

Ranchi, Jamshedpur and Barauni are also in Bihar and as a result of it Bihar has a greater share in railway earnings through freight and fare and even then, no zonal railway headquarter has been set up there till now.

Therefore, keeping in view the above facts and for the development of a backward state, Government should set up a zonal railway headquarter at Patna in Bihar.

[Translation]

(viii) Need to develop various religious places of Ayodhya and Faizabad for promotion of tourism

SHRI NIRMAL KHATTRI (Faizabad): Sir, I want to draw the attention towards the development of Ayodhya which is a famous religious place and pilgrimage centre of Hindus and also a holy place for the people of the other communities. The grave of famous muslim pegambar 'Shees' is also situated in Ayodhya and people of muslim community visit this place from all parts of the country to pay homage to their pegambar. It is situated near Mani Parvat (Ayodhya). It is necessary to develop this place from tourism point of view so that the people of Muslim community may easily reach there to pay their homage. In addition to it, it is also necessary to develop Sikh Gurudwara and holy places of Jains situated at Brahmpura (Ayodhya) so that this city, enlightened by the light of all religions, can play an important role in establishing Ram Rajya. In addition to it, Kikoha Dargah Sharif in Faizabad district and Rudculi Dargah Sharif in Barabanki district should also be developed by the Tourism Department.

12.19 hrs.

DISCUSSION RE : INQUIRY ORDERED BY THE FORMER MINISTER OF DEFENCE INTO PAYMENT OF COMMISSION BY THE SUPPLIER TO AN INDIAN AGENT IN A DEFENCE DEAL—  
Contd.

[English]

MR. SPEAKER : Now, we take up

item No. 12, further discussion on the inquiry ordered by the former Minister of Defence in a defence deal.

He wants to reply at 2.30. So, I think we can have two more hours.

[Translation]

PROF. MADHU DANDAVATE (Rajapur) : Reply can be given on Monday.

MR. SPEAKER : All our discussions on Demands have been held up.

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE RESEARCH AND DEVELOPMENT IN THE MINISTRY OF DEFENCE (SHRI ARUN SINGH) : On the suggestion of the Opposition in the Rajya Sabha, they postponed the entire discussion to Monday.

MR. SPEAKER : All right. You finish it by 2.15. I will give you time accordingly. You have taken more than 20 minutes.

Do you need more time ?

SHRI BHAGWAT JHA AZAD (Bhagalpur) : Yes.

MR. SPEAKER : On your, side, you have got some time.

PROF. MADHU DANDAVATE : He was on his legs yesterday.

SHRI BHAGWAT JHA AZAD : I know who were on their legs.

MR. SPEAKER : Your sympathies are always mis-placed. I do not know why! But before we start, I would like to request the entire House that we should try to uphold the parliamentary traditions of fair speech and good manners. If we become agitated and say something which is unparliamentary or which hurts—we can say things which are diametrically opposed, does not matter

—it is a question of democratic society and we must have the energy and the vitality to say certain things but they should be said in a finer manner so that they can be appreciated. *(Interruptions)*

PROF. N.G. RANGA (Guntur) : If any observation is made and the Chair takes objection to it and expunges, is it right for any Member to go on saying "I go on reiterating it" and go on reiterating? But afterwards if that Member is named, is it right for other Members to prevent him from leaving the House?

*(Interruptions)*

MR. SPEAKER : You must obey your own rules. Whatever decorum is, it is yours. The people must not laugh at us. They must have some regard for us. *(Interruptions)* . The Chair is yours and not Speaker's. It is you who have elected it. *(Interruptions)*

SHRI CHANDRA PRATAP NARAIN SINGH : (Padrauna) : You are always saying that rule should be observed. That is why, we are so grateful to you and the whole House want you here to continue. What happens, sometimes unfortunately is that an off-the-cuff remark, purposely said, is highlighted and carried by the press and then that Member retracts or takes it back for advantages. That is the unfair part.

PROF. N.G. RANGA : But the other Members go on disobeying the Chair.

*(Interruptions)*

MR. SPEAKER : Now sit down. Mr. Kurien, sit down. There should be discipline. Everything which can be done properly, should be done properly. Why should we do unnecessary things which are not called for? Mr. Bhagwat Jha Azad.

SHRI BHAGWAT JHA AZAD : Yesterday I was saying about the agency system, how the Government should tell us and assure the House and the country in the defence purchase how they take precaution on the technical side, financial

side and how though the agent system is abolished, yet, if it happens, what does it do as in this case. I will tell certain part of the story and I will start by saying that the enquires that have been instituted by the ex-Minister of Defence must be taken to their logical conclusion. We want that both the enquiries must be made. But the question is with the limitation of such enquiries. In Government of India in the different Ministries, there are many transactions that are being done. One was we heard story of smuggling in the Shipping Corporation by the Government ships. There was an enquiry set up by the young Minister Shri Rajesh Pilot. Not much in the press we heard. It was left to a vigilant Member of the congress bench who put the question and we knew that there was an inquiry. It was found not Rs. 30 crores but Rs. 60 crores worth of things were smuggled out through the ships. What I say is that there are different Departments. Sometimes, there are many transaction which may be bonafide, sometimes there may be errors or even some motives, there are some malafide cases. Let those be enquired into. But this one is to be seen with a difference. This is not to be seen with a difference because we feel that it involves three sides of the picture. One side is about the foreign relations; the other side is about our defence relations and the third side is about the administrative or you can say the Ministerial responsibility and functioning relations. Here, the foreign Government quietly informed you about its own national as to who is the supplier who paid a certain percentage of commission. On y the enquiry will say whether it is right or wrong.

AN HON. MEMBER : Say it is a foreign firm...

SHRI BHAGWAT JHA AZAD : I know that the supplier is a foreign firm. The question is about the firm. I am saying that the foreign Government informed you that a foreign supplier paid a commission to an agent. There are friends who give you information. If you make the disclosure like this, then no friend, no foreign Government will ever tell you these things. I do not say about these things. I say, for example, about the

terrorist activities. For example, a seemingly friendly neighbour is trying to purchase F 16C, the AWACS and is having built up nuclear armament or trying to build a nuclear weapon capability in his country. This information and many other pieces of information are quietly kept secret because we have got friends in the world forum. What I say here is that I don't say, stop the enquiry. I say that the enquiry should be made. But this particular enquiry should not be ordered with the Press Statement and fanfare because no foreign Government and friend will help you in future. I have just now said about the most important things like the building up of nuclear armament, purchase of submarines and other things. Therefore, what I say about this particular decision of the Ministry of Defence is that the ex-Minister of Defence should have kept in mind this foreign relationship. This is not an enquiry like the one of Mr. Rajesh Pilot's Shipping Corporation Enquiry,

The second point that arises also is about our security environment. We have discussed about our security environment. Therefore, this also deals with that. My friend Shri Kurup wanted a Parliamentary enquiry. Of course, I will not normally say 'no'. But in this issue I will definitely say 'no' because the Parliamentary Enquiry Committee cannot go into the technical sides of this deal as to what kind of submarine it was; what was its depth-going capacity; what was the initial reaction etc. That, you cannot say like the Mirage, for example. There are many technical sides in it. Therefore, this enquiry can be only made in a quiet manner and without fanfare. The Minister himself has said in his Statement on Page—2 :

"Hon. Members are aware that the Directorate of Enforcement, the Central Board of Direct Taxes and the Economic Intelligence Bureau conduct inquiries in a confidential manner so that relevant evidence is not destroyed".

If you knew this, then Mr. Minister, why did you do this? Why did you make this fanfare when you know that you cannot? The first point is regarding security.

You cannot expose the technical specifications of this deal also apart from other deals and this restriction is also there. Why did you do this fanfare and Press Statement? The Press Statement does not carry the meaning as to what has been actually done. What has been done? This deal has not been ordered by the Defence Minister to be enquired into. A Committee under Shri Bhatnagar has been set up only to examine the agency system and its ramifications. In the other part of it, he has recommended it to the Finance because the Defence Minister cannot do himself. After the deal is done when you find out about a supplier paying Commission all that you can do is that you can recommend it to the Finance Minister or the Finance Ministry for the enquiry by the Directorate of Enforcement and then if it is found out, it comes to you for examination and blacklisting him. Why did you give the inquiry to the press. I want to understand this. This press statement says that an inquiry was made immediately for Rs 30 crores. May I know from the State Minister for Defence wherefrom did you get this Rs. 30 crore amount?

(Interruptions)

The Government continues. I am not asking the ex-Minister, I am asking the present Minister. He must give reply. Why all this kind of thing was done? Why in the country, in the name of a deal, an atmosphere of corruption was created in the Defence Deal? Why it was made to show to the country that the Defence Minister, the Chiefs of Army, Air, and Navy want this as if there is no procedure in the Defence Ministry? Why is the spectre being created of all round inefficiency prevailing in the country? Therefore, I want to say that I have no argument. This is not my point to cover up the inquiry; this is not my point to attack the ex-Defence Minister or any Minister personally. But, what I regard as duty of being an old parliamentarian is that in this case of Defence Deal the way you have handled the things to say the least, you have harmed the interest of the country specially in the security environment.

Now I come to the important part of

[Shri Bhagwat Jha Azad]

administrative side. There are two ways of working the Government, that is the joint responsibility..... (Interruptions)

SHRI ARUN SINGH : Can I seek one clarification ? when the Hon. Member is saying why have you done X, Y or Z, whom specifically are you addressing ? Whether to the Ministry, the Minister or ex-Minister ?

SHRI BHAGWAT JHA AZAD : Sir, what I said is this. I have made it clear. I say the ex-Defence Minister has resigned. But, legally I am saying the Government continues. Let them reply whether you did or your predecessor, it is not my job. This is a way of putting the facts. (Interruptions) You have understood it, I am happy.

