

Title: Introduction of the Foreign Exchange Management Bill, 1999.

12.06 hrs.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move for leave to introduce a Bill to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India.

MR. SPEAKER: Motion moved :

"That leave be granted to introduce a Bill to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India."

... (Interruptions)

SHRI PRIYA RANJAN DASMUNSI (RAIGANJ): Sir, I gave a very important notice.

MR. SPEAKER: This is not the `Zero Hour`. The Minister moved for leave to introduce the Bill, and I have called Shri Basu Deb Acharia, who gave a notice concerning this Bill.

... (Interruptions)

MR. SPEAKER: Those who have given notices, I will call their names.

SHRI A.C. JOS (TRICHUR): Where is the `Zero Hour`?

MR. SPEAKER: After this, it will be taken up. The Minister only asked for leave to introduce the Bill.

SHRI PRIYA RANJAN DASMUNSI : You have already taken up the legislative business. Where is the `Zero Hour`?

MR. SPEAKER: The Minister only asked for leave to introduce the Bill.

SHRI A.C. JOS : My humble submission is that it should be taken up after the `Zero Hour`.

MR. SPEAKER: Please do not waste the time of the House. Shri Basu Deb Acharia gave a notice, and that is why I have called his name.

*Published in the Gazette of India, Extraordinary, Part-II, Section-2, dated 29.11.99.

SHRI A.C. JOS : The Bill should not be moved during the `Zero Hour`. Any Bill can be moved only after the `Zero Hour`.

MR. SPEAKER: The Minister only asked for leave to introduce the Bill. After that, the `Zero Hour` will be taken up.

SHRI PRIYA RANJAN DASMUNSI : I do not know how a legislative item can be taken up during the `Zero Hour`. This is very much a legislative item. Once he opposes the introduction, the discussion can begin. It is very much a part of the legislative business.

MR. SPEAKER: The Minister asked for leave to introduce the Bill. So, I wish to hear the objection being raised by the hon. Member.

SHRI PRIYA RANJAN DASMUNSI : This was never the practice in the past.

SHRI N.N. KRISHNADAS : My notice is also there.

SHRI BASU DEB ACHARIA : This can be taken up after the `Zero Hour`.

MR. SPEAKER: The Minister has already asked for leave to introduce the Bill. What is your objection?

SHRI PRIYA RANJAN DASMUNSI : Please dispose of the `Zero Hour` first.

MR. SPEAKER: There is only one Bill.

SHRI PRIYA RANJAN DASMUNSI : But the moment he opposes the introduction, it becomes a part of the legislative business.

MR. SPEAKER: He has given a notice, and that is why I have called him to raise his objection.

SHRI BASU DEB ACHARIA : This can be taken up after the `Zero Hour`. There are two Bills that are to be introduced.

MR. SPEAKER: I have allowed Shri Basu Deb Acharia. Nothing will go on record except Shri Basu Deb Acharia's speech.

(Interruptions)*

MR. SPEAKER: He has given the notice. That is why, I have called his name. It is only an introduction of the Bill.

*Not Recorded.

SHRI BASU DEB ACHARIA : Introduction of the Bill is always done after the `Zero Hour`.

SHRI RUPCHAND PAL (HOOGLY): I have also given the notice.

SHRI BASU DEB ACHARIA : A number of Members have given notices on this. ... (Interruptions)

SHRI A.C. JOS : The `Zero Hour` is always taken up after the Question Hour. I am not questioning your decision.

MR. SPEAKER: Please take your seat because that is a courtesy. When the Speaker is speaking, you are also speaking. I am yielding to you, but you are not yielding to the Chair's observations. The Minister has already asked for leave to introduce the Bill.

SHRI BASU DEB ACHARIA : He has not introduced the Bill.

MR. SPEAKER: Shri Basu Deb Acharia, what is this?

