any bank rate and discount rate at home and free to fix the rate of exchange and to value, revalue or devalue its currency, in any manner it likes. Then about the development needs, the Conference said, I am quoting some passages from

the communique of the Sydney Conference. It is as follows:

"The Commonwealth has great resources, natural, human and industrial. The need for their development is urgent and indeed vital."

Then it goes on to say:

"In some countries of the area, development plans have been made to provide for some basic improvement in the standard of living which is the necessary foundation for further economic development."

About the factors affecting the scope and pace of development, the Conference said:

"Supplies of goods for development have much improved. But in most cases, finance is still the major factor limiting development. Each of our Governments will continue policies designed to secure the highest possible level of internal savings. However, most individual countries and the sterling area as a whole still need additional financial resources from outside."

Sir, I do not think that even the Members of the Opposition could say that our problems are in any way different from those enumerated by the Conference and our remedies are dissimilar to those suggested by the Conference.

Finally, I wish to refer to some figures about the central reserves. At the end of 1948, the central reserves were reduced by 64 million dollars, out of which India's responsibility was to the extent of 56 million dollars, that is, a little over 82 per cent. In 1952, the total contribution made by the countries was 161 million dollars, out of which India contributed 70 million dollars, that is, a little more than 44 per cent.

Sir, I do not think one can attribute any motives to any member country

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and suggest seriously that any country of the Conference has benefited at the cost of another country or that one country is exploited by another country. I think hon. Members can very rightly appreciate the fact that India is fully justified in remaining in the sterling bloc and that purely on the economic ground, nobody can seriously criticise that India has suffered in any way or is likely to suffer in any way by remaining in the sterling bloc or attending these conferences and making some co-operative effort on voluntary basis towards implementing the financial arrangement and development plans.

**Shri C. D. Deshmukh:** I am glad that you restricted the length of this debate to two hours, not because it encroached on the time available for the Budget, but because I think hon. Members have not even well utilised the two hours that you have allowed. Some of them have indulged in misconceived criticism or even wild ranting, tinged by a certain amount of personal venom, for which I cannot think of any justification.

Before I come to the observations made by hon. Members—at least such of them as call for an answer—I think I should deal with two points which form a sort of background. One question has been raised incidentally and had better be put out of the way, that is the question of Anglo-Japanese Payments and Trade Agreement for the year 1954. In November 1953, the U.K. Government informed us that as the existing payments agreement with Japan was expiring on the 31st December 1953, they had asked the Japanese Government to send a representative to London to discuss the payments arrangement for 1954. They had also asked us, India, for estimates of our likely payments for imports from, and likely receipts from exports to, Japan during 1954. The Government of India were thus informed beforehand that negotiations were to be undertaken for the extension of the Payments Agreement.

The new Payments and Trade Agreement was actually signed on the 29th January 1954. As this Agreement, which was the second agreement, did not raise any new point affecting India, it was not necessary to consult us before the agreement was actually signed. The new Agreement is on the same lines as the Agreement of 31st August 1951. During the negotiations leading to this latter Agreement, which took place in Tokyo, our representatives in Tokyo were kept fully in the picture by the United Kingdom negotiators and the Government of India were also informed of the developments from time to time.

The main features of this Payments Agreement were that all payments between residents of the sterling area and the residents of Japan would take place as before in sterling. Japan would be permitted to utilise her sterling for financing direct current transactions with certain non-sterling area countries and both parties would consult together in order to keep Japan's sterling balance within reasonable limits. Japan, I may add, is now experiencing a shortage of sterling. But the situation was different then. But under the agreement the old convertibility clause under which any excess over specified limits of sterling held by Japan at the end of the agreement period was to be converted into dollars was abolished.

This Agreement was, therefore, welcome to all the sterling area countries, as it enabled them to trade more freely with Japan without fear of its ultimately involving in dollar payment. Prior to this Payments Agreement there used to be annual trade negotiations between Japan and sterling area countries with a view to balancing estimated payments during the ensuing year. We used to be associated in this annual trade negotiations. With the signing of the Payments Agreement of August 1951 it was no longer necessary to have an overall trade agreement with Japan, since it was no longer essential to

balance payments meticulously by each country with Japan.