Therefore, Sir, what I say is this. I have said that about the administrative side there are two ways, one Ministry of Defence or any Ministry. The Minister is supreme in the Department in most of the matter. But there are some actions in which the matter has to be referred either to the Cabinet Committee of Political Affairs or to the Prime Minister. In this particular deal it referred to the foreign Government, it referred the security of the country to see what action would have been taken whether by the ex-Minister or for that matter, if Shri Arun Singh would have been there is he competent to do that ? If he had, he took the decision and after the decision you referred the file on the 9th evening to the Prime Minister. I want to know for what ? Whether it was sent for information or for his orders ? It is not an ordinary deal of rice by MMTG, it is not an ordinary deal of paddy by the FCI, it is not a deal of smuggling by Shipping Corporation. It is a deal where it refers. I can go on quoting instances, where the Prime Minister sent the file, in what way he liked to deal this one and specially, he was the past Defence Minister and secondly he was the Finance Minister, and, therefore, the recommendation was that the Directorate of Intelligence will invoke all the agencies. Therefore, it was just not for information on

the ground which I have stated. It was more important to wait for the order of the Prime Minister as to how he would do it whether through the press or publicity or quietly. Therefore, I say it is not proper, it was improper and indiscreet to deal with this question like this. Therefore, Mr. Speaker, I would say that both from the foreign point of view, from the security point of view, from the administrative point of view, all this was inappropriate and indiscreet in the actual handling. I emphasize again and again that I cast no aspersion, I challenge no bonafide; but certainly the way it has been handled, it has been a bad case of the joint responsibility of the Government's functioning.

To conclude, I would say that I would like to have straight replies from the Minister to the first part of my debate which I did yesterday on the technical side, on the financial side and on the safeguards of not realising the security of the country. I would also like to know whether the Prime Minister, or for that matter the Defence Minister, the Chiefs of Army, Airforce or Navy can say that they want this canon only and can place orders on any foreign country. If not, you must tell us what are the safeguards. Let the country know that Rs. 12,000 crores that we are spending on Defence is properly utilised according to the technical and financial procedure.

AN HON. MEMBER : That will again remain a military secret.

SHRI BHAGAWAT JHA AZAD : That is right. Half-hearted secret must remain a secret. But he can say very well what are the technicalities. I am not asking for the specifications of the sub-marine or the mirage; I am asking as to what are the procedure, how do you test your canon when it comes to this country because this country is having deserts, plains, mountains etc. That he can say so that we are assured.

12.38 hrs.

[MR. DEPUTY SPEAKER *in the Chair*]

The second point that I would say is that it is unfortunate that for this deal,

action was taken in this particular manner. Unfortunately, when it came in the Press, a lot of tongues started wagging and the tales also. There are other friends, other than the politicians, who started purchasing Bazar gossips.

I would like to quote them from their own scripts, not from mine. It is one main editorial of Hindi. I know everybody knows that and specially by these who try to make a show and story of it in the entirely uncharitable manner. But this does not necessarily argue for buying the bazar tale. An impression of a wonderously good man fallen among the naives. I hope everybody who has given a moralistic and other theories should take it as the facts are. Therefore, my first and the second parts should be fully answered.

It is unfortunate that this thing has happened. I would like to ask him that if it is found out that this foreign supplier has given 7% commission, would you black-list him. I want to know whether you have black-listed even one in the past for such matters. I would like to know whether you will reduce the price, whether have ever reduced the price in the past occasions. All these relevant questions should be replied and answered to the House.

I am thankful to you Mr. Deputy Speaker.

**SHRI V. SOBHANADREESWARA RAO (Vijayawada)** : Mr. Deputy Speaker Sir, this is a very important issue. The entire nation is eagerly watching the sequence of events that are taking place very fast. In fact, the nation is stunned to know that an agent has been paid nearly Rs. 30 crores as 7% commission for nearly Rs. 430 crores worth of defence equipment purchased from a foreign firm.

Sir, we can understand, and there is some information, that some firms make a commission of 1 per cent or half percent but this is a unique case which has no parallel where an agent is paid 7 per cent — Rs. 30 crores. It is unbelievable.

Sir, the Government has clearly stated that it has nothing to do with this agent. It has done away with this system as far back as 1980. Even in the statement made by the Minister Yesterday it was made clear once more. But how this has happened! We have been told that when negotiations were going on for purchase of some defence equipment and in the process of coming to an understanding regarding the price that foreign firm has informed our Embassy that it has paid a 7 per cent commission to one agent—may be either an Indian or a foreign one but based in a foreign country. And they asked in the fresh negotiation whether this 7 per cent commission again has to be given to that agent or it can be done away with. It is in that context on that occasion this information was received by our Government through our Embassy.

Sir, can we imagine that contrary to the declared policy of the Government of India that it has nothing to do with any agent—either an Indian or a foreign one—that a foreign firm giving Rs. 30 crores commission to an individual or a firm may be based in a foreign country? In fact, one company by name HDW has stated that it paid no commission to any person or firm in India in connection with the submarine contract. But they did not say that they had not given Commission to any Indian agent who is having a base abroad. From the Press reports when this matter came up in a Parliamentary party discussion the highest power that be mentioned in the meeting that the firm HDW of West Germany and this is the clarification from that company. How can we believe that the particular agent was able to influence a foreign firm and get 7 per cent commission unless he has blessing and cooperation from the highest powers? How can he influence the foreign firm? After all how will they part that amount of money! will they give for no benefit at all to a particular person crores of rupees unless it has been conveniently agreed to by some highest powers from our country. How is it possible? Can we believe that only that single individual could absorb all the 30 crores of rupees? How do we believe that there is nobody else behind him who is also getting benefit of this Rs. 30 crores? Sir, it is

[Shri V. Sobhanadreeswara Rao]

very serious matter. It has shattered the confidence of the people. We would like to know when this contract was made? which was the firm? Which was the country? Who was the agent? Actually how much amount was paid to him? How is he able to influence that while our Government policy is there very clearly that no agent has any role at all in the Defence deal.

Sir, there are several disturbing reports in the Press about SSK of West Germany, HDW of West Germany and Bofors of Sweden. Even as far back as 27th May 1986 in the Economic Times, serious doubts were expressed about the Defence deal in regard to purchase of long range artillery gun system in which nearly Rs. 1,100 crores were spent. While the staff requirement for the gun was the firing range of 30 kms, the guns supplied by Bofors of Sweden could strike only up to 15 kilometres in the beginning. Later when they were given another opportunity, new type of ammunition was replaced. In those strikes, the guns fired up to only 21 kms. Still they could not satisfy our targets of 30 kms. Sir, one surprising feature is even during the trial period, which was conducted at Babina, some components are said to have been broken and flown off. Like flying mechanism, etc., are said to have been broken and flown off. The gun could not be used till fresh components were brought from Sweden. According to some experts, it was of a very serious nature. Doubts were expressed on 27th May 1986. Now with this news, these confusions have been confounded and the doubts have acquired serious dimensions. So, it is the duty of the Government to bring forth the facts to this House and, through this Parliament, to the people of our country.

Sir, we are spending nearly Rs. 12,000 crores on our Defence Ministry's requirements out of which nearly four thousand to six thousand crores of rupees are spent for the purchase of different equipment that are needed for safeguarding the security of our country. I or anybody else in this House do not mind any amount

of money being spent for Defence needs. But we do not want the money to be wasted. After all that amount of Rs. 30 crores, said to have been given to some individual or agent, will be booked in the form of overheads and our Government has to pay for that. The tax-payer has to pay. So, the amount that is to be spent for Defence purposes, every rupee of it should be put to the best use. That is our main contention.

I submit that this item should not be viewed from a narrow political perspective or some partisan view. That is not an issue to settle scores. Several news items have appeared in the press in the last few days criticizing the former Defence Minister for appointing Committee under the Defence Secretary to enquire into this particular issue as well the *modus operandi* how these agents could influence those foreign firms and get commission. Several responsible people and some members of the Cabinet have expressed serious reservations about the wisdom of instituting this Committee. They have cast aspersions on the integrity and bonafides of the former Defence Minister. They have attributed motives also. We are not interested in the internal affairs of the ruling party though the former Defence Minister has made very clear more than once that his loyalty to the party or his leader is second to none. We emphatically state in this House that his duty to the nation as long as he was a Minister should be more than his loyalty to the party or to his leader. His duty to the nation, national interest, certainly deserves higher priority and in that process, he might have taken this step. After all, what is wrong? Actually, the Prime Minister, the President of Congress Party, Shri Rajiv Gandhi, during the centenary celebrations at Bombay gave a call to the partymen to launch a 'Build India Movement' Some basic ingredients of the Build India Movement outlined by him included that the war on corruption will go on without let or hinderance, that the country needs a clean social and political environment and that the Congress party is determined to achieve that. Are these words only for peoples' consumption or do the ruling party and the

Government feel at the heart of their hearts that it has got a strong commitment for these ideals, which it had echoed at Bombay.

12.54 hrs.

[SHRIMATI BASAVARAJESWARI  
*in the Chair*]

After all, the former Defence Minister has acted within his rights in appointing the Committee. I could not agree with the views that have been expressed by our hon. colleague, Shri Bhagwat Jha Azad that instituting of a Committee and making it public may not serve our interest. I believe, it is a step in the right direction and it will enable the other countries, other firms, which are supplying arms to our country to decide not to give any commission to any agent, as it is contrary to the policy of the Government of India. And if they are giving already, they will certainly inform our Government and avoid such things in future. Madam this act of Defence Minister will enhance the prestige of the Government. It will help remove serious doubts that are in the public mind. We have to fight corruption which is eating into the vitals of our economy. The amount of hundreds of crores of rupees paid as commission to these agents is to be paid by the Government of India in the form of enhanced prices. It will also harm the national interest from the defence strategic point of view. We have to bring to light who are those agents? How they are associated with the agreement? Who are behind them and how they have influenced the firms? So, I demand the Government to come up with a White Paper on this specific issue and other similar deals to remove the doubts that were raised in the minds of the people and suspicion about the defence expenditure as it is a dark area in which there is a great deal of waste and corruption which should be removed and the Government should come up with a White Paper. Madam, I urge that a House Committee be appointed to find out how this has happened, who is the agent; whether there are some more agents who are receiving commission like this; and how they are able to influence the manufacturing firms and

agreements were made even after the clear policy of Government to do away with the system of agents? Let this House be informed, how many times the recommendation of the defence services arrived at after rigorous testing were bypassed and rejected and orders were placed with alternative parties or firms in purchasing weapons and what steps the Government propose to take to prevent this type of incidence in future.

