

International Airport for getting the job done. These workers have no job security, no benefits, no protection under any law. They are at the mercy of the contractor and sub-contractors. They handle valuable cargo, for which the public sector carrier is responsible to pay compensation, if needed, but the entire cargo remains at the disposal of private contractors who enjoy complete facilities provided by Government. It appears that the International Airport Authority of India, who should have been their employer has washed off its hands by giving the job to Bombay based contractor. Muscle power is being freely used to intimidate these workers if they show any discontentment. This type of working conditions, right at the Capital's main airport need immediate remedial measures.

I, therefore, request the Minister to abolish the contract system in cargo handling and ensure that these 700 workers are absorbed as the employees of International Airport Authority of India.

**(vii) Demand for overbridge at Irinjalakkuda railway station in Kerala**

SHRI K. MOHANDAS (Mukundapuram): An overbridge at Irinjalakkuda railway station in Kerala is a long-standing demand. In the absence of this overbridge, there are many traffic problems which lead to accidents. In fact, many serious accidents have taken place in this place.

I would request the Minister of Railways to sanction an overbridge at Irinjalakkuda station in next year's budget.

**(viii) Demand for early finalisation of the Shivalik Project in Himachal Pradesh**

PROF. NARAIN CHAND PARASHAR (Hamirpur): The Shivalik project including the Swan channelisation project in Una at the neighbouring districts of Himachal Pradesh has been under finalisation for many years. The construction of the project would help in reclaiming thousands of hectares of land by checking soil erosion

and by channelising a number of streams for the benefit of irrigation and also help in preservation and promotion of ecology and environment through afforestation.

I, therefore, request the Government of India and the Central Water Commission to finalise the project in consultation with the State Government, accord its sanction and ensure its early construction with the help of international agencies like World Bank within Seventh Plan.

12.29 hrs.

STATEMENT RE. ALLEGATIONS OF PAYMENT OF COMMISSION TO INDIAN AGENTS IN CONNECTION WITH DEFENCE MINISTRY'S PURCHASE OF SUBMARINES FROM MESSRS. HOWANDTSWERKE-DEUTSCHE-WERFT OF FEDERAL REPUBLIC OF GERMANY

[English]

THE MINISTER OF DEFENCE (SHRI K.C. PANT): Mr. Speaker. Sir, as hon'ble Members are aware, the then Raksha Rajya Mantri had, in a statement made by him in this House on April 15, 1987 given full details of the inquiries and studies ordered by the former Raksha Mantri in regard to allegations connected with the purchase of submarines from Howandtswerke-Deutsche-Werft (HDW) of the Federal Republic of Germany.

SHRI S. JAIPAL REDDY (Mahbubnagar): Sir, I have point of order. Please hear me.

PROF. P. J. KURIEN (Idukki): What is the point of order?

MR. SPEAKER: No, no. At this time, there is nothing...

(Interruptions)

PROF. P. J. KURIEN: Sir, he is already through. He is not yielding. (Interruptions)

SHRI S. JAIPAL REDDY: Sir, I am on a substantive point of order. (Interruptions)

MR. SPEAKER: Is there any infringement of any rules here?

*(Interruptions)*

MR. SPEAKER: What is the infringement?

SHRI S. JAIPAL REDDY: The Government of India promised the Parliament that the Inquiry Report will be placed on the Table. *(Interruptions)*

MR. SPEAKER: That is overruled.

*(Interruptions)*

MR. SPEAKER: No, overruled. Sit down.

*(Interruptions)*

MR. SPEAKER: This gentleman is not allowed.

*(Interruptions)\*\**

MR. SPEAKER: Please, you are not to decide.

*[Translation]*

SHRI K.C. PANT: They could not hear. If they do not want to listen then what should be done?

*[English]*

Why don't you control your Members, Professor? I have come to make a statement.

PROF. MADHU DANDEVATE (Rajapur): He has the right to raise a point of order. You may rule it out...*(Interruptions)*

*[Translation]*

MR. SPEAKER: What are you doing? I have not allowed you. You are using unparliamentary language. It is not good for you to use unparliamentary language in

anger. Such a temperament does not behave you.

*(Interruptions)*

*[English]*

MR. SPEAKER: No, I don't like it.

*(Interruptions)*

*[Translation]*

MR. SPEAKER: You will get time again to raise it when we will take up the Demands of the Ministry of Defence.

*(Interruptions)*

*[English]*

PROF. MADHU DANDEVATE: We want to listen to the Minister. Kindly read it. *(Interruptions)*

SHRI K.C. PANT: So, in deference to what Mr. Madhu Dandavate said, I shall read it again. *(Interruptions)*

Mr. Speaker, Sir, as hon'ble Members are aware, the then Raksha Rajya Mantri had, in a statement made by him in this House on April 15, 1987, given full details of the inquiries and studies ordered by the former Raksha Mantri in regard to allegations connected with the purchase of submarines from Howandtswerke-Deutsche-Werft (HDW) of the Federal Republic of Germany.

To place the entire matter in the correct perspective and in chronological sequence, it is necessary to re-state some basic facts.