The new Payments Agreement for 1954 departs very little from the above Agreement of 1951. In view of Japan's shortage of sterling during 1953, Japan has been permitted certain additional credit facilities in the nature of swaps of sterling for dollars. Moreover, the U.K. Government has agreed on behalf of the United Kingdom and the Colonial Governments for which she is responsible to liberalise imports from Japan so as to enable Japan to earn more sterling. This Agreement does not affect the right of the independent sterling area countries like India to determine their own trade policies *vis-a-vis* Japan.

So far as India is concerned, we have treated Japan as a soft currency country ever since the 20th October 1951, although most of the countries of the sterling area continue to treat Japan as a hard currency country. The new Trade and Payments Agreement does not, therefore, affect our trade policy with respect to Japan. In the meanwhile, a Member of Parliament—I do not know whether it has been answered or not—has put down a question addressed to the Minister of Commerce and Industry as to whether the new trade agreement signed by the United Kingdom with Japan which liberalises imports from Japan, will not affect our cotton textile exports to these areas and consequently whether the United Kingdom Government should not have consulted us before signing the Trade Agreement. Since U.K. itself is interested in cotton textile exports to the colonies, we must presume that the danger of competition from Japanese textiles has been taken into account by U.K. while entering into this particular agreement, I believe there has been some discussion on this point in the British Parliament. In any case, just as the U.K. Government does not interfere in the individual trade policies of the independent sterling area countries, India can hardly be ex-

pected to be consulted by U.K. in their bilateral trade agreements with other countries on behalf of herself and the colonies.

The other issue is the general issue of India's being a member of the sterling area. I am afraid, I shall have to take a little time over this because this is, I believe, the first comprehensive opportunity I have of explaining the implications of India's membership of the sterling area. The sterling area is the product of a long history of evolution. Prior to the First World War, sterling was the dominant international currency and London was the world's financial centre. Sterling was convertible into gold, but since it was used internationally as a medium of exchange and as a store of purchasing power, it came to be said that gold itself was on the sterling standard.

During the inter-war period, currency systems and exchange rates all over the world were subject to pressures and the old gold standard became unworkable. U.K. went back to gold bullion standard in 1925. The experiment proved short-lived; partly because of the onslaught of the world depression and, as you will recall, in 1931 the gold standard was given up and sterling became a managed currency. India continued the link with sterling because then she had very little choice and it will be remembered that several Dominion Governments and even some independent countries followed this course. Thus Australia, New Zealand, South Africa, Egypt, Iraq, Portugal, Norway, Sweden, Denmark, Iran, Japan, Argentine, Uruguay, Yugoslavia and Greece—not to mention the colonial territories—came to form what was known as the sterling bloc. This could be said to be the origin of the sterling bloc.

The decision of so many countries to get their currencies linked to sterling area was motivated by the desire to anchor themselves to a currency which on the whole still promised to remain relatively stable. Entry into

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or exit from the sterling bloc involved no formalities. No permission of the U.K. Government was necessary for either purpose and the members within the bloc would change the external value of their monetary unit as they thought best.

Now, the sterling area in its present form is the product of wartime and post-war needs. It is a smaller and somewhat tighter group. The term "Sterling Area" came to be used about 1940 when, as the report of the Bank of International Settlements puts it, 'It began to operate as a single monetary area within which with few exceptions freedom of payment was preserved while at the same time import restrictions were applied by the various members in their relations with outside countries.

Since shortage of dollars has been the main problem in the war and post-war period, sterling area countries have been pooling their dollar reserves each drawing upon the pool according to the need and circumstance, and in conformity with the agreements with the United Kingdom which are fairly flexible. The responsibility for formulating and applying the necessary regulations and controls for conserving dollars rests on each member country but there is considerable co-ordination of these through consultations with the United Kingdom and through discussions among members at conferences like the Sydney Conference when the Commonwealth Ministers meet and discuss common problems. India, being an important member of the Commonwealth and of the sterling area, therefore participates in these conferences.

The sterling area includes at present, besides U.K. and Colonial territories, India, Pakistan, Ceylon, Burma, Australia, New Zealand, South Africa, Ireland, Iraq, Iceland, Jordan and Libya.

An Hon. Member: Not Canada?