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE RESEARCH AND DEVELOPMENT IN THE MINISTRY OF DEFENCE (SHRI ARUN SINGH): A point of clarification. If I understand you correctly, you wanted to know how often the Department of Defence has overruled a technical recommendation of the concerned headquarter? In that case I do not need to wait for my reply; the answer is 'never'.

SHRI V. SOBHANADREESWARA RAO: Thank you for the clarification. Madam, I suggest constitution of a Standing Defence Committee of Parliament with privileged power to look into every defence deal confidentially and to summon experts whenever found necessary. Defence deals have unfortunately come to acquire a great deal of notoriety over the years. They must, therefore, not only be genuine but must also appear to be above board.

Lastly, Madam Chairman, I urge upon the Minister to take this House into confidence and let us know whether two Members of our Cabinet have tried to inform the Rashtrapati Bhavan about this specific issue and whether Rashtrapati Bhavan has asked for further clarifications of this specific issue: Let the Minister take this House into confidence and inform all the relevant facts.

SHRI S. JAIPAL REDDY (Mahbubnagar): Does the House adjourns always in pandemonium only and never for lunch?

SHRI INDRAJIT GUPTA (Basirhat): There is pandemonium in our stomachs.

MR. CHAIRMAN: There is no adjournment for lunch, but you can go for lunch.

15:00 hrs.

**SHRI R. S. SPARROW (Jullundur) :** Much has been said about today's discussion and I will try to be very brief. The subject, as it is, should be treated as a sensitive one. At the start of it, I may point out Madam that the hon. Minister of State for Defence has already placed before us the essential facts in his statement in relation to this discussion. In particular, he has touched upon three salient points and I would like to quote them :

“(1) The Department of Defence of the Government of India has not appointed any agent authorised to act on its behalf in respect of any defence contract.

(2) The most stringent procedures have been laid down to ensure quality and technical parameters of equipment procured by the Department of Defence. No equipment is purchased without technical certification of acceptability from the concerned Service Headquarters.

(3) On assuming office, the Prime Minister reiterated the existing instructions that the Department of Defence should not deal with any non-governmental agent of a foreign supplier in respect of any commercial negotiations. The Prime Minister also directed that foreign governments and suppliers should be told unequivocally about the decision. This policy directive has been enforced rigorously by the Department of Defence with satisfactory results.”

This third point is a very important one.

Madam, this is the crux of the matter, laid bare lucidly and explicitly. Now, in my opinion, the questions that have been raised by certain speakers on the other side should not have been possibly raked up.

In so far as our Armed Forces are concerned; this Government under the aegis of our Prime Minister has built up its stature, making full use of innovative technology and other progressive ideas, from the points of technological training, equipment, modern knowhow and so on. I am saying this with a little bit of assertion because I have kept in touch all along as to how the ministerial side vis-a-vis the Chiefs of Armed Forces work, down to the last link, that is the soldier on foot or in the tank. I can assure you Madam on this point because there is some right for me to assert on these matters. My colleagues will bear me out on this point. Taking all these point into account, I assess that our Army, Navy and Air Force are at the moment, one of the top-most battle powers and operational powers in the world. So far as equipment is concerned, on that too I can tell you the same. Incidentally, proof has time and again been coming forth on the battle fields. As the assessment goes, now it is a little more polished and a little more brushed up with regard to vitality, executive and operational efficiency, etc. So taking all this into account, I say that I have full faith in the Ministry of Defence, in Government of India and in our Prime Minister and the functional Chiefs of Staff of various wings of the Army with all its working tentacles such as directorates and even down to the level of the soldiers themselves. Our Army is a very well-knit machine.

Points have been raised that at Babina or some other place certain trials which were conducted were not proved to be so useful or correct. I disagree with them. Kindly do not mind my saying so. I have been completely and directly in touch with all these things. I know how the trials are conducted, how some of the equipment that is bought is put to trial again and again to ensure its workability and feasibility and to see that it is upto the standard or not, so far as warfare is concerned. In this way, some equipment is condemned and some equipment is taken in and in some cases some equipment is modified. This happens not only to one type of equipment, but to all types of equipment I wanted to bring

this aspect to your kind notice in these few minutes.

The second aspect is this. Please accept my recommendation and do not touch those subjects which are sensitive & may even prove instrumental in creating some kind of doubts in the minds of our Service Personnel thereby demoralising our own Forces. For that matter, very frankly speaking, I personally think that this discussion under Rule 193 or this Motion should not have been brought in. If you want to check up certain things, you can always do so. There are senior members in every Party and any time they wish to check up any thing for their own satisfaction they can do so. They can check up as to why certain things are happening whether they are correct or not and so on and so forth. You can do that in such a manner that unnecessarily things are not raked up. We should also not resort to chasing the *will o'-the wisp*. Otherwise, everybody would start having some kind of doubts. So, this in my view is not necessary. If any person comes to know about something he should pool his resources and knowledge and use it for the benefit of the country. It does not matter whichever Government is in power in so far as defence forces are concerned. We must take it as a question in the interest of the nation as a whole and not from the point of view of this party or that party. There should not be any kind of political slant. It should be done in the interest of the nation as a whole. If you come to know when something goes wrong, you should put forth your suggestions and recommendations in the interest of the nation and not for the sake of writing to a newspaper or something. When you factually find that something is wrong there is no reason why we should not discuss it through the aegis and goodwill of the Speaker, with the Government. We can do so for whatever be its worth.

I thought that I must bring these viewpoints of mine to your kind notice. As regards other things it is no good criticising each other on small and little things, such as, where the letter was sent to, whether such and such a thing was said by such and such a person and so

on. This is no good because it does not help anybody in so far as the defence forces are concerned. If it is a question of some involvement of political give and take or knowhow or any such thing, that is a different matter. But here I wish to urge that this House must work in unison so far as defence forces are concerned.

I must congratulate the Ministry of Defence for upholding the traditions that have been proved good since a very long time. It does not matter as to which Government is in power. Anything which has to be kept necessarily as a secret in connection with defence will have to be kept secret. We should not let every thing go in a haywire in a sort of airy-fairy ballooning manner. For that matter, I must say that the Prime Minister and the Government in power today are doing their duty most vigilantly.

I congratulate them on this score. With these few words, I thank you very much.

SHRI SYED SHAHABUDDIN (Kishanganj) : Madam Chairperson, national defence has the highest priority and our commitment to the defence of our sovereignty, our independence and our territorial integrity by all means at our command cannot be over-emphasised. That we dwell in a negative security environment is also a fact of life. Therefore, Madam, our defence efforts calls for constant modernisation and innovation. This modernisation can be achieved only by two routes. Either by indigenisation or by purchase of technology. I regret to say that the degree of progress on the path of self-reliance has not been as rapid as we would have liked it to be in the 40 years since independence. We are still dependent in a very large measure on foreign supply for nearly the whole of the modern weapon system; whether it is high speed aircraft or missile or helicopter for the armed forces, for the air force; whether it is a tank or the long range artillery for our armed forces or whether it is an aircraft carrier or submarine; we largely depend rather wholly depend on foreign supply.

[Shri Syed Shahabuddin]

I know that we have made progress. I do not deny that. We have had a Vijayanta Tank; we have had a Gnat Aircraft which has done such a marvellous job on the front that we had to face the enemy. We also know about the modern field guns that we have improvised. But that is not enough. So, let our investment in R & D go up from the present level of 2—4 per cent that it has been if we are one day to become independent of foreign dependence in this vital field of national life. We have spent Rs. 10-12,000 crores annually. This year's budget is 12,500 crores. I do not know exactly how much we have spent on our equipment; may be it is a layman's guess, it is about two-thirds of the budget which goes on equipment and perhaps of the two-thirds or at least half of this amount is spent on foreign purchase. Therefore, what we are dealing with today in a sense is the question of how we dispose of, in what manner, through what procedure roughly Rs. 4-5,000 crores of our money—the product of sweat and tear, the labour of the countrymen.

Defence takes about 15-20 per cent of our government spending, but there is a regime of over-classification; and our defence matters are shrouded in secrecy; there is mystery. I don't think I dare say that we had really a worthwhile debate on defence in this House or the other House so far. I do not know its reasons. But somebody said, it is a holy cow. I do not know. The surprising thing is that while our countrymen and our Parliament are denied the basic information—how many tanks do we have how many aircrafts do we have, how many submarines do we have, how many submarine are in order—this information is available in a printed form, in an authentic form to all the great powers of the world; not only to them but to our potential adversaries also.

SHRI ARUN SINGH : On a point of clarification. For your information, it is definitely available in a printed and published form, but it is not available in an authentic form.

SHRI SYED SHAHABUDDIN : I withdraw that word. What I meant was that it has never been challenged by anybody; it is available in an unchallenged form (*Interruptions*) The hon. Minister has not spoken a word about the facts of the case. He deliberately tried to put a veil over it. But the veil is so thin that the facts are visible through it. The country concerned is Germany and the equipment concerned is submarine and the agent concerned is Hindujas. Everybody knows about it; everybody has been talking about it. But the hon. Minister does not want to face the facts.

THE MINISTER OF ENERGY (SHRI VASANT SATHE) : Both Germany and the Hindujas have denied.

SHRI SYED SHAHABUDDIN : What they have denied, we shall come to that.

PROF. MADHU DANDAVATE : They denied kickbacks.

SHRI VASANT SATHE : They denied involvement.

MR CHAIRMAN : The hon. member should not mention the names of the people who cannot defend themselves on the Floor of the House.

SHRI SYED SHAHABUDDIN : But they are foreign companies which cannot defend themselves here. The hon. Minister can tell us if our facts are wrong.

SHRI INDRAJIT GUPTA : We only depend on Press reports.

SHRI SYED SHAHABUDDIN : I have mentioned the name of a commercial firm and the name of a country from which we are getting supplies and everybody knows that our submarines come only from two sources : We have the F-Class submarines from the Soviet Union and we have the Type 1500 submarines from Germany, and that is that, and both we are trying to manufacture also in our country.

**SHRI ARUN SINGH :** On a point of clarification. We also have another class of submarines.

**SHRI SYED SHAHABUDDIN :** I am happy to know that. I hope they are of indigenous manufacture.

According to the latest information that has been printed, we have about eight Russian submarines and about four as far as F. R. G. is concerned, they have with a delayed delivery time, supplied us with two submarines and two more were to be brought in, in knocked out conditions and they were to be assembled in Bombay. Unfortunately, only one of them has come to us and the other had to be struck off for more complicated reasons, because of high cost of the spares, and for spares, we decided that one unit should be cannibalised. So, finally we got three submarines for the original contracted four. But that is not the problem that we are dealing with today.