The Ministry of Defence had signed contracts with HDW on December 11, 1981 for the acquisition of 2 ready-built submarines and 2 material packages for the construction of similar submarines in the Mazagon Dock Limited. From late 1985, the Ministry of Defence were holding direct negotiations with the senior executives of HDW to acquire two more submarines. To

[Shri K.C. Pant]

ensure against the involvement of agents as well as to secure a reduction in prices, the Ministry of Defence had sought the assistance of our Embassy in Bonn which was persuading the Ministry of Defence, Federal Republic of Germany, to exercise its influence on HDW to reduce the prices earlier quoted by them for the supply of additional submarines.

As regards the negotiations for the acquisition of 2 additional submarines from HDW, it may be recalled that Defence Secretary had invited the Ambassador of the Federal Republic of Germany to India to his office on November 15, 1985 and clearly informed him of the Government of India's policy of dealing directly with the foreign suppliers, without any involvement of agents.

The Naval Attache in the Indian Embassy, Bonn, had been in contact with Dr. Molitor, an official of the Ministry of Defence, Federal Republic of Germany, responsible for the sale of military equipment, and had sought a meeting with the latter in connection with the on-going negotiations for the purchase of 2 additional submarines. On February 24, 1987, Dr. Molitor met our Naval Attache and our Ambassador, in the Indian Embassy, Bonn. The Naval Attache reiterated the Government of India's policy to directly negotiate contracts with foreign suppliers, without involving agents. A formal note confirming this position was also given to Dr. Moltior. In his discussions with the Ambassador regarding the supply of additional submarines, Dr. Molitor was reported to have said that HDW was being persuaded to further bring down their earlier quoted price. However, problems might arise on account of 7% commission payable to Indian agents of HDW, under an open-ended agreement. The Ambassador reiterated Government of India's policy of negotiating directly with the foreign suppliers. Without the involvement of agents, and suggested to Dr. Molitor to take up the matter afresh with HDW. Subsequent to the aforesaid discussions, our Ambassador sent a

communication, on February 24, 1987, to keep the Government informed.

On February 28, 1987, the message received from our Ambassador was put up on file to the then Raksha Mantri and was received in his office on March 3, 1987. Over a week later, on March 11, 1987, the then Raksha Mantri ordered that the matter should be referred to the Directorate of Enforcement, Ministry of Finance, for investigation of FERA violations; to CBDT, Ministry of Finance, for Income-Tax violations; and to the Economic Intelligence Bureau, Ministry of Finance, for carrying out a systematic study of the modus operandi of Indian and foreign agents.

He further directed that a copy of the agreement should be obtained from HDW and efforts made to beat down the prices. As Hon'ble Members are aware, efforts to obtain a sizeable reduction in prices were being made by Government for well over a year. In this context, information received from our Ambassador was very useful and had to be purposefully employed to achieve the aforesaid objective. As confidential inquiries had to be made into the allegation and negotiations pursued directly with HDW without involvement of agents, to lower the prices and as the communication received from our Ambassador was secret, the information contained therein was rightly not made public.

The papers were put up to the then Raksha Mantri a second time on March 24, 1987 along with a draft letter from the Defence Ministry to the Finance Secretary. However, it was not till April 9, 1987, five weeks after the then Raksha Mantri first got the file, that he recorded another minute, in which, in addition to reiterating his previous instructions, he also directed the setting up of a committee under Defence Secretary to study the modus operandi of Indian and foreign agents, review existing procedures, suggest necessary steps for their elimination from Defence transactions, etc. He also noted that Defence Secretary had mentioned that the Indian agent is most probably the

Hindujas. He directed that, after due confirmation, fullest action should be taken against them.

On the same day, i.e. April 9, 1987, he personally arranged to issue a Press Note mentioning the fact on an inquiry into the matter and purporting to relate to the substance of information received from the Indian Embassy. During the five weeks since he had first seen the file, no fresh facts had come to the notice of the then Raksha Mantri but, for reasons best known to him, he chose to prematurely give publicity to this sensitive information.

It is not easy to see what prompted him to do this. Nevertheless, all inquiries directed by the then Raksha Mantri have been carried out by Government.

The then Raksha Mantri had ordered the following action:

- i. The Directorate of Enforcement, Ministry of Finance, should be asked to investigate possible FERA violations;
- ii. The CBDT, Ministry of Finance, should inquire into possible Income-Tax violations; and
- iii. The Economic Intelligence Bureau, Ministry of Finance, should undertake a systematic study of the modus operandi of Indian and foreign agents.

Subsequently, he had also directed that a Committee under the Chairmanship of the Defence Secretary should report on the modus operandi of foreign and Indian agents in Defence purchases.

The details of the action actually taken by the Government are as follows:

- i. Specific inquiries into possible FERA and Income Tax violations were made by the Directorate of enforcement and the Central Board of Direct Taxes, respectively.
- ii. The Economic Intelligence Bureau

have carried out a study of the modus operandi of agents, Indian and foreign.

- iii. The Committee under the chairmanship of the Defence Secretary has submitted its report on the modus operandi of foreign and Indian agents in Defence purchases, making recommendations on its various terms of reference.