**Shri C. D. Deshmukh:** Canada has her own dollars. She is a member of the Commonwealth but not a member of the sterling area. The sterling area covers about one-fourth of the world's population. The total trade of the sterling area countries amounts to about 25 per cent. of the world's foreign trade. Not only is the bulk of all sterling area trade financed in sterling but a proportion of the trade not belonging to the sterling area is financed from London. The sterling area countries constitute the largest group of countries within which there is a very large measure of freedom in the matter of exchange transactions. Although sterling has had its vicissitudes and the gold value of the sterling area currencies has gone down, the area has a long record of comparative monetary stability. Between 1913 and 1952 while the gold value of some of the countries in Europe like Belgium, France and Italy went down by 95 to 99 per cent., that of the British pound and associated currencies went down by 66 per cent. or so. The fact that in 1949 when sterling was devalued, several countries which accounted for two-thirds of the world's trade also followed the same course is a demonstration of the position held by the pound in the world trade, which proves conclusively that there was no *purdah* devaluation here.

Now, Sir, India's interest in the sterling area arises from the following facts. About 38 per cent. of its export trade is today with sterling area countries. Secondly, India has normally a balance of payments deficit with O.E.E.C. (European countries) and India's membership of the sterling area facilitates the financing of this deficit from the E.P.U. in sterling. Thirdly, India holds, as was pointed out by one hon. Member, sterling balances of the order of 745 crores; and the stronger the British pound, it is commonsense, that the

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better it is for us, since all our eggs are in that basket at this moment, owing to historical reasons. Then, banking and financial relations with or through London are, again for historical reasons, an important part of the mechanism of India's foreign trade. India's membership of the sterling area may thus be said to be a matter of trade and banking convenience rather than of monetary policy. Lastly, although India has a pooling arrangement in respect of dollars and we contribute our dollar earnings to the Pool, we have over the last several years drawn more from the Pool than we have contributed to it, at least so far as the post-war period is concerned. I point this out to show that whenever we need convertibility of the sterling that we hold for purposes which are essential for our development, then it is always granted to us, and we have had no difficulty in utilising the Central Dollar Pool in our interests.

Now, you would ask whether the membership of the sterling area imposes any limitations on the country's freedom to pursue its own monetary policy. The answer is "no". An independent monetary policy under the present day conditions means some fixity of exchange. It cannot be said that the British pound is an unstable currency the link with which is of no value. Even an independent currency has to have some relationship with major world currencies. What this relationship should be can under present arrangements be decided freely by each member of the sterling area. Any country can vary its exchange rate as and when it so desires, consistently with the obligations arising out of its membership of the International Monetary Fund. We all know that Pakistan was not compelled to devalue her currency in 1949. Leaving the rights or wrongs of that decision, the fact itself is significant. Australia appreciated its currency in December 1951. If one is free to vary one's exchange rates, one is correspondingly free to vary one's internal

monetary policy. One can expand or contract domestic circulation according to need and one is free to adopt export and import controls to one's requirements. If, of late, we have not been using up sterling reserves, that is not due to any complaint arising from our membership of the sterling area. It is due to unforeseen circumstances. Principally, it is due, of course, to the improvement in our agricultural production and to a very favourable monsoon. We intended at one time to import 2·9 million tons of foodgrains and I believe, in the year that has ended—I refer to the calendar year—we imported about one million tons less. Then, we had a better cotton crop and therefore, we imported far less of American cotton than we had originally anticipated. These are factors which cannot be very well foreseen. In any case, there is no bar to our adopting corrective measures and these are being undertaken now. I have referred to them as a factor of safety in countering any potential inflation that may be there in the deficit financing which I have proposed we should resort to for the purpose of our economic development.

Now, Sir, there is one small matter, although no Member has raised it. There was a complaint that our balances in London earned too low a rate of interest. That has been rectified now because rates of interest, even for short-term money, have gone up and today we are earning a reasonable rate of interest on our sterling balances there. The Treasury rate itself is two and a half per cent. Countries which have an independent currency system have also to hold some foreign exchange reserves. They may hold them in various currencies and some of them might fluctuate a great deal. In many cases they have to evolve clearing arrangements, (as European countries have done by way of European Payments Union), and work out arrangements by which they exchange with one another mutual credit for short periods. In

