

18.39 hrs.

Title: *hRegarding approval of notification to amend Second Schedule to Customs Tariff Act, 1975.

MR. SPEAKER: The House will now take up item No.23. Shri Yashwant Sinha.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move:"That in pursuance of sub-section (1) of section 8 of the Customs Tariff Act, 1975, read with sub-section (3) of section 7 of the said Act, this House hereby approves of Notification No.132/2000-Customs dated 17th October, 2000 (G.S.R. 793(E) dated 17th October, 2000) which seeks to amend the Second Schedule to the Customs Tariff Act so as to increase export duty leviable on hides, skins and leathers, tanned and untanned, all sorts, but not including manufactures of leathers falling under Heading No.14 of the said Second Schedule to the Customs Tariff Act, 1975 from "25%" to "60%".

MR. SPEAKER: Motion moved:"That in pursuance of sub-section (1) of section 8 of the Customs Tariff Act, 1975, read with sub-section (3) of section 7 of the said Act, this House hereby approves of Notification No. 132/2000-Customs dated 17th October, 2000 [G.S.R. 793(E) dated 17th October, 2000] which seeks to amend the Second Schedule to the Customs Tariff Act so as to increase export duty leviable on hides, skins and leathers, tanned and untanned, all sorts, but not including manufactures of leathers falling under Heading No. 14 of the said Second Schedule to the Customs Tariff Act, 1975 from "25%" to "60%".Shri Varkala Radhakrishnan, are you moving your amendment?

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Yes, Sir; I beg to move:

1. That in the resolution, *-for "60%" substitute "100%"*

.MR. SPEAKER: Hon. Members, I think, today, we have to work for two or three hours extra. I am also asking the Minister of Parliamentary Affairs to arrange dinner. I hope the House would agree.

SHRI BASU DEB ACHARIA (BANKURA): For how long are we to sit?

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): It depends upon you. We have to complete the agenda listed for today.

MR. SPEAKER: We will sit till completion of the business.

SHRI BASU DEB ACHARIA Do you want to complete the entire agenda?

MR. SPEAKER: It would be for at least three hours, that is, till completion of the business.

SHRI PRAMOD MAHAJAN: Sir, with your permission, I would like to seek the indulgence of the House that these are three mandatory Ordinances which we have to clear. Then only, these can be passed in the other House. *...(Interruptions)* We have no other option but to sit today. So, I would request the hon. Members that if they can speak a little less, we can pass it early. It is in their hands. *...(Interruptions)*

MR. SPEAKER: All the Leaders had also agreed in the meeting of the Business Advisory Committee.

SEVERAL HON. MEMBERS: All right.

SHRI PRIYA RANJAN DASMUNSI (RAIGANJ): Mr. Speaker, Sir, I appreciate the Ministry of Finance for this Statutory Resolution. Perhaps they felt it very important to increase the export duty on these items. I would like to apprise, through you, the hon. Minister of Finance that the amendment of the Notification relates to increase in export duty leviable on hides, skins and leathers, tanned and untanned, all sorts, but not including manufactures of leathers falling under Heading No. 14. I quite understand that if our raw materials, which are basic, are exported and encouraged to be exported, the value-added products, which you want to put into the export market, would suffer and the country will lose a lot of revenue. It is a fact that a lot of our hides and skins are not only exported but these are also smuggled. When I was handling the Ministry of Commerce, I found once that the hides and skins, that we have in our country, were actually under 'hides and skins'. I will not mention the names of countries because of our diplomatic relations. But a few neighbouring nations put more than their actual production of hides and skins of their country into the export basket. Therefore, at that time, I felt that smuggling should be resisted and we should have more value-added products than straightaway exporting the raw materials. Here is a latch and a catch to which I would like to draw the attention of the hon. Minister. He has said: 'tanned and untanned, all sorts, but not including manufactures of leathers'. Tanning is done through a manufacturing process. Tanning is not done in an ordinary process. These days, it is always done in a manufacturing process, especially, the leather which are immediately going into the factory for manufacturing garments and other articles. They pass through the stage of tanning. Tanning was also done in the primitive days. Even 15 years back, tanning was done in a very orthodox