In the circumstances in which they were placed, by the premature publicity given to the matter by the then Raksha Mantri and for want of valid leads the investigative agencies of the Ministry of Finance were not able to make headway. Consequently, an Inter-Ministerial team, led by the Central Bureau of Investigation and comprising Director Enforcement (Ministry of Finance), Director of Inspection (Investigation), Income Tax (Ministry of Finance) and Joint Secretary (Navy) (Ministry of Defence), visited the Federal Republic of Germany and United Kingdom from October 25 to November 4, 1987. The CBI has made detailed confidential inquiries into the matter with the assistance of the investigative agencies of the Ministry of Finance. In addition, Government have directly correspond with the Government of the Federal Republic of Germany and the management of HDW to ascertain the facts.

The inquiries made in this case sought to answer the following questions:

- (i) were there any FERA violations?
- (ii) were there any violations of Income-Tax laws?
- (iii) Was there any agreement between HDW and its agents regarding payment of commission? If so, what was its nature?
- (iv) Was any commission paid to any agent? If so, the amount paid by HDW, the mode of payment and full details of recipients?
- (v) Specifically, did the Hindujas act as

the agent of the HDW and did they, in that capacity, receive any payments from HDW?

In the Ministry of Defence the entire record pertaining to the acquisition of two SSK submarines and two material packages of such submarines from HDW was thoroughly scrutinised. We found that at no stage had there been any agents in the negotiations with HDW which had been conducted directly with the senior executives of the company. Nonetheless, the matter was taken up with the Government of the Federal Republic of Germany on June 12, 1987. The Foreign Office of Federal Republic of Germany in Bonn replied on July, 27, 1987 that the matter could be clarified only through direct contact with HDW and, further, that the Federal Government did not have any information in the matter. As regards the reported conversation between Dr. Molitor and the Indian Ambassador, the Foreign Office said that Dr. Molitor had "received without comment a letter from the Indian Ambassador confirming the Indian position on commission payment and passed the letter on to the HDW". The Ministry of Defence of the Federal Republic of Germany, who were also addressed, sent a similar reply.

HDW, who were addressed on June 27, 1987, replied on July 9, 1987 that the information regarding payment of 7% commission to Indian agents had surprised them. The information, they added, was not correct and could only have been caused by a misunderstanding. HDW stated that the negotiations in regard to the submarine contract of December 11, 1981 had been held directly with the Indian Government and no Indian agents were engaged. They further informed that they had engaged only the Globtech Company, with effect from June 1, 1982, on a monthly retainer of DM 6000, and that this had been notified to the Chief of the Naval Staff on September 22, 1982. HDW also forwarded a copy of the contract signed by them with Globtech. In a further communication dated November 27, 1987, HDW declared categorically that no commission

was paid to any Indian or non-Indian agent in India or abroad.

I am placing on the Table of the House a complete set of the Government's correspondence with HDW and the Government of the Federal Republic of Germany as well as a copy of the message received from our Ambassador. A copy of the Press Note issued on April 9, 1987, released by the then Raksha Mantri, is also laid on the Table of the House.

After thorough and detailed inquiries made by the investigative agencies of the Government, which included searches of 16 Indian companies, firms and individuals known to be agents of foreign suppliers of Defence equipment, and discussions with the Indian Ambassador in Bonn, our Naval Attache in Bonn, the Chairman HDW and Dr. Molitor in the Ministry of Defence, Federal Republic of Germany, the Directorate of Enforcement, the Central Board of Direct Taxes and the CBI have come to the following conclusions:

- i. There is no evidence of any FERA violations.
- ii. There is no evidence of any violation of Income Tax laws.
- iii. There is no evidence to indicate that HDW had an Indian agent for the December 1981 contract for the supply of submarines.
- iv. In respect of offer received from HDW as well as the negotiations with HDW, no Indian agent/representative was at any time working on behalf of the firm.
- v. There is no evidence to link Hindujas with the HDW contract.

Government have received the reports tendered by the Director General, Economic Intelligence Bureau, on the modus operandi of Indian and foreign agents and that of the committee under chairmanship of the Defence Secretary on Indian agents

in Defence purchases and its various other terms of reference. These reports are under consideration of the Government.

Government have made all efforts to inquire into the allegations. All possible leads were followed up. The allegations have been found to have no basis. Accordingly, Government have decided to treat the matter as closed.

### Documents

1. Message dated 24 February 1987 from Indian Embassy, Bonn, received on 25 February 1987
2. Government of India, Ministry of External Affairs Aide Memoire to the FRG Government dated 27 June 1987.
3. Government of India, Ministry of Defence letter to HDW dated 27 June 1987.
4. HDW reply dated 9 July 1987 received on 21 July 1987.
5. FRG Government Aide Memoire dated 27 July 1987 received on 28 July 1987.
6. Government of India, Ministry of Defence letter to MOD-FRG Government dated 28 September 1987.
7. Government of India, Ministry of Defence letter to HDW dated 19 October 1987.
8. MOD-FRG Government reply dated 13 November 1987 received on 3 December 1987.
9. HDW reply dated 27 November 1987 received on 3 December 1987.
10. Press Note released by former Raksha Mantri on 9 April 1987.