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the alternative, they have to run an elaborate system of exchange controls with multiple exchange rates and similar complications and restraints originating. Argentina, for instance, has a number of official rates and the kerb rates are higher and fluctuating. Brazil also has kerb rates which vary significantly from the official rates. Our membership of the sterling area has not prevented new lines of trade developing or new alignments in exports and imports taking place. Before the war, our trade with the United States of America and Canada, for instance, was only eight to ten per cent. of the total, while now it is about twenty per cent., not including in this the exceptional levels of food imports in 1951-52. One hon. Member referred to the components of our trade and complained that it has not changed. Here are some of the figures which I think would be found revealing. Our imports of food, drink and tobacco were, 14 per cent. of the imports in 1938, 28 per cent. in 1951 and 31 per cent. in 1952. Our imports of raw materials were, 24 per cent. in 1938, 29 per cent. in 1951 and 30 per cent. in 1952. Our imports of manufactured goods were, 62 per cent. in 1938, 43 per cent. in 1951 and 39 per cent. in 1952. Now in regard to exports, food, drink and tobacco etc. were 24 per cent. in 1938, 22 per cent. in 1951 and 25 per cent. in 1952. That has been more or less steady, our raw materials exports, on the other hand, have declined from 46 per cent. in 1938 to 22 per cent. in 1951 and 24 per cent. in 1952. Correspondingly our exports of manufactured goods have gone up from 30 per cent. in 1938 to 56 per cent. in 1951 and 51 per cent. in 1952. Therefore, there has been a very real change in the composition of our trade.

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We continue to make use of London's financial connections and it is true that a large part of our foreign trade is financed by Exchange Banks. This

is because most of these banks have international connections. Over a period we should try, and we are trying, to develop similar connections; but this naturally takes time. Indian banks have of late been opening branches in countries where there is an Indian community, for instance, in Burma, Singapore, Hong Kong, Indonesia and East Africa. But, we have to continue to use the services of London's highly developed financial institutions if our foreign trade relations are not to suffer a serious jolt or break.

I come to the problem of convertibility. The main handicap....

**Some Hon. Members:** Do we sit and finish? It is already seven o'clock.

**Mr. Deputy-Speaker:** Is the hon. Minister likely to finish in half an hour or ten minutes?

**Shri C. D. Deshmukh:** I should think so; ten minutes.

**Some Hon. Members:** Let us finish.

**Shri C. D. Deshmukh:** The main handicap of the sterling at present is that it is not convertible. The position of the sterling is much better than it was a year or 18 months ago. The gold and dollar reserves have improved to a level of 2,500 million dollars although the present level, it is recognised, is not quite sufficient to warrant a dash to convertibility like the unfortunate thing in 1947. To bring convertibility nearer, every member country has to follow sound internal policies in its own interests, and promote development which would strengthen its own and the sterling area's balance of payments position. There is no clash here between the interests of the individual countries and those of the Commonwealth or the sterling area as a whole. To support convertibility in the early stages, there is need for external support from the International Monetary Fund, from the Federal Reserve system or from the United States Government. The possibilities in this direction are being explored. Of course, no

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one can forget that the present handicap of the sterling is convertibility. There are certain handicaps in the situation—that is why no major decisions were taken in Sydney—like the further course of recession in U.S.A. and its effect on the sterling area earnings and reserves, and the trade policy that they decide to adopt, not to speak of possible support that one can get from the International Monetary Fund, not to speak of the attitude that would be taken by the O.E.E.C. countries. Although advance towards convertibility in some form or other occupied the stage a very great deal in the Prime Ministers' Economic Conference in December 1952, in Sydney, all that took place was a review of the events and, so to speak, a consolidation of the position. The major factors of uncertainty still remain, namely, the attitude of the United States Government, their trade policy, the kind of support that could be expected from the International Monetary Fund and the possibilities of collaboration from the O.E.E.C. countries. So far as it lay in my power, I tried to indicate to the House all that happened in Sydney, and that there was no conscious suppression of any decisions taken that would affect the fortunes of this country.

There has been a reference made here to imperial preference, but I challenge the hon. Members to produce a single reference to imperial preference in the communique or any of the literature officially published. They have not been able to do so for the simple reason that this subject was not discussed in Sydney.

**Shri Bansal:** Permit me to say, Sir, that although there was no reference made to it in the official communique, there was constant reference to it in a number of statements appearing in the press from Sydney.

**Shri C. D. Deshmukh:** All those references were wrong and misconceived, because there was no discussion, and Parliament has to take my

word for it that we did not discuss the subject.