What I want to question is that : This deal began in 1980 and even if the Ministry is totally naive, I think they have some common sense. Since we are not a big power in terms of submarines, we are to be careful about what we buy and after all we know about this international arms bazaar and we know that..... (*Interruptions*)

**SHRI CHANDRA PRATAP NARAIN SINGH :** I take objection to that. He cannot specify the year because the technical evaluation of a particular defence requirement... (*Interruptions*)

**SHRI SYED SHAHABUDDIN :** Let the Minister reply.

**MR. CHAIRMAN :** He is yielding and you wanted to reply.

**SHRI SYED SHAHABUDDIN :** I yielded but I did not know what he was going to say. On this point only the Minister has got a right to correct, if I am wrong.

**SHRI CHANDRA PRATAP NARAIN SINGH :** I have a right because I was State Minister of Defence in 1980, and negotiations started before 1980.

**SHRI SYED SHAHABUDDIN :** All right; then you speak.

**SHRI CHANDRA PRATAP NARAIN SINGH :** I do not speak. I assert that the evaluations of a particular requirement in Defence is done in many stages and it takes time. So, you cannot state a specific date unless the government states dates.

**SHRI SYED SHAHABUDDIN :** The negotiations began in 1980.

**SHRI CHANDRA PRATAP NARAIN SINGH :** No.

**SHRI SYED SHAHABUDDIN :** I am not talking of our requirements of submarines as a class, or submarines in general.

**SHRI CHANDRA PRATAP NARAIN SINGH :** Evaluation.

**SHRI SYED SHAHABUDDIN :** I am only talking of evaluation of a particular equipment which was not even in existence at that time. That is the point that I am trying to make. At the time we began talking about this particular submarine, this particular ship building yard had nothing but a proto-type to show us, nothing but the blue prints to offer. Not a single unit—not a single unit—had been manufactured by this ship building yard, or had been delivered to any Navy in the world, had been delivered even to the German Navy at the time, when we, out of great generosity decided to buy a submarine from this firm. That is what I call lack of common sense. If we were buying hundreds of submarines, we surely had the right to commit a mistake. But surely, Madam Chairperson, if our submarines are in number of units like two and four and

[Shri Syed Shahabuddin]

sizes, we are to be careful to buy some time tested equipment, which has already been tested by another Navy.

SHRI ARUN SINGH : On a point of clarification, because I have not been able to understand, because I have to reply. Am I to understand that what the hon. Member is saying is that some particular yard, the HDW did not make a submarine till 1980 ?

SHRI SYED SHAHABUDDIN : I did not say that. What I said was, that at the time when we have started negotiations for the purchase of this particular...  
(Interruptions)

AN HON. MEMBER : You said that.

SHRI SYED SHAHABUDDIN : No. I am repeating, what I was going to say, you can check the record. Please do not interrupt like this.

What I was trying to say is at that time when we began negotiations, on this deal in the year of the Lord 1980, at that time this particular ship yard in Germany had not built or supplied a single unit, to any Navy in the world. Therefore, it had not been tested. It only had a proto-type to show us; it only had blue prints to show us. That is all. That is what I am saying.

SHRI ARUN SINGH : If my understanding is correct, what you are saying is that M/s. HDW or whoever they were, they had never produced a single submarine but they had a prototype to show.

SHRI VASANT SATHE : That is what he is saying.

SHRI SYED SHAHABUDDIN : T-1500. And I am saying that until then T-1500 had not been accepted even by the German Navy. It had not been supplied to a single other navy in the world. I do not know which serial number we come, but we became one of the first buyers of this particular piece of equipment.

SHRI VASANT SATHE : Prototype is the same as the blueprint.

SHRI SYED SHAHABUDDIN : Not quite that. It has to be tested in the field; it has to be tested in the war. And when you are going to have 10 or 11 submarines, then you ought to be extremely careful what you buy.

[Translation]

Even if one has to buy an earthenware, it is checked several times.

[English]

I do not wish to place a cause and effect relationship, but the fact remains and it had come to my notice, right then that a late lamented leader of the ruling party—I dare not take his name in the House, but if you permit me immunity, I might.

MR. CHAIRMAN : Do not bring the names here.

SHRI SYED SHAHABUDDIN : But he was involved in this. And a few days after his demise, perhaps, as a homage to his memory, the Political Affairs Committee of the Cabinet set down and Okayed this deal.

SHRI ARUN SINGH : May I interrupt here ? I take serious objection.

SHRI S. JAIPAL REDDY : No names are mentioned.

SHRI ARUN SINGH : I do not care... (Interruptions). I take serious objection to the concept that any Cabinet Committee on Political Affairs of any Government, irrespective of which party it belongs to, will take a decision because of or in terms of the death of somebody. I take serious objection. Whether it is your CCPA or our CCPA, I do not care. But I take objection in principle.

SHRI SYED SHAHABUDDIN : Our CCPA will not do that I can assure you.

SHRI VASANT SATHE : Your  
GPN will never pay homage to anybody... (Interruptions)

SHRI SYED SHAHABUDDIN :  
Therefore, right from 1980 there has been a certain ockur of corruption in the corridors of power with regard to this deal. There has been something fishy about it. People have been talking about it but it never came to the fore. Now, of course, it has broken open.

Now what I would like to know from the hon. Minister is : How many T-1500 type of submarines are due to be manufactured by this shipping yard ? How many have already been manufactured and supplied to various foreign navys. If I am buying something I should know who had been the customers... (Interruptions)

SHRI S. JAIPAL REDDY : South Africa ?

SHRI AJAY MUSHRAN (Jabalpur) :  
I hope, you are not an agent of that company... (Interruptions)

SHRI SYED SHAHABUDDIN : You can presume whatever you like. I grant you that freedom... (Interruptions)

MR. CHAIRMAN : Let him continue. He is not yielding... (Interruptions)

SHRI SYED SHAHABUDDIN : I am not yielding.

MR. CHAIRMAN : He is not yielding.

PROF. MADHU DANDAVATE : You also should not yield. (Interruptions)

SHRI SYED SHAHABUDDIN :  
That foreign supplier would be mad, would be out of his senses if he appoints Shahabuddin as his agent to influence the Government of India.

I want him to confirm also whether by now the German Navy has finally got

around to accept one of the T 1500 submarines for their own Navy, because I know that the German Government is extremely concerned that this deal should go through. Not only that. They also wanted to influence us to buy two more of them. That is how this problem came up because when they came to negotiate with us, they now quoted a price which was nearly hundred per cent higher than the last price. And we said not that far. They said : Look, we shall reduce it by a certain percentage. It was even agreed that they would reduce it by 20 per cent. They went back and sent a telegram : Sorry, we cannot reduce. The reason they quoted was because the agent insisted on his pound of flesh. I know about this international arms bazar. It has its quota of Shylocks and sharks?

The essential point is, much song and dance has been made here about the Government of India not appointing agents. Whose case is that ? We are not saying that the Government of India appointed an agent. Nowhere in the world in a transaction of this type the buyer appoints an agent. It is always the seller who appoints an agent, and the seller appoints an agent after careful consideration. He does not pay his money for nothing, he does not dole out the Commission for nothing, he appoints as an agent somebody who is likely to influence the process of decision-making, who has access to the decision-makers, who has some linkage with the powers that be within the ruling circles. This is the point. I would like to have a categorical statement from the Government that they have never to deal with at no point of time did they deal with Hinduja on this question right from 1980. Let them say that. (Interruptions) Madam Chairperson, I am not worried about the commission rate.

SHRI ARUN SINGH : Can you repeat that once again ?

SHRI SYED SHAHABUDDIN : I said, since Hinduja have been named and Hinduja are supposed to have friends in India, they may not be Indians as such, and I also noticed that the hon. Minister

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has very carefully used the phrase, 'An Indian agent'. I do not know what he means, I would like him to clarify — does he mean an Indian national acting as an agent, or does he mean a person of Indian origin acting as an agent, because the word 'Indian, covers both, an Indian national and a person of Indian origin.

**SHRI ARUN SINGH :** Can you repeat the exact thing ?

**SHRI SYED SHAHABUDDIN :** You have said, 'an Indian agent' I want to know what are you talking about ? The Hinduja are of Indian origin ? A Hinduja may or may not be an Indian national. Is he an Indian national, I do not know. But all I am saying is, he is of Indian origin because we know he was some time back in Iran and very close to the Saba, and then expelled and came to Bombay and went to London and so on.

*(Interruptions)*

Now, Madam I will take just one minute.

**SHRI ARUN SINGH :** I did not get your question : Did the Government ever had.....

**SHRI SYED SHAHABUDDIN :** I said, right from 1980 when the deal was initiated, did you at any point of time, as a Government, have any negotiations or discussions on this particular question with the agent who is supposed to be Hinduja ?

**PROF. P. J. KURIEN :** You did not read the papers, it is very clearly stated there.

**MR. CHAIRMAN :** Mr. Shahabuddin, please conclude. The Defence Minister has to reply by 2.30.

**SHRI SYED SHABHABUDDIN :** All I want to say is this. I would also like to know whether your original agreement had two clauses because that is a matter of produce, Madam and that may be useful for all future negotiations. Did

you have an escalation clause ? Or did you bind the supplier that in case in future you exercise your option to buy more, then he has to stick to the same price ? Or were they wise enough to put in as an escalation clause to hoodwink you ? Secondly, was there a penalty clause for delay in delivery ? Because, it is a matter of record that the submarines were not delivered in time.