**Message from Indian Embassy,  
Bonn, of 24 February 1987**

Dr. MOLITOR, official responsible in

Ministry of Defence for sale of military equipment called on me and N.A. today in connection with the 5th and 6th S.S.K. Submarines. Dr. Molitor said that the shipyard was being persuaded to bring down the price further from DM 240 million. I said that while this was welcome the increase over the original contract price for the earlier submarines was disproportionate to cost escalation on account of inflation, wage rise etc. Further, due to revaluation of DM the cost in rupee terms was still greater. The need for maintaining mutual trust as well as the credibility of West German suppliers in future was also impressed upon him.

2. DR. MOLITOR expressed hope that the final price could be negotiated satisfactorily by regretted that 7 per cent commission payable to the Indian agents of HDW under the terms of an open ended agreement posed a great financial liability. It was suggested to Dr. Molitor that one way for the German shipyard to disembaras itself of this liability was to plead force majeure on ground that the Government of India no longer accepted mediation of agents in dealing with foreign Suppliers of defence equipment. He said that he would immediately consult their legal adviser and if he thought this plea legitimate a price reduction of 7 per cent would definitely be made. All in all he left us with impression that a further price reduction might be made to conclude the deal.

### AIDE MEMOIRE

The Ministry of Defence, Government of India, signed a contract in December 1981 with HDW and AEG - Telefunken, both of FRG, relating to the supply of two ready-built SSK submarines and two material packages for the manufacture of such submarines at the Mazagaon Docks Lt. (MDL) Bombay. HDW have already supplied the two ready-built submarines and the remaining two are under manufacture at MDL.

Negotiations were initiated by the Ministry of Defence with HDW in early 1986 for the acquisition of two more submarines (fifth and sixth), one to be imported and

[Shri K.C.Pant]

one to be constructed at MDL. These negotiations are still pending as the prices quoted by HDW are considered unacceptably high by the Ministry of Defence.

In the context of these negotiations Dr. Molitor, the concerned official in the Ministry of Defence of FRG had called on the Ambassador of India in Bonn on February 24, 1987 and informed him that efforts were continuing to persuade the Shipyard to further bring down the prices last quoted to the Indian Ministry of Defence. While expressing the hope that the final price could be satisfactorily negotiated with HDW, Dr. Molitor mentioned that a matter which was bound to pose a problem related to the seven per cent commission payable to the Indian agents of HDW under the terms of an open-ended agreement. This disclosure by Dr. Molitor to the Ambassador of India would indicate that the said commission had already been paid in respect of the 1981 contract and that there was a continuing liability to pay a seven per cent commission to the Indian agents on the additional submarines under negotiation.

According to the records available with the Government of India, the Indian Price Negotiating Committee did not deal with

any Indian agent while negotiating the contract signed in December 1981. In so far as the proposed acquisition of two more submarines was concerned, the Ambassador of FRG in India was invited to his office by the Defence Secretary of India on November 15, 1985, and clearly informed of the Government of India's policy not to involve Indian agents at all in such acquisitions that Government of India would be dealing directly with foreign suppliers and the Prime Minister of India had directed that all such firms be informed that under no circumstances should Indian agents be encouraged to do any kind of liaison work.

It will be seen that Dr. Molitor had made a very definite statement to the Ambassador of India in Bonn on February 24, 1987, that a seven per cent commission was payable to Indian agents at HDW under the terms of an open-ended agreement. It will also be appreciated that India has extensive commercial and economic dealings with the FRG, which it greatly values, and it is India's hope that these relations will continue to expand. However, it has to be recognised that a shadow has been cast over these transactions by the alleged payment of commissions. The Government of India, therefore would impress upon the Government of FRG to make known to the Indian Government the fullest details of any commissions paid, to whom, when and for what services, and whether such agreement still subsists.

No.6228-S/Def. Secy/87  
Government of India  
Ministry of Defence  
New Delhi - 110 011.

Dated, the 27th June, 1987

To

Mr. Klaus Neitzke,  
Chairman,  
Howaldtswerke Deutsche Werft (HDW)  
Aktiengesells CHFT, Post Box 1463 09  
2300 KIEL 14  
(Federal Republic of Germany)

Sir,

A Senior official of the Ministry of Defence, Government of the FRG, has informed our Ambassador in Bonn that while M/s HDW are willing to negotiate acceptable prices for the supply of 2 more SSK Submarines to India they face financial difficulties on account of their liability to pay 7% commission to their Indian agents.

2. The Basic agreement and the two contracts, Nos. IN/SSK/1 and 3, both dated December 11, 1981, for the purchase of SSK Submarines and Material Packages, between the President of India and M/s H.D.W., was arrived at after detailed negotiations held by us directly with representatives of M/s H.D.W. and the Government of the Federal Republic of Germany. At no stage was the Government of India informed of the need or the objectives to be gained by your Company having to engage any agent in connection with the said contracts.

3. In the aforesaid context, we call on your company to furnish us complete information regarding the agreement which has been entered by you with Indian agents and specifically in regard to the following aspects:--

- (i) The precise amounts which have been paid and the amounts which are due to be paid by you by way of commission, secret payments, etc. alongwith dates, places and modes of payment.
- (ii) Full details of the recipients of such payments, whether they be persons or Companies, and in the case of latter, their Proprietors/Presidents/Directors and place of incorporation.
- (iii) The services rendered by such persons/Companies with reference to which such amounts have been paid/ are due to be paid.
- (iv) Copies of the contracts, agreements and correspondence between you Company and such recipients.
- (v) All other facts, circumstances and details relating to these transactions, in your possession.