**Dr. Laxla Sundaram:** I am prepared to take the word of the hon. Minister. What I said was that in the documents that were circulated to us, not a word was mentioned about imperial preference, but that Mr. Butler made a number of references to it.

**Shri C. D. Deshmukh:** I am not responsible for what the Chancellor has said. The Chancellor referred to preferential trade which is quite a different matter. He had at the back of his mind previous discussions that have off and on taken place in regard to imperial preference at GATT and other meetings that were referred to by one hon. Member. It is generally known what our attitude in regard to imperial preference is. We have not had an opportunity of having a full-dress debate on imperial preference, but we have studied the question very carefully and at the appropriate moment I have no doubt my colleague, the Minister for Commerce and Industry, will take the opportunity of telling the House what the thinking of the Government in this matter is. As far as we can discover today, there is no imperial preference which is hurting us, and it is possible to establish that on the whole we are deriving advantage from the present system of imperial preferences which is now restricted by the agreements arrived at at the GATT. And all that happened was that there was a reference possibly to preliminary consultation sometime—maybe in June, July or September—in order to ascertain the attitude of the Commonwealth countries in regard to the renewal of GATT which are the general agreements on trade and tariffs. That kind of discussion takes place before every GATT meeting in London. The Commonwealth countries or their representatives, when they gather together, discuss this. Beyond that the matter was not even mentioned. The only other reference made to GATT is where it is said that together with

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the rules and regulations of the International Monetary Fund there might be some representation that the rules of the GATT also may be changed. In that respect also, our attitude is well known, that generally we are not in favour of giving freedom to any country or to countries to create new imperial preferences. I did not go into that matter because, as I said, this matter was not discussed in Sydney at all.

**Shri Joachim Alva:** There is one doubt in my mind. How does the hon. Minister praise or exaggerate the role of the foreign exchange banks in this country which have strangled our economy? Why was permission given to a British Bank from the Middle East to take the place of a Dutch Bank?

**Shri C. D. Deshmukh:** Do you expect me, Sir, to answer this irrelevant interruption? I have only a few minutes more.

**Mr. Deputy-Speaker:** Does the hon. Member suggest that it was part of the Sydney talks?

**Shri Joachim Alva:** No, Sir. The hon. Minister praised the role of the foreign exchange banks which have strangled and still continue to strangle the economy of our country. That question has never been satisfactorily answered.

**Shri C. D. Deshmukh:** The hon. Member is welcome to have his own view, and I am not answerable to him for my view. I stated what I thought about the matter from the historical and other points of view as part of the sterling area agreement.

**Shrimati Renu Chakravarty (Basirhat):** He is also a Member of the House.

**Shri C. D. Deshmukh:** He may be a Member of the House, but I do not owe any responsibility individually to the Members of the House. (Interruption).

**Mr. Deputy-Speaker:** The hon. Member may feel that all the foreign banks have not played very rightly with us. The hon. Finance Minister does not say that every one of those banks have been exceedingly good towards us and that is his general opinion regarding these banks.

**Shri C. D. Deshmukh:** I expressed no opinion about the merits of their working. I have referred to their position in this country today, and if hon. Members wish to elicit any information, it is open to them to ask questions.

**Shri K. K. Basu:** We want to know Government's view.

**Shri C. D. Deshmukh:** We are not concerned with that matter here, in the limited time at my disposal. That is all the submission I am making.

There was some reference to commodity agreements. That is the point which hon. Member Shri Bansal, I think, had in mind—not preferential tariffs but commodity agreements by which it might be possible for the Commonwealth countries to buy each other's produce at certain stated and stabilised prices. It was only in that connection that there was some reference made to preferential trade agreements, but no imperial preferences, which term has a special connotation.