यह अच्छा प्रैक्टिस है! आप पहले बैठ जाइये।

There is also another Bill, and that can be taken up after the the `Zero Hour`. The Minister has already asked for leave to introduce this Bill. Since Shri Basu Deb Acharia gave a notice, I am hearing his objection at the introductory stage. The second one can be taken up after the `Zero Hour`.

... (Interruptions)

SHRI A.C. JOS : It is a bad precedent. Immediately after the Question Hour, maybe after laying the Papers on the Table, the `Zero Hour` is taken up. The Chair has permitted the Minister to move the Bill. I am not questioning your decision, but it creates a bad precedent.

MR. SPEAKER: Please understand that previously also, this practice is there. What is this, Shri Jos?

SHRI BASU DEB ACHARIA : Sir, I have given notice to oppose this Foreign Exchange Management Bill, 1999.

My point of opposition to this Bill is for the reason that by bringing this particular piece of legislation, the Government wants to repeal the existing Foreign Exchange Regulation Act. This proposal was made long back in 1993 and this was because of the liberalisation policy initiated by the then Government in 1991. The main reason behind repealing the existing Act is to allow the hawala operators to continue with the black money – thousand crores of black money which is there in our country – transactions. If this Bill is enacted and passed by this House, then there would be a scope to siphon off the black money.

What are the defects in the existing Foreign Exchange Regulation Act? Now, this Foreign Exchange Regulation Act is proposed to be split into two parts. One Bill, the Money Laundering Bill, has already been introduced in the last Session of Parliament and the present Bill is being proposed to be introduced today.

Sir, I do not find any reason and sufficient ground for repealing the existing Act. This Act, if properly implemented, is sufficient to take care of the persons who are involved in black money transactions. There are a number of cases in our country where operators of black money and violators of FERA have gone scot free.

What is the purpose of repealing this Act? Why does the Government want to repeal the existing Act and want to bring in a new Bill in its place? Would this proposed new Bill prevent siphoning off the foreign exchange or the money which is now there in the black market? This Bill would not be able to prevent such things. Rather this would help hawala operators and the black marketers. That is the reason why I am opposing this Bill. This Bill is not in the interest of our country.

MR. SPEAKER: Now, the hon. Minister.

SHRI N.N. KRISHNADAS : Sir, I have given notice.

MR. SPEAKER: I have received only one notice and that is of Shri Basu Deb Acharia.

SHRI RUPCHAND PAL (HOOGLY): Sir, I have given a notice ... (Interruptions)

MR. SPEAKER: All right. I am allowing Shri N.N.Krishnadas.

SHRI RUPCHAND PAL : Sir, I have also given a notice ... (Interruptions)

SHRI PRIYA RANJAN DASMUNSI : Sir, there are several notices in the `Zero Hour". Sir, I plead before you ... (Interruptions)

MR. SPEAKER: Now, I have allowed Shri N.N.Krishnadas.

SHRI PRIYA RANJAN DASMUNSI : There are important issues to be taken up during the `Zero Hour" ... (Interruptions) You can take up the `Zero Hour" after disposing of this matter ... (Interruptions)

MR. SPEAKER: After this I will take up the `Zero Hour".

... (Interruptions)

SHRI PRIYA RANJAN DASMUNSI : Sir, it was to be taken up after the submission by Shri Basu Deb Acharia. That is over now ... (Interruptions)

MR.SPEAKER: There are two other Members also. They have given notice.

... (Interruptions)

SHRI PRIYA RANJAN DASMUNSI : Sir, I am sorry to say that the whole purpose of the `Zero Hour" is being diluted ... (Interruptions) It is not correct.

MR. SPEAKER: Shri N.N.Krishnadas please.

... (Interruptions)

SHRI PRIYA RANJAN DASMUNSI : Mr. Speaker, Sir, `Zero Hour" is not dealt with in this way ... (Interruptions) I have never seen in this House that the purpose of the `Zero Hour" is being diluted in this way ... (Interruptions)

SHRI V.M. SUDHEERAN (ALLEPPEY): Sir, you are totally wrong ... (Interruptions)

SHRI PRIYA RANJAN DASMUNSI: Sir, we want zero hour. ...(Interruptions)

MR. SPEAKER: Shri Krishnadas.