Finally, what I would like to say is this. A departmental inquiry would not wash. In the present state of demoralisation, with honourable exceptions the bureaucracy will sign on the dotted line. The Parliament and the people of India demand a clear inquiry, an open inquiry. It is not a matter of one deal or another deal, it is not a matter of one year or another year, it is a matter of a continuous drain on our resources, on the produce of our blood, sweat and tears, something to do with our national existence itself; something to do with the highest priority of our national life, and I do not think that any technical matter can stand in the way of a parliamentary probe. The Parliament, Madam, can invite any number of technicians and technical consultants to advise them. That is not the issue. The issue is, the Parliament has a right to go into since all the deals that they have gone into since 1980, not on a Government-to-Government basis because on a Government to-Government basis things are pretty well taken care of, but in all the supplies of major equipment that they have bought from private companies with or without the intervention of the interested foreign government. And notwithstanding technical consideration, no security angle is involved. No security angle is involved in this as to which submarines we have and from where we have got them. These are pretty well-known. What we would like to know is, how you have procured them, how do you hope to procure them and wish to procure them in the future. On that, the people of India must have the last word.

*(Translation)*

**SHRI PRATAB BHANU SHARMA (Vidisha) :** Madam Chairman, this deal of the Defence Ministry is being discussed

in the House since yesterday. The hon. Members have questioned the basic principles of our Defence Ministry, the working of our Armed forces and the good name of our Ministry.

I think it is the first occasion after independence when the integrity of our Defence Ministry and Defence experts is being questioned without any concrete proof or factual information. I am saying this thing, because the facts given by our senior Member Shri Shahabuddin are far away from the truth. He said that our Government was not alert about national security and it is not moving towards self-reliance. He also expressed dissatisfaction over the achievements of our Research wing which is called DRDO which has made progress after independence under the guidance and the advice of our security experts and technicians. For the general information, I would like to tell that the Government does not spend merely two per cent on R and D, but last year it had spent 4.12 per cent of the total Budget allocation on it. Last year it spent about Rs. 423.25 crores on R and D. We want that it should be increased to 10 per cent, because our aim is to achieve self-reliance in respect of our national security. We have to adopt new developed technology. In view of the security environment prevailing around us, it is necessary to strengthen our defence system and to improve our research work so that we can be self-reliant in our defence matters. If we accept the obstacles being created in the development of defence matters and such discussion continues on the basis of reports published in some newspapers, it will put a question mark on our entire system. It will also put question mark on the procedure adopted by our technicians and experts for selection and testing of equipments for the purchase. Therefore, our Defence Minister should come out with definite information in the House as to how we select our defence equipments which we require to meet our national defence requirements suitable to our surrounding geographical situations. He should state as to what procedure we adopt to purchase such arms and equipments from the international market.

Apart from this, our hon. Members Shri Shahabuddin and Shri Rao have also pointed out about some basic concept. It is clearly stated in this statement that neither any Indian nor any foreign agent was employed at any stage whether at negotiation stage or finalisation stage of the agreement. A policy decision was taken in 1980 that no agent will be employed or appointed by the Government for making purchases for Defence Ministry. Shri Guptaji and I were the members of consultative committee of the Defence Ministry in 1983-84

SHRI INDRAJIT GUPTA : I am still its Member.

SHRI PRATAP BHANU SHARMA : It is good that you are still its member. I have joined the consultative committee of science and technology. I want to say that this policy decision was taken at that time. There is no need of any intermediary in such deal and if it comes to the notice of the Government that such deal has taken place in which commission has been paid to some person, they not only black list that company invariably, but it also recovers that amount from the company if it is proved in the inquiry that the amount has been paid as commission. In this context, the so called facts under which the whole matter was raised, I would say that after the reply of the hon. Minister of Defence, have lost their force and it has taken the wind out of the sail of the opposition and they are expressing certain doubts on concocted points.

Mr. Chairman, Sir, the procedure laid down for defence purchase is very clear. According to it, first the specification is fixed and then in accordance with the fixed specification, the equipments are selected. Whether we buy equipments from the Soviet Union on rupee payment basis or we buy from the international market which is a general currency area or the hard currency area, there is a fixed procedure which we follow. When the experts from the three forces decide that the equipment suits the requirement of the country and the quality is in accordance with the norms fixed by our

[Shri Pratap Bhanu Sharma]

experts and the Defence Department, then only it is decided to purchase it and then negotiation about their price takes place and the final offer is discussed. This thing takes place whether it is a matter of purchasing sub-marine, mirage or some modern weapons. We do not want to buy weapons from abroad but we are compelled to buy them. The situation is such that when the country having sophisticated weapons supply such weapons to our neighbouring countries, the weapons developed by our country get obsolete in comparison to their weapons and then we are compelled to purchase those weapons to match their weapons. So far as the points raised by the hon. Members in regard to the purchase of weapons are concerned, these have been put at the behest of some specific person or with the intention to spoil our international image and this has no relation with the discussion under Rule 193. From the reply of the hon. Minister, it is clear that the message received on 25th February, 1987, had indicated that there is apprehension that in the deal that was struck, a commission of 7 per cent was paid to an Indian agent. All the papers were presented to the then Defence Minister on 3rd March, 1987 when the file was presented to him. The Defence Minister ordered on the file on 11th March that the doubt in regard to the deal should be referred to the Ministry of Finance so that action could be taken under the FERA, and the laws of taxation. Besides this another order was passed in it. Then what is the reason that there has been delay in carrying out those orders after 11th March upto 9th April. Why was there so much delay in the movement of file and why while giving new order in the file after 9th April, the information thereof was released to the press was not this an important point given by one Government to another? May I know whether it was not necessary to bring it in the notice of the Prime Minister immediately after 25th February and when the order was issued on 11th March, then why was that file kept again on 9th April for giving second thought or drawing some points from it. These are very important questions and a point also arise that when this file was sent to the hon. Prime Minister, what was the reason

for issuing a Press release. Was it not for gaining cheap popularity?

AN HON. MEMBER : You may ask him.

SHRI PRATAP BHANU SHARMA : We are asking all. You are also included among them. Was it not for gaining cheap popularity and with what motive was it sent to the Prime Minister. Was it sent to him for taking direction and information and when it was so, then the Prime Minister should have been given information on every point. When there is a joint responsibility of the Cabinet, the work should have been done accordingly. Our Prime Minister has himself exposed corruption in the Ministry of Defence, whether it was the case of Larkins or Kumar or the case pertaining to the purchase of any weapons. Clear instructions were issued to the Ministry of Defence after 1st January, 1985 that there would be no intermediary, agent and other person in the deal in future. If there is corruption at any level, it should be rooted out. I would like to know as to why and how this doubt arose and why was there delay in taking decision in the matter? Why was this thing not brought in the notice of the Prime Minister in the month of February itself? This thing creates doubts.

Besides this, when this thing can be debated in the House and the hon. Members know that there was sitting of the House on 10th April also, then was it necessary to issue a press release before informing the House and then give a Statement in the House? Statement should be given first in the House, then it should be issued to the Press. We would like to know from the Minister of State in the Ministry of Defence as to what was the motive behind it (*Interruptions*). Why have you not included this point in it?

Besides this, I would like to know about some specific points from the Minister of State in the Ministry of Defence that when that file was sent to the Prime Minister on the night of 9th instant, then what was the motive behind it and when did it reach him? With what direction that file was sent back by him?

When it was directed and ordered that its enquiry might be conducted by the Department of Finance or some other Department. (... *Interruptions*).

[*Eng'lish*]

SHRI S. JAIPAL REDDY (Mahbubnagar) : I can tell you, Madam. The Prime Minister wanted the Parliamentary Enquiry

MR. CHAIRMAN : He is not yielding.....

[*Translation*]

SHRI PARTAP BHANU SHARMA : A third enquiry was instituted under the chairmanship of the Defence Secretary and it was published in the newspapers. The full information of all these things should be placed along with the facts in the House as to how it happened. When decision was taken for the specific inquiry on 11th March itself then where that matter was pending since 25th March to 9th April and as to how all of a sudden this was issued to the press (*Interruptions*) by ignoring the Parliament...

[*English*]

SHRI S. JAIPAL REDDY : It is not a policy matter. Under what rule it is done? (*Interruptions*) I am asking you...

MR. CHAIRMAN : You can not ask like this unless he yields ..

SHRI SOMNATH CHATTERJEE (Bolpur) : Why don't you yield for a while?

MR. CHAIRMAN : Let him conclude.

[*Translation*]

SHRI PRATAP BHANU SHARMA : At the last, I would like to say in regard to the points that have been raised about the Ministry of Defence that our Ministry of Defence, has a reputation in the world for the last 25 to 30 years. Everyone has admitted that with the technical experts

and a committee to assess the weapons and with the modes of negotiations, it is not easy for any country to supply sub-standard weapons to our country and the Government may not purchase those weapons by ignoring the interest of the country. Such has been the reputation of the Ministry of Defence since independence. Such thing has never happened before and neither we expect such things from the Ministry of Defence in future. Therefore, I would like to know on the basis of facts whether the specification, the technical evaluation and the prescribed procedure have been followed completely as has been the case till now? A point has been raised in this house that the prescribed procedures have not been followed in this case and no information was available about sub-marine when the decision was taken. Such thing has never happened before and I am confident that this has not happened in this case also. This thing should be placed before the house with full facts.

All these main points arise from this question. We can say that the high morale of our defence forces and the procedures followed by the Minister of defence is a matter of pride for the country. Nobody has challenged it. Whenever such challenge was thrown we gave a crushing reply. We did not require sophisticated weapons. We need quality equipments, because even the modern and sophisticated weapons could not stand against our quality arms. This is an example. If there is a need we purchase weapons from other countries also and the procedure is changed according to the needs. If the basic procedure is questioned, who will be responsible for the security of the country. We will have to see it. If we raise the question in the parliament on the basis of a news item in the press or if some person having vested interests raises this question, our whole system is challenged. Our defence forces and the capability of judgement of our technical evaluation team, the scientists, experts, technicians will be doubted. No country in the world dared to do this.

In the end, I am fully confident that we will accept whatever facts the hon. Minister of State will submit and even

[Shri Pratap Bhanu Sharma]

those people will also accept the facts who do not believe them.

[English]

MR. CHAIRMAN : Shri Indrajit Gupta. Please be very brief. There are many more Members.

SHRI INDRAJIT GUPTA (Basirhat) : Madam, some of my time will be saved because I don't propose to go further into any questions regarding this particular German Sub-marine deal because most of the questions which were in mind, have already been asked by Shri Shahabuddin. Regarding this particular deal, no doubt, the Minister will deal with them as he thinks fit. I am not optimistic of getting very much information. But, anyway, the only other point which is disturbing, we can go only by press reports. We have no other means of getting the information. We would like this report either to be contradicted or to be confirmed or correct position to be stated here.