4. It will be appreciated if the information in para 3 is furnished to us within 10 days of the receipt of this letter

Yours faithfully,

Sd/-  
(S.K. Bhatnagar)  
Defence Secretary

375 St. re: Defence  
Ministry's

APRIL 21, 1988

Purchase of sub- 376  
Marines

HOWALDTSWERKE-DEUTSCHE WERFT  
AKTIENGESELLSCHAFT  
EIN UNTERNEHMEN DER SALZGITTER-  
GRUPPE  
VORSTAND

2300 KIEL 14  
POSTFACH 14 6309  
TELEFON(0431)700-0  
GTELEX 299 883 Hdwk d  
09, July, 1987  
M Ra/cp/02

Shri S.K. Bhatnagar  
Defence Secretary  
Government of India  
Ministry of Defence  
New Delhi  
India

Dear Sir,

We herewith confirm the receipt of your letter which we got through the diplomatic bag on July 7th.

1. Your statement that a senior official of the Ministry of Defence of the Federal Republic of Germany has informed your Ambassador in Bonn that we had to pay a commission of 7% to "our Indian agents" for the delivery of two more submarines to India has surprised us very much. This information is not correct and can only have been caused by a misunderstanding. As you correctly say in your letter, the negotiations on the contracts dated 11 December 1981 for the delivery of submarines and material packages were held directly between the Indian Government and HDW and the German Government respectively without any Indian agents being engaged. The same holds true for the recent negotiations on the delivery of two more submarines.

We do not have the intention to engage agents in these negotiations.

As known to the Indian Government, we only use the Globtech Company as our retainer which we notified in writing to the Chief of Naval Staff on 22 September 1982.

Though we normally do not disclose company confidential information, we are submitting enclosed the complete contract signed between Globtech and HDW giving all answers to your detailed questions under paragraph 3 of your letter.

2. In connection with your questions we would like to take the opportunity to summarise the last status of our offers given to you including our last price reduction by telex M/1217 dated 26.3.87:

Price basis: March 86, two units (boat and or package)	
like-to-like boat	234.8 Mio.DM/unit
like-to-like package	151.5 Mio.DM/unit
modified boat	274,1 Mio. DM
modified package	212,7 Mio. DM

Furthermore we have offered for an order of 4 modified units a reduction of 14 Mio. DM/unit.

For an order of two modified boats we have offered 273 Mio DM/unit.

3. After discussion with our shareholders we are glad to quote the following prices as our last and best possible offer:

like-to-like boat	232 Mio.DM
like-to-like package	146 Mio.DM

These prices refer to the specifications as offered in November 1985 and are valid to September 30, 1987. Our price includes no Commission.

If you cannot accept the a.m. prices please let us have your definite information so that further project costs can be avoided on our side.

We hope to have been of service to you and that negotiations on boat no. 5 and 6 can be resumed in the near future.

Yours faithfully

HOWALDTSWERKE-DEUTSCHE WERFT  
Aktiengesellschaft

Sd/-

Enclosure

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#### **Agreement for Consultancy, Liaison and Support Services**

Whereas HOWALDTSWERKE - DEUTSCHE WERFT AG (hereinafter referred to as HDW) has concluded two contracts with the Indian Navy dated 11 December 1981, one for the delivery of two submarines and one for the delivery of material for the building of two submarines in Bombay; and whereas GLOBTECH INTERNATIONAL CORPORATION (hereinafter referred to as Globtech) has an office in Delhi, India; These two aforementioned parties hereby conclude the following Agreement for assistance in the proper fulfillment of the contracts with the Indian Navy for the HDW submarines Building Nos. 186-189:

1. Globtech agrees to advise HDW and to support and further HDW's interests in all matters pertaining to fulfillment of the contracts with the Indian Navy, to acquire information necessary in the course of fulfillment of said contracts, and to provide capable personnel for these tasks. Furthermore, Globtech agrees to assist HDW as required, especially with respect to the contract for Material Package delivery (HDW Building Nos. 188 and 189) and to establish support services for HDW activities and for HDW personnel based in India for the purpose of the contract. This especially involves setting up and maintaining an office in Bombay, suitably equipped with international telex and telephone connections and English-speaking secretarial personnel.
2. Globtech has no authority to act or negotiate for or on behalf of HDW independently. Globtech's responsibilities are restricted to consultancy and support services, unless otherwise agreed. To ensure correct fulfillment of these responsibilities, Globtech will provide periodical reports at 2 monthly intervals with respect to the situation regarding HDW's contractual partners, giving Globtech's recommendation for short term and future activities.

3. HDW agrees to pay the sum of DM 6,000 (six thousand) each month for the services rendered by Globtech. This sum will be increased to DM 9,000 (nine thousand) after the establishment of the office in Bombay by Globtech. On such a date both parties will mutually agree.

This sum covers all office costs incurred by Globtech transport of HDW personnel in Delhi and Bombay, local (inside India) telephone and telex costs, and travel expenses incurred by Globtech personnel in India. Any other expenses outside the normal scope of the activities under this Agreement will be remunerated if they have previously been agreed to in writing.