SHRI A.C. JOS (TRICHUR): Sir, you are setting a very bad precedent. ...(Interruptions)

SHRI PRIYA RANJAN DASMUNSI : Sir, the hon. Members who gave notice have every right to raise their issues. The importance of zero hour cannot be diluted in this manner. ...(Interruptions)

SHRI RUPCHAND PAL : I fully agree with him, Sir.

MR. SPEAKER: Shri Dasmunsi, please cooperate with the Chair. You have already taken up the issue. Please understand.

... (Interruptions)

डॉ. रघुवंश प्रसाद सिंह (बैशाली) : अध्यक्ष महोदय, क्वेश्चन ऑवर के बाद ज़ीरो ऑवर लिया जाना चाहिये और इससे पहले कोई बिज़नेस लिये जाने से ज़ीरो ऑवर का महत्व खत्म हो जाता है। इसलिये इस परिपाटी का अनुपालन किया जाना चाहिये। (व्यवधान) ...

MR. SPEAKER: Nothing will go on record.*

अध्यक्ष महोदय : आप बैठ जाइये।

Shri Krishnadas please.

SHRI N.N. KRISHNADAS (PALGHAT): Sir, I rise to oppose the Bill to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India, i.e., the Foreign Exchange Management Bill, 1999.

Sir, the intention of Government behind introducing this Bill is not to ensure the interest of the people of our country. It is only for the interest of the black money operators and havala operators. This amendment would dilute the existing FERA law. It goes totally against the best interest of the economy of our country.

Sir, once again, I register my opposition to introduce this Bill at the introductory stage.

* Not Recorded.

SHRI RUPCHAND PAL : Sir, I have my objection at the stage of introduction of this Bill. This is a new Lok Sabha. There are about 259 newly elected Members, and the Standing Committee, in relation to FEMA, had given its report in the 12th Lok Sabha... (Interruptions)...Sir, this is very important. Please listen to me.

MR. SPEAKER: I am always listening to you but you are not listening to me.

SHRI RUPCHAND PAL : Sir, I am always doing that or at least, trying to do.

Sir, this is a new Lok Sabha and there are no less than 259 newly elected Members, and the Standing Committee in relation to the FEMA had submitted its report on 23rd April, 1999 in the 12th Lok Sabha, just three days before the 12th Lok Sabha was dissolved. But unfortunately, the report of the Standing Committee, as it used to be, was never circulated to the Members of the 12th Lok Sabha. Nor has it been circulated to the new Members who do not have any idea at all about the purpose of this Bill. This is my first point.

Secondly, when this Bill was examined by the Standing Committee, there had been certain things that the Government was to give its observation. The previous Government of 12th Lok Sabha and this Government are two different Governments. And, this new Government has come up with a new legislation which has got far-reaching consequences for the country. I am asking the legitimate competence of the Government at this stage and confining my argument only to the legislative competence. But this Government is basing its plea that `all these recommendations were given in the previous Lok Sabha by the previous Government, and they must have recommended or taken up certain recommendations, or part of the recommendations. We do not have any idea about the provisions accepted by the previous Government."

So, we are totally in confusion about the purpose of this Bill, about the competence of this Government and about the legislative competence of this particular Bill. So, I demand that the Members should be supplied with the copies of the report of the Standing Committee as also the response of the previous Government with regard to that particular report before this Bill is introduced.

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Sir, I have also given a notice, and I may also be allowed to speak... (Interruptions)

SHRI MOINUL HASSAN (MURSHIDABAD): Hon. Speaker, Sir, I object to the introduction of the proposed Foreign Exchange Management Bill on the following grounds. I would like to take only three-four minutes for my two-three points.

Firstly, by replacing FERA with FEMA, the Government wants to give up all intentions of regulating the foreign exchange in the country. It would also dilute the control the RBI exercises over foreign investment.