The other point which has been brought to our notice is not only of the inflated cost of the sub-marine, not only that this HVD company, the suppliers went back several times on their previous commitments and not only the fact that they put up the cost of spares partially three or four times with the result that if the cost of spares is now computed with cost of the sub-marines then we are really going to get about 3 sub-marines for the original cost of 4. It is also a fact that they are defective. The torpedo and Torpedo tubes of sub-marines are supposed to be defective and also to be hazard for the crew of the sub-marines. These are very disturbing things. I do not know whether these are true or not. But we should be told because it seems we have not gone in for a very good bargain.

Now, Sir, the question in this debate centers round one thing.

SHRI ARUN SINGH : As far as what you said regarding this particular sub-marine and its tubes, I am in a happy position to state it is untrue. (*Interruptions*)

Something you said about the defective tubes and torpedo, that is untrue.

(*Interruptions*)

SHRI INDRAJIT GUPTA : I asked whether these press reports are true or not (*In erruptions*) You don't bother to read the press reports even, o, show can you know it? (*Interruptions*) Madam, the the hub of the question which is being discussed in my view is what Mr. C.P.N. Singh asserted in this house the other day, namely that there was a policy decision at the time when he was Minister that no agent-foreign or Indian-no middleman would be employed in the negotiations for these defence contracts. I want a categorical reply to this, whether there was such policy decision or not whether any ban had really been put on the entry of any of these agents into the armstrade. Because what we knew Madam, we also try to keep up with these things, is that the international arms trade, how it operates, is not something unknown to people. Everybody knows that in these international arms trade, there are a large number of agents functioning. If you say no, nobody has yet said that our Government does not believe in agents, they deal directly with the other Government, actually you can not do it. Except with the Government of the socialist countries because in all other countries the arms are manufactured by private manufacturers.

It is only in the socialist countries the arms manufacturees are not private capitalist firms. Therefore, even if a Government, on some particular occasion discusses with our Government or negotiates with them for the supply of some particular item, ultimately that item has to be supplied by the manufacturer who in these other countries happens to be a private manufacturer.

The statement given here by the Minister of State the other day said that on assuming office—it is very interesting—the Prime Minister—that means in the beginning of 1985—reiterated the existing instruction that the Department of defence should not deal with any non-governmental agents of a foreign supplier in

respect of any commercial negotiations. So, before January 1985 there were some instructions. Did those instructions amount to a policy decision? I think the Government claims now that it is so. Because two sentences further down it says in this statement that this policy directive has been in force rigorously by the Department of defence with satisfactory results. The questions which I am asking and which is bothering me is that if there was a policy directive, apparently pre-dated to the present Prime Minister's assuming office, then if it comes to light that there has been a deal in which some supplier has employed an agent and that agent has played a significant role in the deal as a result of which he has to be paid a substantial amount of money as commission, then obviously that particular deal amounts to a violation of this policy directive. In that case if somebody takes up that case and orders a probe into it within the framework of that policy directive which has been given earlier, then is the ordering of this probe anything more than an administrative measure? We should know that.

The Ministry of Defence, past or the future, whoever they are, should enlighten us on the modalities of their functioning. If there was already a policy directive that neither Indian nor foreign agents or any supplier are to be brought into the commercial negotiations, and then if it comes to light that there is a deal in which Rs 30 crores have had to be paid to an agent for the purchase of some foreign equipment, does it not amount to the violation of that earlier policy directive? If it amounts to the violation, then what is wrong in ordering a probe into it? Is it not an administrative measure within the framework of that policy?

I don't understand why some Members, not all, but some Members of the Ruling party are so agitated about the ordering of this probe....

AN HON. MEMBER ; Nobody is agitated.

SHRI INDRAJIT GUPTA : A  
.. having been a violation of the collective

responsibility. That is what people are shouting everyday...*(Interrptions)* Anyday, I am not yielding to you.

I take it that when a telex message is sent by an Indian Embassy in a foreign country and that telex says that the source of the information is the Government of that country *(Interruptions)*, not that country, you know that, do you?! Anyway a foreign Government has given the information to our Embassy and the Embassy has conveyed that information through a telex message to our Government. Then it is not a matter to be taken lightly. One assumes, put it the least, it is a Prima Facie evidence of such a deal having been there. If it is not there then those Embassy people should be hauled up for the frivolous telex messages. But I assume they are doing their job seriously and on a matter so sensitive which concern the defence of this country. I think, it is only on the basis of solid evidence that they send telex messages to this effect. Does this not amount to violation of the earlier policy directive? If so, who is responsible for that? Has that not to be found out?

You are asking this house to vote Rs. 12,000 crores this year as a defence budget. Why Rs 12,000 crores only. It may double or treble But the country has a right to know how that money is being spent. We are in no mood to vote Rs. 12,000 crores unless you assure us that proper scrutiny of this expenditure is carried out and it is really a cost-effective budget. *(Interruptions)*

Now, my hunch is that this sharp increase in the size of the Defence budget is probably primarily due to the fact that the component of the imported equipment is going up because of what has been mentioned here, namely, for our security environment; the pressures we are being subjected to, the need for more sophisticated and modern arms and equipment is being appreciated by the Government and, therefore, there is sharp increase in the budget. Because we cannot manufacture all these things in our own country--we are not in a

[Shri Indrajit Gupta]

position to do it—there is need to go in for more and more purchases from abroad and the more we go for Defence purchases from abroad the more the risk is there of these middlemen and agents coming into the picture and trying to fill their own pockets. But who foots the bill in the end? That money becomes the inflated price of the equipment and it is we who have to foot the bill. It is like the sales-tax. Sales-tax comes out of the pocket of the consumer. So this commission running into crores and crores of rupees will have to be footed by us and paid by us. Therefore, people of this country have a right to ask this question: When you have laid down a policy directive how you propose to implement it? You have said: "I wish to categorically state before the House that the Department of Defence has not appointed any agent authorised to act on behalf of..." You may not have appointed that agent. I am not saying you have appointed the agent. But the agents are there. It may be the agent of the supplier and we are caught in that trap.

Now, out of this money that we are asked to vote for how much is going into the pockets of the agents we would like to know and why should we support such a practice at all? There are reports also when negotiating for the purchase of submarines at some stage there was some negotiation with a Swedish firm called Kockums. This company is reportedly a government-owned company. That is what the reports say. It is government-owned but ultimately we did not clinch anything with them. We went for HDW of West Germany.

AN HON. MEMBER: HDW is also a government-owned.

SHRI INDRAJIT GUPTA: Their government-owned companies are employing agents and some of those agents may be non-resident Indians. Whether the non-resident Indians are called Indians or not any more, I do not know. But if it is Hinduja, then certainly non-resident Indians are there in the picture—if they have some contacts. The main

thing is to have contacts. The main thing is to have access to the people who in the corridors of power can be influenced. This is obvious. This is known to everybody. There are big books written about it.

14.00 hrs.

Madam, what I want to say ultimately is that we don't want this HDW contact finally to be revealed as only the tip of the iceberg. This we must be assured about. There are so many Indian agents in this country not employed by the Government perhaps but Indian agents of foreign suppliers. Are they not known to the Minister? Very often they are senior Armed Forces officers who have retired.

There is a company called the Usha Consultants and Services Pvt. Ltd. They have their office here at Nehru Place. You can go and find for yourself. They are one of the principal importers of these foreign supplies of weapons and other equipment for the Defence forces. Before Air Vice Marshal Larkins was arrested, he was employed by this firm. There are some other names perhaps. In deference to what you are saying, I will not mention those names.

SHRI SOMNATH CHATTERJEE: Why not, why not?

MR. CHAIRMAN: Please don't mention.

SHRI INDRAJIT GUPTA: Those names are with me. I say they are high-ranking people. There was another Air Vice Marshal; I don't mention his name. There was a Lt.—General; I don't mention his name. There was a Commodore; I don't mention his name. All these people have been employed by Usha Consultants & Services. They are the people who are supposed to have negotiated the sale of the two Boeing aircrafts to the Indian Air Force which are used for the VIP duty fleet. I don't know because one of these planes had developed a defect when the Prime Minister was flying back from London and had to stop

at Moscow and all that—an unscheduled stop at Moscow.

AN HON. MEMBER : That was Air India.

SHRI INDRAJIT GUPTA : I don't know whether Air India or IAF plane. But anyway these are the people who negotiated the sale.

SHRI ARUN SINGH : You know very well that the aircraft which carry the Prime Minister abroad on long distances are definitely not Indian Air Force aircrafts. You know that very well. There is no doubt about it.

SHRI INDRAJIT GUPTA : If it were Indian Air Force aircraft, it wouldn't probably have broken down on the way. Why did you allow him to fly in a non-Indian Air Force plane which broke down ?

(Interruptions)

SHRI ARUN SINGH : The Indian Air Force does not possess a passenger aircraft capable of travelling long distances.

SHRI INDRAJIT GUPTA : Usha is also negotiating, according to my reports, the sale of anti-submarine Sonar equipment for the Seaking helicopters for our Navy. These are important equipment. We are operating through these people. Kirloskars, with whom for a long time we negotiated for purchase of engines for the Main Battle Tank. This Main Battle Tank is something which has been haunting us for years. Unfortunately the engine never gets developed. These Kirloskars were employing the Director General of the CVRD. Shall I name him ?

SHRI SOMNATH CHATTERJEE : Yes, why not ?

MR. CHAIRMAN : No.

SHRI INDRAJIT GUPTA : I will give him his name but he knows him better than I do.

That Director General was an employee of Kirloskars and was trying to sell an engine for our Main Battle Tank in place of the L-60 which we have imported from the U.K. and which is also a flop. The Leyland group employs an ex-Director General of the EME. Shall I name him ? He has been trying to promote the sale of these L-60 engines for our Vijayanta tanks. I am only pointing out to the existence of so many agents. Who appoints them, or how do they operate and what is the significance of their earlier contacts ? Because of the fact that they have served as high ranking officers in our armed forces, they have got some contacts, some knowledge. They know how to influence people, they have got their friends and everything. Is this a desirable practice ? Why can't the retired defence officers be banned from taking up employment with concerns who are to supply us with equipment for the defence forces. Let them at least be banned from taking jobs in these companies from whom we are negotiating to buy defence equipment. It is a strange thing. It is like retired railway officers becoming employees of concerns from whom we buy equipment for the railways. Is it a correct thing to do ? If the Government accepts that principle, please tell us.