manner. But I know how it has been done for the last about 10 years. I had personally visited a tanning unit in Chennai. Tanning is done through the process of manufacturing in the unit itself. Therefore, we say that the manufactures of leather shall not be included under Heading No. 14. He also says about 'tanned' and 'untanned'. I could not follow the interpretation. Does he mean that by tanned thing, he would be getting more levy on export duty? Is it so while not including 'manufactures of leather'? I am not clear about these two points. Would the hon. Minister clarify? My other point is that you have mentioned 'skins and leather'. What is meant by 'leather'? It is very clear that we do not call hides and skins as leather. We call them leather only when these are tanned or manufactured in a process by heating or colouring. Then, you call it leather. On the one hand, you say 'skins and leather'. On the other hand you say "including manufacturers" of leather. I can understand what is untanned leather. We do not declare untanned leather straightaway as leather, but tanned leather as a leather. Leather has only two definitions. Leather after the process of tanning and leather straightaway as finished products, which goes to the manufacturer. If this is not clarified, then I think a lot of confusion will come even before the Customs Department while they try to charge or impose export duty. Sir, I do appreciate this pattern, but I would also like to know from the hon. Minister whether he has information from the Ministry of Commerce as to whether he has taken industry into confidence in this matter. For the last ten years, three heads of our export were dominating the world market, that is, diamond, marine products, and leather. I would like to know whether this matter will give a quantum jump of the value added export and whether the Ministry has taken the leather industry or the Leather Export Promotion Council into confidence. This point also needs to be clarified. With these few queries, I support the Resolution and I would request the hon. Minister to reply in this regard.

MR. SPEAKER: Shri Radhakrishnan, you have not given any notice to speak on this Resolution. You have given notice for your amendments only.

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Let me speak.

MR. SPEAKER: But for that you have to give a notice.

SHRI VARKALA RADHAKRISHNAN : That I will give.

MR. SPEAKER: When?

SHRI VARKALA RADHAKRISHNAN : I thought when my amendment is moved, I will be given permission to speak.

MR. SPEAKER: All right, two minutes only.

SHRI PRIYA RANJAN DASMUNSI : Sir, two hon. Members may be allowed to speak without any notice in this House. One is Shri Ramdas Athawale and another Shri Varkala Radhakrishnan.

SHRI VARALA RADHAKRISHNAN : I moved this amendment on certain principles. I applaud the sentiments of the hon. Finance Minister in coming forward to protect the interests of home products. This is a good measure because he wanted to encourage production of raw materials production in India, which are being smuggled and exported on a very nominal export duty. I would like to suggest that the export duty should be increased so that there must be complete stoppage of export materials like this. This adversely affects the home industry, especially leather industry in India. So, this is a good measure to protect that. Sir, this policy should be made applicable to other industries also. I would like to mention here that coconut oil, copra and rubber are all home made products, but there is no restriction on them and the import duty is more or less withdrawn. Without any restriction, the coconut oil, copra, and rubber are being imported. Recently, they have ordered an increase in the import duty, but that is not sufficient. If this principle is made applicable in the case of agricultural products, especially, in the matter of import of copra, coconut oil and rubber, it will definitely help our home industry. Sir, the hon. Minister has come forward to protect the home made leather industry, which is a welcome step. While doing this, the same sentiments must be expected here also because this is a tariff policy. So, the import duty for all these materials should be enhanced to 300 per cent or 200 per cent, at least, to save the coconut growing farmers of South India and also the rubber producers of Kerala, who are producing about 90 per cent of rubber produced in India. In order to help them, the same policy should be made applicable in their case also. With these words, I support his move.

SHRI YASHWANT SINHA: Sir, the very brief background of this is that since 1972-73, India had imposed restriction on the export of raw hides and skins. What happened was when the WTO regime came into operation and your trade both ways was made free of all restrictions, this was regarded as a restriction which was not compatible with the provisions of the WTO. Therefore, the European Union has taken us to the WTO and they have been protesting against the restrictions that we had imposed on the export of hides and skins. The Ministry of Commerce has felt that there was a possibility that they might win and we may lose. In the case of losing our case in the WTO, imposition of additional export duty at that point of time may become problematic. So, the Ministry of Commerce suggested that we could remove the restriction that existed on one hand. At the same time, we could raise the