4. This Agreement is considered to be in force from the first day of June 1982. The contract is concluded for 2 (two) years and is automatically extended by 6 (six) months at the end of each period of validity, unless it has been terminated in writing at least 3 (three) months prior to the end of such a period.
5. This Agreement may be terminated without notice by either party if payments have not been made for over 3 (three) months or if a party has acted in a manner opposed to the interests of the other party, or if warranted by any other important circumstance.
6. In the case of termination of this Agreement a final settlement of accounts is to be undertaken within 30 days of the termination date.
7. Globtech shall not work together with any competitor or HDW in respect of submarines during the period of validity of this Agreement or for a period after termination of this Agreement equal to the period for which the Agreement was valid, but not exceeding 5 (five) years. The interests of HDW shall have priority over those of any subcontractors of HDW who may also be represented by Globtech.
8. All materials and documents provided by HDW for the information of Globtech or to be handed over to the contract parties or to HDW are considered to be the property of HDW and Globtech shall have no rights to such property. All information exchanged under the terms of this Agreement shall be considered confidential and shall not be transferred to any third party without mutual agreement of the parties to this Agreement.
9. Any additional clauses or changes to this Agreement shall be mutually agreed on in writing.
10. This Agreement is not transferrable to any third party or to any successor of Globtech.
11. In case of any dispute arising from the terms of this Agreement, the parties to said Agreement shall attempt to agree to a mutually acceptable and amicable solution. The Agreement is concluded subject to the law of the Federal Republic of Germany and any legal proceedings arising in connection herewith shall be settled in the courts of law of the City Hamburg.
12. This Agreement is signed in two copies in English language this first day of June 1982.

For and on behalf of  
HOWALDTSWERKE - DEUTSCHE WERFT  
Aktiengesellschaft Hamburg und Kiel

For and on behalf of  
GLOBTECH INTERNATIONAL  
CORPORATION

Sd/-  
1st June, 1982

**Aide Memoire**

In reply to the Aide Memoire of the Ministry of External Affairs of June 12, 1987 the following message has been received from the Foreign Office in Bonn:

The Government of the Federal Republic of Germany fully understands the interest of the Indian Government in the elucidation of the matter outlined in the memorandum. The Federal Government regrets, however, that it does not possess the information required to answer the questions contained in the memorandum. The sale in question is a commercial transaction between a German company and the Indian Government.

As regards the participation of the Federal Government, the project receives only a certain amount of technical and administrative support from the Federal Ministry of Defence as part of the overall submarine contract.

With regard to the remarks by a member of the Federal Defence Ministry Staff which were referred to in the memorandum of June 12, 1987, Dr. Molitor stated that, on February 24, 1987, he had received without comment a letter from the Indian Ambassador concerning the Indian position on commission payments and had passed the letter on the HDW.

The Federal Government is convinced that the matter can be clarified only through direct contacts with HDW. It has therefore requested the HDW company to co-operate closely with the Indian Government in this matter on the basis of the traditionally friendly relations between Germany and India. The Federal Government has been informed by HDW that the company has replied to the questions raised in the memorandum in a letter to Secretary of State Bhatnagar at the Ministry of Defence.

New Delhi, July 27, 1987

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**D.O. No. 610/1020-TS/Def Secy/87**

September 28, 1987

As you are perhaps aware we had contracted with HDW of Kiel in December, 1981 to supply us with two SSK submarines and two material packages. Subsequently, there have been negotiations for the purchase of one more submarine and a material package, of the same class of submarines.

2. In connection with the acquisition of the aforesaid two additional submarines, Dr. Otto Molitor, Director in your Ministry, had met Mr. J.C. Ajmani, our Ambassador in Bonn, on February 24, 1987 at the Indian Embassy, when our Naval Attache was also present. During this meeting, Dr. Molitor had, while expressing the hope that the final price of the two additional submarines could be negotiated satisfactorily, regretted that the 7% commission payable to the Indian agents of HDW under the terms of an open-ended agreement posed a great financial liability. Our Ambassador suggested to Dr. Molitor that HDW could disencumber itself of such a liability on the ground that Government of India did not accept mediation of agents in dealing with foreign suppliers of defence equipments. Dr. Molitor stated that he would immediately consult the Legal Adviser and if the latter considered such a plea legitimate a price reduction of 7% would definitely be made.

3. The disclosure made by Dr. Molitor to our Ambassador has, as you would be aware, since become a serious public issue in our country. To ascertain full particulars of HDW's Indian agents we had written to the company. We had also addressed to FRG Government, through your Ambassador in New Delhi. While HDW has termed the entire matter as a

"misunderstanding", the FRG Government has taken the position that HDW has already answered the questions raised in my letter addressed to them. In brief, the FRG Government have disowned the statement that Dr. Molitor made to our Ambassador.

4. As you know, India has extensive commercial and economic dealings with the FRG. We greatly value our relations and it is our sincere belief that these will continue to grow and expand. However, the public controversy in our country, arising from Dr. Molitor's disclosure, has created a situation which cannot be resolved by the position so far taken by your Government.

5. I request your personal intervention to ensure that complete information is supplied to us in respect of the Indian/foreign agents involved, the services rendered by them, details of the payments made/due to be made by HDW and whether such arrangements still subsist. We shall greatly appreciate your most urgent assistance in the matter.