Finally, the whole thing that has come to light is very disturbing to say the least and it is causing widespread public concern as to what is really going on and how much money is being looted by whom and what is the Government doing knowing full well that these things are happening.

The Minister has assured the House that these probes, three of them, will continue, but one of them is into the general modalities, the way these agents function. Here it is stated—systematic study of the *modus operandi* of all agents, Indians and foreign, so that firm action can be taken against them. I want to know why this part of it at least should not be subjected to a parliamentary enquiry and why should not the parliamentary Committee go into the *modus operandi* of these agents, Indians and

[Shri Indrajit Gupta]

foreign, through whom we are getting defence equipment? Is it a matter which does not concern the Parliament, the country and the custodian of the public funds, out of which huge amounts have to be spent now? I am quite sure that the Government will not agree to a parliamentary probe into the German submarine deal. That I am quite sure for various reasons—reasons of security, technical information, this and that. But why should the Parliament not be allowed to set up a Committee to go into the general study of the *modus operandi* of these agents, foreign and Indians, the way they function, the methods they employ, how they manage to get round the people so that the Government should put a stop to this finally?

Of course, you have got a majority in the House and you can pass any grants, you like, but things are getting more and more difficult for us because you never tell us what is really going on behind the curtain. The amount has gone up from Rs. 8000 crores last year to Rs. 12000 crores this year and I am sure, a big portion of that is for the imported equipment. Before you ask us to vote for this, we must know whether the Government is really serious about the stoppage of drainage of part of these funds into the pockets of these suppliers who are functioning here particularly in the defence market.

PROF P. J. KURIEN (Idukki) : Mr Chairman, I have heard some of the speeches from the Members on the other side and I cannot but say that they are trying to score debating points over us and if they get debating points, they are prepared to ignore even the defence interest of the country.

I am, of course, not talking about the hon. Member, Shri Indrajit Gupta, but I would specially like to mention about Shri Sahabuddin who was saying that over the last forty years we have not achieved anything in self-reliance. Can anybody with a semblance of patriotism say in this House that we have not achieved anything in self-reliance over the last forty years?

The hon. member was quoting some reports from various magazines published abroad to prove that our defence equipments are not upto the standard. I am surprised that an hon. member of this House believes such reports. He was asking as to why all such reports are not replied to. But why should we reply to all those unfounded articles published abroad? My hon. friend Shri Sahabuddin is not here now and I am sorry that he is not here. He said that we are in a negative security environment. That is correct. But he goes on to say that our adversaries have correct information about our defence equipment. I wonder how he is getting such information from our adversaries. How does he know that they are having such information about our own Defence equipments.

Quoting from some foreign journals, he also stated further that the submarines we purchased from West Germany were not upto the standard and that they were purchased even without testing. Well, these are all points for the hon. Minister to answer and I do not want to say anything on them. But I question the wisdom of the hon. member when he makes such remarks in this House. These remarks will help only to demoralise our Forces and our Service personnel. Moreover, these remarks will only help our adversaries and our enemies around us. So, I feel that the hon. member should certainly show some restraint before making such remarks.

With regard to the purchases of submarines and other equipments for use by our Defence Forces, the hon. Minister has categorically clarified the position in this House. His statement is very clear. He says :

“I would also like to assure the House that the most stringent procedures have been laid down to ensure quality and technical parameters of equipment procured by the Department of Defence.”

This a very categorical statement made by the hon. Minister on the floor

of this House and even after reading the statement, an hon. member of this House says that the submarines purchased by us are of a lower standard. How can a member say that? Unfortunately, he believes in the information available from our enemies and from foreign magazines, which are trying to destabilise our country.

I am very sorry to say that the Opposition is using the whole issue for taking political advantage.

**SHRI SURESH KURUP :** We are not using. You people are using.

**PROF. P. J. KURIEN :** You are not only using it. You are misusing it. You are trying to get political advantage out of it. Shri Kurup who initiated discussion in this House, has himself stated that the whole Government is steeped in corruption. I would like to say here that his statement is applicable to the Government in West Bengal and not to this Government. I can argue it at length and establish my point.

14.14 hrs.

[MR. DEPUTY SPEAKER  
in the Chair]

Sir, a foreign government gives a message and on the basis of that message a telex comes here that an agent is receiving Rs. 30 crores as commission. Is that all your evidence to prove that this Government is corrupt? You should have read the statement by the Minister. This statement categorically says that no agent is employed for purchase of any equipment, whatsoever. Again it says that we have not dealt with any agent. It is categorically stated here. Further, it says that "after assuming the office, our Prime Minister has reiterated the policy that our Government will not deal with any agent and it should be made unequivocally clear to the foreign agents" How can you say "Oh, this Government is encouraging corruption"? It is true a telex was received. It is a fact, and it is the only fact. It is alleged that an agent

is getting 7 per cent commission. An inquiry is ordered on that. I am not going into the details of that. But some Members on the other side talked, as if some of us are opposing the inquiry. That is misrepresentation of fact. You are depending on the Press reports only. It is not like that. We want the inquiry. We are not against any inquiry. We want to know the correct position of the telex and what has happened. But on one thing we said we have reservation and that I don't want to hide. This inquiry should not have been published. In inquiries connected with defence or such sensitive matters advance publicity in news papers is not helpful for the successful conduct of inquiry.

(Interruptions)

If you want the inquiry to be fruitful, it should not appear in the Press. Because, if it is known to the Press, if it is known to the person concerned, they can easily destroy the evidences. It is amply clear to everybody. Therefore, we are of the view that advance publicity given to the Press about this inquiry is not proper. We do not question the bona-fide of the ex-Defence Minister, nor do we want to question the good faith, on which he acted. So, it should be very clear. The opposition is trying to spread, as if the Congress Members are against the inquiry. No, we are not. We have not run away from any inquiry. We are prepared for any inquiry. During the Janata rule, what happened? We faced so many inquiries. Mr. Shahabuddin has said that the agent is not appointed by the buyer, by the seller. Yes, the seller can have so many agents. But the question is whether the Government of India also lately with any agent or not. It is also lately made clear by this statement of the minister.

The hon. Minister will give further clarification on that. So I am not going into that. One point regarding what Mr. Indrajit Gupta has said. He was asking whether there is any policy violation done by the Government in dealing with the agents. From the Minister's reply, it is very clear that the Government of India has

[Prof P. J. Kurien]

not dealt with any agent. It is the policy of the Government of India, not to deal with any agent. Therefore, the question of violation does not arise. Sir, I would request the Minister to give us the full details and also see that inquiry is taken upto its logical end.

At the sametime, I want to warn this august house that we should also see as to whether there is any conspiracy behind all these affairs. I have my own doubts. I think there is some conspiracy to destabilise this government and thereby to destabilise the integrity and the unity of this country. We should guard against such efforts by foreign hands. One can not but see such a conspiracy behind these incidents.

**SHRI DINESH GOSWAMI (Guwahati)** : I think the point on which my learned friend has just now concluded deserves a very serious consideration. There seems to be international efforts to destabilise our country. The Indian Embassy from abroad sent a telex. Kindly sack that Ambassador who had sent that telex. *(Interruptions)* Are you not, by your speech, trying today to cast a reflection on the Indian Embassy when you said that the Indian Ambassador had sent a telex thereby had really tried to destabilise it. Let us not try to go into all that.

**PROF P. J. KURIEN** : The foreign government supplied it. *(Interruptions)*

**SHRI DINESH GOSWAMI** : My learned friend seems to be under the impression that we should not read the newspapers; We are not very keen on reading the newspapers provided information is supplied to Parliament. But the situation has come to such a stage that we cannot discuss most vital matters in the Parliament. Letters and the correspondence between the President and the Prime Minister, we cannot discuss in the Parliament. Where from do we get it? We shall have to read the newspapers. In the name of security, the defence has been treated as a holy cow. But the American security is not threatened when the Senate goes deep

into the question of defence. It is only in India that the defence is not allowed to be discussed by the highest forum.

Today we see that at the airport that taking a photograph over there is prohibited as if foreign spies will come with hot-shot cameras to take photographs and find out the secrets of our country. When satellites are moving, photograph at the site is not necessary. What you have purchased today is that you have purchased it from West Germany and America are today completely having links with them. So far as international relations are concerned, America has links with Pakistan. Therefore, to feel that by shutting out a discussion in Parliament you will shut out information from our hostile country is totally wrong. All information about what we have purchased today is not known to the Indian people and the Indian Parliament; but it is known to our adversaries. It is good and proper that we should also know about it. The hon. Minister has made a categorical statement that this government has never dealt with any agent. This statement reads as follows:

“I wish to categorically state before the House that the Department of Defence of the Government of India has not appointed any agent authorised to act on its behalf in respect of any defence contract.”

You have not categorically stated that you have not dealt with any commission agent up-till now. *(Interruptions)* It further reads as follows :

“I would like to assure the House that the most stringent procedure has been laid down to ensure quality and technical parameter. No equipment is purchased from anywhere.”

The hon. Minister has stated that no agency has been dealt with in the matter of purchase. On assuming the office, the Prime Minister reiterated the existing instructions of the Department of defence and said that they should not deal with

Why non-government agent of a foreign supplier in respect of any commercial negotiations. The Prime Minister himself directed that the foreign government supplier should be told unequivocally about the decision. You have not told us: at no point of time you categorically stated that you had not dealt with an agent. Why is that statement absent?

**SHRI ARUN SINGH :** I have said in my statement which you have just now read out that the Prime Minister reiterated the existing instructions that the Department of Defence should not deal with any non-government agent of foreign supplier in respect of any commercial negotiations. We are not dealing with any non-government agent of foreign supplier in respect of any commercial negotiations.