export duty to such a level that automatically this will become a powerful disincentive for export of raw hides and skins. Therefore, they suggested to the Ministry of Finance that we raise the duties from the present 25 per cent to 60 per cent. Exercising the powers which have been vested in us through the Customs Act, we did that in October. Now, I have come before the House for the approval of this Resolution. Now I would like to clarify the point made about raw hides and skins by Shri Priya Ranjan Dasmunsi. I have got the list of all the items on which this is going to be imposed. Raw hides and skins and all types, excluding lamb, of skins are the one where it is going up from 25 per cent to 60 per cent. Then there are categories of semi-processed hides and skins, wet and blue skins. Having held the charge of the Ministry of Commerce, he is aware of it. We are covering this also with 60 per cent duty because that is just semi-processed.

Then crust leather is another leather which we are covering with 60 per cent duty. Then we have two other lining leathers, namely, lining suede from cow and buffalo hides and calf skins; and lining suede from goat, kid, lamb and sheep skin. These are also being covered. Now, therefore, when I say in my Resolution, they will be leviable on hides, skins and leather tanned and untanned of all sorts but not including manufactures of leathers, I think, these definitions are very clearly understood by the Ministry of Commerce and there will be absolutely no confusion in this regard even amongst the Customs officials. As far as the question of consultation with the trade is concerned, I would also like to mention to Shri Varkala Radhakrishnan because he has suggested that it should be raised to 100 per cent instead of the 60 per cent that we have imposed. The Ministry of Commerce assures me that they have had detailed discussions with the trade. Only after that, they have jointly come to the conclusion that 60 per cent duty is good enough to act as a powerful disincentive for the export of hides and skins and tanned and semi-tanned leathers. Therefore, they will feel that enough protection has been provided and it is not necessary to raise it to 100 per cent. We will, of course, keep a watch over the situation. Whenever we feel that the export duties need to undergo any changes, we will be free to do that. In regard to the other issue which has been raised both by Shri Priya Ranjan Dasmunsi and by Shri Varkala Radhakrishnan about the general principle being followed, I would like to say that the general principles are followed. By and large, this country has been following the general principle that we should encourage the export of value-added products rather than raw materials.

SHRI PRIYA RANJAN DASMUNSI : Our hides and raw skins are 60 per cent cheaper than the European Union. That is why, I was afraid even if you do increase the export duty and do not make a study of European skin and others, we may suffer at the end of the day because our basic raw skin price is much cheaper than the European Union basic skin. I have been assured, as I said, by the Ministry of Commerce that this is sufficient protection for the domestic leather industry. The other point which I was making was that we generally follow this principle. It is not merely true of this Government, it has been true of all Governments, that we generally followed the principle that our exports should be of value-added products, that we should add as much value as possible. Take the case of cashew, for instance. We are short of raw cashew. We are importing raw cashew from other countries and processing it here and exporting to other countries because we want to maintain our markets. Similarly in the case of tea there has been progress. From bulk we have moved to package and branded tea.

SHRI VARKALA RADHAKRISHNAN : I was talking of a separate issue.

SHRI YASHWANT SINHA : Yes, he was talking of a separate issue. That is another issue in regard to imports and that is not covered by the present Resolution and we will talk about it whenever I get an opportunity in this House. I am grateful to the Members for the support that they have shown for this step that the Government has taken and I plead that the Resolution be adopted by the House.

MR. SPEAKER: I shall now put the amendment to the Statutory Resolution moved by Shri Varkala Radhakrishnan to the vote of the House.

The amendment was put and negatived.

MR. SPEAKER: The question is : "That in pursuance of sub-section (1) of section 8 of the Customs Tariff Act, 1975, read with sub-section (3) of section 7 of this said Act, this House hereby approves of Notification No. 132/2000-Customs dated 17th October, 2000 [G.S.R.793(E) dated 17th October, 2000] which seeks to amend the Second Schedule to the Customs Tariff Act so as to increase export duty leviable on hides, skins and leathers, tanned and untanned, all sorts, but not including manufactures of leathers falling under Heading No.14 of the said Second Schedule to the Customs Tariff Act, 1975 from "25%" to "60%" "*The motion was adopted.* —

18.58 hrs.