Your's sincerely,

Sd/- S.K. Bhatnagar

Dr. Holger Pfahls,  
State Secretary,  
Ministry of Defence,  
Federal Republic of Germany,  
BONN

No. 9098-S/Def. Secy/87  
October 19, 1987

To

Mr. Klaus Neitzke,  
Chairman,  
Howaldtswerke Deutsche Werft (HDW),  
Aktiengesells CHFT,  
Post Box 146809,  
2300 Kiel 14,  
Federal Republic of Germany

Sir,

We have carefully examined your letter of July 9, 1987 and regret to observe that the questions asked in my letter of June 27, 1987 have not been answered by your company.

2. The basis of my aforesaid letter was the statement made by Dr. Otto Molitor, Director in the Ministry of Defence, FRG Government, to our Ambassador in Bonn (in the presence of our Naval Attache) when he called on the Indian Ambassador on February 24, 1987 to discuss the purchase of two additional SSK submarines by the Indian Navy. Quite clearly, Dr. Molitor sought this interview to press your business interests. Dr. Molitor, while hope that the price of two additional submarines could be negotiated satisfactorily, had regretted that 7% commission payable to the Indian agents of HDW under the terms of an open-ended agreement was posing a great financial liability. It would, therefore, be seen that the "misunderstanding", if any, requires to be explained by your Company.

3. Specific questions in regard to the payments of commission by your company in the Indian SSK contract were raised in the Bundestag. In response thereto, the FRG Government stated that the responsibility for paying commissions lies entirely with the management of the concerned company.

4. Questions regarding the alleged payment of commission to an Indian agent by your company have been raised in our Parliament and the issue has developed into an important public debate. It is the responsibility of our Government to establish the truth and initiate appropriate action against those who have infringed the laws of the country. We expect that HDW adequately appreciating the situation, will cooperate fully and furnish complete facts in respect of the questions asked in para 3(i) to (v) of my letter of June 27, 1987.

5. We trust that your company will do nothing which may jeopardise our future business relations and supply the requisite information on the most immediate basis.

Yours faithfully,

Sd/-  
(S.K. Bhatnagar)

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**Courtesy Translation**

Bonn 13.11.1987

Federal Minister of Defence  
State Secretary

Honourable Secretary,

I would like to thank you for your letter of 28 September 1987 to my colleague Dr. Pfahls. As the subject matter of the letter fell within my jurisdiction he asked me to respond to it.

The Federal Ministry of Defence fully understands your efforts at attempting to clarify the matter in its entirety.

However, I regret that I must repeat what has already been stated by the Foreign Office that the German Government has no information whatever regarding the circumstances surrounding the negotiations conducted by the Howaldswerke-Deutsche Werft AG and its development.

Please appreciate that for this reason I must refrain from any kind of speculations and presumptions about this affair as well as of any real or alleged misunderstandings that may have accrued from it.

I would therefore suggest once again that you settle the matter directly with the shipyard concerned, and I hope once the matter is resolved there will be no hurdles left to hinder further business relations.

With highest regards,

Yours  
S/Prof. Dr. Timmermann

Mr. S.K. Bhatnagar  
Defence Secretary  
Government of India  
Ministry of Defence  
New Delhi - 110 011

387 St. re: Defence  
Ministry's

APRIL 21, 1988

Purchase of sub- 388  
Marines

HOWALDTSWERKE-DEUTSCHE WERFT  
AKTIENGESELLSCHAFT  
EIN UNTERNEHMEN DER SALZGITTER-  
GRUPEE  
VORSTAND

2300 KJEL 14  
POSTFACH 14 6309  
TELEFON(0431)700-0  
TELEX 299 883 Hdwk d  
27.11.1987

Shri S.K. Bhatnagar  
Defence Secretary  
Government of India  
Ministry of Defence  
New Delhi  
India

Sir,

Reference is made to your letter No. 9098-S/Def Secy/87 dated 19 October 1987.

We are sure that any misunderstanding which may have had its origin outside our company was fully clarified during the talks which the Indian Government's delegation had at Bonn and subsequently at our company in Kiel in late October 1987.

We wish to reiterate, as we already did in previous correspondence and towards the above mentioned Indian Government's delegation, that no commission was paid to any Indian or non-Indian agent in India or abroad.

Yours faithfully.

HOWALDTSWERKE DEUTSCHE WERFT  
Aktiengesellschaft

Sd/- illegible

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**Press Information Bureau (Defence Wing)  
Government of India**

**DEFENCE MINISTER ORDERS ENQUIRY INTO A DEFENCE DEAL**

New Delhi, Chaitra 19, 1909  
April 09, 1987

The Defence Ministry has received formal intimation through a telex from an Indian Embassy that an Indian agent is involved in a defence deal in which the agent has an arrangement for receiving payment of 7% commission from the supplier. Total commission on the whole deal would come to Rs. 30 crores.

The Defence Minister has ordered an enquiry into the matter and has appointed a Committee headed by the Defence Secretary to report on the modus operandi of foreign and Indian agents, to evaluate their security threat and suggest measures including punitive ones so that all agents are kept at bay.