Secondly, the said Bill is a very clear assurance to foreign investors that their investment will be protected.

Thirdly, the proposed Bill would be a blessing to the foreign exchange racketeers especially, the hawala operators and inter-country hawala payment would no longer be an offence.

Finally, moreover, the Government's claim that the position of India's foreign exchange reserves is at present satisfactory is not tenable. In fact, India's current account deficit is staggering at 3.5 per cent of the GDP. The deficit is covered through a net private transfer of foreign exchange but the proposed Bill would simply destabilize the process of private transfer.

For these reasons, I would like to oppose the introduction of this Bill.

SHRI YASHWANT SINHA: Sir, I had the notice of the hon. Members, through you, opposing the introduction of this piece of legislation. I have gone through the rules and I have gone through Kaul and Shakhder's Practice and Procedure of Parliament. I find that the only ground on which the introduction of a legislation can be opposed is the legislative competence of this House.

A number of issues have been raised here by hon. Members. But only one Member has questioned the legislative competence of this House and that too on the ground that this is a new Lok Sabha and therefore whatever happened in the Twelfth Lok Sabha is of no consequence. I cannot find myself in agreement with that point of view. This Bill was introduced in the Twelfth Lok Sabha. If it was beyond the legislative competence of this House, it could not have been entertained by the Twelfth Lok Sabha.

As far as the Standing Committee procedure is concerned, that is an issue on which you will decide after the introduction of the Bill. So, that issue is not relevant at this point of time.

The other issues which relate to the merits of this legislation are issues that this House, I am sure, will discuss when we come to the consideration and passage of the Bill. But I would hasten to add that the point about foreign exchange is not valid. Today, this country has crossed the level of \$ 34 billion in terms of foreign exchange reserves, for the first time in its history. ... (Interruptions) Secondly, the hon. Member is not informed correctly, when he says that the current account deficit for the year 1998-99 is 3.5 per cent of the GDP. I have said in this House before - and I would like to repeat it - that it

was less than one per cent of the GDP. This year, despite the abnormal and excessive increase in oil prices, which has put a burden on our foreign exchange reserves, I am hopeful that it will not exceed two per cent of the GDP. I do not know from where the hon. Member got this figure of 3.5 per cent. We are comfortable in regard to foreign exchange reserves and let this House understand that we have complete convertibility on the current account. It is only in regard to capital account that there are still some restrictions.

What we are trying to do through this legislation is to bring the entire management of foreign exchange in line with the changes which have taken place as a result of liberalization on current account. I strongly refute with all the emphasis at my command that this piece of legislation is going to help the blackmarketeters, the black money operators or the hawala operators. This is a figment of the imagination of a section of the Members of this House and I refute it as I said with all the emphasis at my command. This is in terms of meeting a new situation which has come about as a result of liberalization of the foreign exchange management and the Act will only facilitate that management. That is the reason why we are introducing this legislation. We have already introduced the Prevention of Money Laundering Bill. The two legislations, I will suggest, should be considered together because they cover the entire gamut of the issues that are involved in these two pieces of legislation.

I, therefore, move that I should be allowed to introduce the Bill.

SHRI RUPCHAND PAL : Sir, I seek your ruling on the point raised by me. This is the new Lok Sabha and the Standing Committee had submitted its Report in the Twelfth Lok Sabha. Nearly 259 hon. Members do not have any idea about the Report. ... (Interruptions) I seek your protection. Even the Members of the Twelfth Lok Sabha were not supplied with the copies of the Standing Committee Report. ... (Interruptions)

MR. SPEAKER: Shri Rupchand Pal, the Minister has very clearly explained the position.

SHRI RUPCHAND PAL : Sir, this is the new Lok Sabha. So, I seek your ruling on this point. ... (Interruptions)

MR. SPEAKER: The question is:

"That leave be granted to introduce a Bill to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India."

The motion was adopted.

SHRI YASHWANT SINHA: I introduce* the Bill.

*Introduced with the recommendation of the president.