Then I must deal with this charge of not giving information to the House. As I said earlier, I have given a gist of all that happened. The only thing that I have not given, and I could not give is the gist of statements made by other countries in regard to their internal policies. That was one, and the other was the figures furnished by other member countries, in regard to their balance of payments, deficits or otherwise. Those figures are their own property. They were willing to discuss them in a common meeting, in order to arrive at some sort of estimate of the trends for the future for the sterling area.

as a whole. Even those figures cannot obviously be given, because there can always be differences of opinion as to what the future shows will be adequate or not. Once these kinds of views are taken, then all kinds of currents start in international trade, and make the position much more difficult. Therefore, it is the practice of every country not to give out any forecast in regard to its balance of payments for the next six months, or the next year, or whatever it is. Apart from the fact that these forecasts are proverbially unreliable, one has never been able to make very accurate estimates of what the balance of payments is going to be. That is another reason why it is not safe to make any forecast in regard to the future. Therefore, all the published material refers to the progress of the central gold and dollar pool, so far as the past is concerned. We get figures, I think, every quarter, and those figures are published, perhaps, with the lapse of a certain quarter or some period; in other words, some interval elapses before those figures are made public. One must be prepared to draw conclusions from the published figures, and one must trust one's own representative in regard to the participation in those discussions in regard to the future of the common currency.

As I said in Sydney, this matter of convertibility was not also mentioned even, obviously for the reason that it was recognised that there were various uncertain factors which had first to become stabilised, before any decision could be taken. That decision would fall to be taken only by the United Kingdom, because, after all, sterling is their currency, and we are using it for our convenience, and we have no right to ask them when they are going to take any definitive step in this matter. This is how I view this matter.

Apart from this, there are no figures or no information that I have withheld generally from the House. The trend of discussions and the categories

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of subjects discussed have been given in the official communiqué, the language of which I am not interested to defend, as well as in the other statements that I have made. Whether hon. Members find it satisfying or not cannot be really my concern. All I am concerned with is to tell them as best as I can what happened at Sydney, and that I have done.

Various questions have been raised in regard to our trade deficits and our sterling balances. I have not quite grasped what hon. Members' point of criticism is. I have already said that it is our intention to establish an import surplus, in order to be able to use our sterling balances, rather than leave them unutilised as short-term loans in London. I can only regard as bizarre a suggestion made by one hon. Member that because I cannot utilise them, I have not been able to utilise them for over one year, I should promote some industries abroad or start some development projects abroad. I see that that hon. Member is not in his seat.

**Shri M. S. Gurupadaswamy:** I am here.

**Shri C. D. Deshmukh:** I am sorry.

**Shri S. S. More:** He is too thin to be noticed.

**Shri C. D. Deshmukh:** I hope the hon. Member will take note that we need it very badly and we hope to be able to utilise it for the implementation of our plans.

Then the same hon. Member enquired why it is necessary that we should repurchase our rupees on the International Monetary Fund. I do not know whether he has referred to the provisions of the International Monetary Fund. The charges amount to 4 per cent. They rise year by year and they amount to 4 per cent. The article says:

"Whenever the Fund's holdings of a member's currency are such that the charge applicable to any

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bracket for any period has reached the rate of four per cent. per annum, the Fund and the member shall consider means by which the Fund's holdings of the currency can be reduced. Thereafter, the charges shall rise in accordance with the provisions of (c) above."

i.e. they go even beyond 4 per cent.—

"until they reach 5 per cent. and failing agreement, the Fund may then impose such charges as it deems appropriate."

Here, this is essentially a short-term debt given for ironing out the inequalities in the year-to-year trade, and every member country is supposed to repurchase its currency within a reasonable period. If it fails to do so, it exposes itself to the liability to pay an indefinitely high rate of interest. Therefore, it is, Sir, that I say that it was very necessary for us to get rid of this incubus.

Then, reference has been made to our floating a loan in the London market. Now, all that happened was that the Chancellor of the Exchequer was able to announce that this year the London market might be able to find some surplus sterling for the

development of the Commonwealth countries. He indicated the various channels through which this money could be made available, as for instance, a direct loan on the London market or through their new Development Corporation or through a fund which they have only for the development of colonial territories. I said that since we have unutilised sterling balances to the extent of Rs. 250 crores, we were not standing in the queue, because we saw no point in borrowing money in London at 4 per cent. or 4½ per cent. and keeping our own money at a much lower rate of interest in London in the short-term market. That is why we have said there that so far as India is concerned, there is no intention of going to the London market. Therefore, all the criticism that was levelled at this by the hon. Member is perhaps under a misunderstanding of what happened and is really beside the point.

I think I have covered most of the important points that have been raised, unless hon. Members feel that any point that they have raised has not been answered. Sir, I cannot find any other point which calls for an answer.

The House then adjourned till Two of the Clock on Tuesday, the 16th March, 1954.