(Interruptions)

SHRI S. JAIPAL REDDY: I would like to know whether the reports will be laid on the Table of the House. (Interruptions)

SHRI SOMNATH CHATTERJEE (Bolgpur): There was a commitment that the reports would be placed on the Table of the House... (Interruptions). The Minister says that even the reports are still under consideration. He comes and makes a statement now. (Interruptions).

PROF. MADHU DANDEVATE: I want an assurance on the floor of the House whether the detailed reports will be placed on the table of the House. The findings have already been communicated. We would like to know whether these detailed reports will be made available to the Members and whether they will be laid on the Table of the House (Interruptions)

MR. SPEAKER: You have a chance to discuss it.

(Interruptions)

SHRI SOMNATH CHATTERJEE: Sir, there was a commitment that the reports would be laid on the Table of the House.

PROF. MADHU DANDEVATE: I am making a simply query. My simple query is whether he is prepared to lay the reports on the Table of the House. (Interruptions).

MR. SPEAKER: I cannot force.

SHRI BASUDEB ACHARIA (Bankura): Will he lay the reports on the Table of the House. (Interruptions)

SHRI SOMANATH CHATTARJEE: The most important thing is that the reports are still under consideration and he comes and makes a statement. why? (Interruptions)

MR. SPEAKER: There are certain rules. There is going to be a Defence debate on the demands for grants.

(Interruptions)

[Translation]

MR. SPEAKER: You do not listen the matter completely.

(Interruptions)

[English]

SHRI SOMNATH CHATTERJEE: Because of the importance of the matter, he chooses to make a separate statement, why can't he lay the copies on the Table of the House? (Interruptions)

PROF. MADHU DANDEVATE: Please listen to our submission. We are simply finding out from you one thing. During the course of the statement that was made, the concerned Minister had assured: "We are enquiring into the matter and the reports will be placed before Parliament". He has given us the findings.

MR. SPEAKER: You give it in writing.

PROF. MADHU DANDEVATE: We would like to know whether the detailed reports - four reports i.e. about FERA, Income-tax violations, Agents... (Interruptions) will be placed on the Table of the House.

SHRI SOMNATH CHATTERJEE: When he says that the reports are still under consideration and before the budget discussion on Defence is taken up, why he comes and makes a statement without producing documents and the records? (Interruptions)

MR. SPEAKER: There is a definite Motion. You can discuss under Rule 193 any statement made by any Minister. What is the problem?

(Interruptions)

SHRI SOMNATH CHATTERJEE: Sir, you know this is an important matter which concerns the country. This is a request to you. A commitment made to the House should be complied with.

MR. SPEAKER: You can write to me.

SHRI SOMNATH CHATTERJEE: You, as the Custodian, should see that the commitment is fulfilled.

SHRI S. JAIPAL REDDY: You should assure us that the commitment will be honoured.

MR. SPEAKER: You can write to me.

PROF. MADHU DHANAVATE: He can tell us whether the reports will be laid on the Table of the House so that we will find it easy to discuss...

MR. SPEAKER: I do not know.

PROF. MADHU DANAVATE: Why doesn't he get up and say that he will? *(Interruptions)*

SHRI SOMNATH CHATTERJEE: The commitment made should be complied with.

PROF. MADHU DANAVATE: Is it too much on our part to demand this information?

SHRI S. JAIPAL REDDY: On a point of order. I raised this point of order earlier also. My point of order is this. Originally, the Government of India promised to the House that the inquiry reports of various Committees constituted by the then Raksha Mantri would be placed on the Table of the House...

MR. SPEAKER. You give in writing. I do not know whether there was any such thing.

SHRI S. JAIPAL REDDY: Now Mr. Pant says that they are under the consideration of the Government...

MR. SPEAKER: No; not allowed.

*(Interruptions)*

MR. SPEAKER: No. You can discuss his statement. That is all.

*(Interruptions)*

MR. SPEAKER: Fifteen minutes earlier you were so much at their threats. Now you do not listen to me ?

PROF. MADHU DANAVATE: Is it too much on our part to demand this? If discussion under Rule 193 is to take place, before that, the reports should be available to the House.

MR. SPEAKER: I cannot bind him. If it is an assurance, you can write. But if it is not, then I cannot do anything...

PROF. MADHU DANAVATE: Is there a better place than the House to enquire about it? *(Interruptions)*

SHRI DINESH GOSWAMI (Guwahati): Let him respond, Sir.

MR. SPEAKER. What I could do, I have done. I can only allow a discussion. That, I have never barred and I will never bar.

SHRI SOMNATH CHATTERJEE: The hon. Defence Minister considers the matter as important. That is why he has come forward with the statement.

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12.52 hrs.

DEMANDS FOR GRANTS 1988-89 - *Contd.*

*[English]*

*Ministry of Steel and Mines-Contd.*

MR. SPEAKER: The House will now take up further discussion and voting on the Demands for Grants under the control of the Ministry of Steel and Mines. Mr. B.R. Bhagat to continue.

SHRI B. R. BHAGAT (Arrah): Mr. Speaker, Sir...

SHRI SOMNATH CHATTERJEE (Bolpur): Kindly protect, Sir, the dignity of the House is involved.

MR. SPEAKER: You can write to me.