**SHRI DINESH GOSWAMI :** That statement is not there.

**SHRI ARUN SINGH :** I have just now read it out to you .

**SHRI DINESH GOSWAMI :** Where? The instruction is not to deal with....

**SHRI ARUN SINGH :** I am sorry; it is semantic.

**SHRI DINESH GOSWAMI :** What semantic? If your instructions are to be followed to the hilt, then there is no question of any probe. If your instruction was to be dealt to the hilt, if no foreign agency were really involved in this deal, then what has Mr. V.P. Singh asked to enquire? Therefore, your former Defence Minister is not very sure and you are a part of the Defence establishment.

This probe was ordered when you were the Minister of State. And your former Defence Minister was not very sure whether foreign agencies were involved or not. And, therefore, the inquiry has been ordered and now you stand up and say that at no point of time foreign agencies were involved, because if the foreign agency were not involved there is no question of a probe. The question of probe has come, because not that, a

foreign agency was employed, but foreign agencies were involved. I would like to know this: The Press reports have come, and the denial is not there and I hope he will deny. Is it a fact that in the matter of purchasing of the submarines, the supplier agreed to a reduction of 20 per cent, but went back on the ground that they are not prepared because as Mr. Indrajit Gupta says, that those person who was dealing with, the middle man, was insisting on his pound of flesh of ten per cent. The Press reports have come and they are not contradicted as yet. Obviously, if there is no report from your end, no document, no information, we have got only one view and unfortunately we read some Press reports that when the German delegation came, on the matter of submarines they had agreed to a reduction of 20 per cent, but they went back and said that it is not possible because the middleman—whether Hinduja or not—is insisting on his ten per cent and he is not prepared to reduce ten per cent and therefore we are not prepared also to reduce the price. Why not a categorical denial from you on this particular point which has come on the front page headlines of a newspaper which is read extensively in this country? If you are so sure, that it is not there. Kindly contradict. And, I would like to know, that in the entire negotiations, up till now have you made it a point—which is absent in your total statement—that in this determination of the price, what is the mechanism by which you determine the price?

You have spoken about the quality. You have spoken that there is a very strict surveillance kept about quality, but what about price? What is the modality by which you ensure that in the determination of the price, of the price of a middleman whether appointed or not appointed by the Government of India but whether it be on one side or the other whether it is Government or non-Government, will not a stipulation be there to include it in the price mechanism? What is the modality? Are you in a position to assure this House that at no point of time till now the Defence purchases that you have made from the data on which the instruction was given—the instruction was not a new instruction of

[Shri Dinesh Goswami]

Prime Minister there was an earlier instruction—at no point of time any commission of a middleman was not included in the price of the purchases that you have made so far? And these are the things we would like to know. How is security involved? Mr. Deputy-Speaker, I feel that security is threatened when you do not try to find out or you do not tell the country about the irregularities and corruption. Security is never threatened when the correct things are placed before the country and the people.

Therefore, I would like to know—and also—the information, because a lot has been said in the Press statement of the former Defence Minister of this country, a lot has been said also why he sat on the file from 11th March to 25th March and up to 9th April 1987—I believe you have got an explanation about the allegations made out by different Members, and the allegation has not come from the Opposition, but from the ruling party, you should provide the information to us. But if there is no explanation, I would like to know why the former Defence Minister sat on this file from the 25th March and gave a Press statement? I am interested to know this. Did he do that with any political motivation? If he has done with some political motivation how can we trust this Government when its most important Minister of the Government, the Finance Minister who was shifted to Defence when the Defence security was threatened. When the security perceptions became very clouded, when the Pakistan forces were moving, according to the Government, close to our border How is it that we can trust this Government and therefore this Minister has to answer as to why the former Defence Minister sat on this file? Shri V.P. Singh owes to the country and the people to explain as to why that is so, so that at least we must be sure that we can trust some of the people. After all he was holding the most important portfolios of Finance and Defence. Therefore, if this Ministry has no explanation, if Mr. Arun Singh cannot give any explanation as to why Mr. V. P. Singh sat on this file, why this probe was publicised, why this probe was announced and the statement made even

before he got the sanction of the Prime Minister, then Mr. V.P. Singh either must admit that he committed an error or he did something for political motivation. And if a Defence Minister does something for political motivation which, according to the ruling party, really threatens the security of the country, then he owes an explanation to the nation and the people of this country. He is not a member of this House, but I have called upon him not as a Member of this House but as the former Defence Minister to tell us what is his reply to these allegations either by his reply in the other House or through the press or media. Because he is not the Defence Minister and he is not answerable today, you just cannot hurl all accusations on him. After all, Mr. V.P. Singh was not appointed to the Defence and Finance Ministry by the opposition; he was appointed to the Defence and Finance Ministry by the Prime Minister himself. And therefore, the Prime Minister must tell us as to how he trusted such a man who for political motivation which we have not alleged political motivation was alleged by the ruling party members one after the other—could be entrusted with with a portfolio like the Defence portfolio.

PROF. N.G. RANGA : Who spoke ?

SHRI DINESH GOSWAMI : Last Member also spoke. Mr. Bhagwat Jha Azad asked as to why he sat on this file and then gave a press publicity when something happened. What 'something happened' we know was the Fairfax debate. Therefore, Mr. V.P. Singh today cannot, as the former Defence Minister, say, that "I owe my loyalty to the party; I owe my loyalty to the Prime Minister; I will not open my mouth". His loyalty today is much more to the people and the country than the Prime Minister. If he does not come out with an explanation I will say that he was not fit for holding the posts that he held. After all, he is still part and parcel of ruling party. And we did not make him the Finance Minister and the Defence Minister. You made him the Defence Minister. If one V.P. Singh who was given the Defence portfolio at that particular point

of time cannot be trusted, I do not think we can trust the Prime Minister in the selection of his personalities. Therefore, you, Mr. Arun Singh as Minister of State, on the principle of collective responsibility, owe an explanation to the House why did your Ministry sit on this file so long, why you gave press publicity, why the whole thing was done without the Prime Minister's consent. If you have no explanation, I from this platform demand a statement from the former Defence Minister to tell this country and the people why did he do it: did he do it for political motivation. If a Defence Minister does something for political motivation which threatens the security environment of this country it is one of the most serious allegations and I hope some reply from him will come. And I hope that he will not be called upon to answer. I think, Mr. Arun Singh, Minister of State, will give adequate reply as to why this has happened. These allegations we have not made. These allegations have been made in an over and covert way by the ruling party Members. And therefore, we in the opposition have a right to ask for a clarification from the former Defence Minister.

PROF. MADHU DANDAVATE : I think, he will lose the membership of his party now.

SHRI S. JAIPAL REDDY : The only way to get freedom for Mr. V.P. Singh is to get expelled from the party.

PROF. MADHU DANDAVATE : In the House you could have done it.

[Translation]

SHRI NARESH CHANDRA CHATURVEDI (Kanpur) : Mr. Deputy Speaker, Sir, we have been discussing this question since yesterday pertaining to the Ministry of Defence. The opposition has said a number of things in this regard which have no basis at all.

When our colleague Shri Kurup used unsavoury language and termed the entire Government as a den of corruption and said that 'Alibaba and four hundred thie-

ves' are looting the country, I felt that our whole democratic system and all the Members of Parliament have been insulted. He should have been reprimanded at that very moment.

We raise a hue and cry on small matters but we do not say anything when some thing is said against the whole system and when something is said to malign the country. We have seen as to what has happened thereafter. Every opposition Member refers to the name of Vishwanath Pratap Singh while speaking on the deal in regard to the Ministry of Defence. Everyone from the opposition repeats his name as if Shri Vishwanath Pratap Singh has become a symbol of purity. When he was a Finance Minister, he was regarded as a exploiter of the whole country from the ruling party. But now when opposition has got an opportunity, though wrong, to criticize the Government, the opposition is giving him respect. Thereafter, Members of opposition have recited the name of Shri Vishwanath Pratap Singh more number of times than Lord Ram. Why don't you bother as to which Minister is holding a particular portfolio and which is not. If you have proof to allege that a particular person is a CIA agent, then we may be informed of his name. I recall when Shri Pilloo Mody was Member of this House, he entered the House with a tag round his neck, showing 'I am a CIA agent' and I would like to remind you one thing.....

[English]

PROF. MADHU DANDAVATE : Sir, he had a sense of humour whereas they have not.

[Translation]

SHRI NARESH CHANDRA CHATURVEDI : The opposition Members give long speeches on the basis of the press reports. But I am one of those who do not believe such person or agency which says wrong thing In this connection, I would like to refer to Shri Morarji Desai here. Some people said that he was a CIA agent, but I can say that he cannot indulge in such things and even today I can say

[Shri Naresh Chandra Chaturvedi]

this. But such things were published in the newspapers. Persons having personal enmity with him hold this view even today. But I do not agree with this allegation, although this was published in the newspapers.

Similarly, there was a Ramswaroop case. The names of a number of persons and some Members of the ruling party were referred in it. As many as two Ministers of the ruling party resigned on the basis of morality. The names of some opposition leaders were also mentioned in it, but even today they continue to be leaders of their respective parties. They talk of morality, then why do they not ask them to resign. But they did not do this. Of which morality you talk, Shri Chandrakarji and Shri K. P. Singh Devji had resigned..... (*Interruptions*)

[*English*]

MR. DEPUTY SPEAKER : If at all there is an allegation, I will expunge it...

(*Interruptions*)

[*Translation*]

PROF. MADHU DANDADVATE : I would like to say that when this case came to light, all the Members of this House including Rangaji had said with one voice that if some one gives report to discredit some one and the Minister is compelled to tender resignation, it is wrong. I am on record what I said about Shri Deo. I said that.

[*English*]

I do not challenge his integrity and it is very wrong to make an allegation against him.

[*Translation*]

SHRI NARESH CHANDRA CHATURVEDI : Mr. Deputy Speaker, Sir, I have not said this for Prof. Dandavate. I have said this in a general way. I have just quoted that Members of different parties here give sermons to the Congress Government. They also give

sermons to the Hon. Prime Minister even and sometimes, they say such things which are ridiculous. I would like to ask you one thing. Just now Shri Indrajit Gupta said a very good thing. He said that if Government officers or Government employees who have been in Government service for quite a long time should not be allowed after their retirement to join such private firms or agencies which may pose a danger to the security of the nation. A law should be passed to ban such employment after retirement. I would like to submit that not only such people, but the officers who have been holding higher posts in Government should not be allowed after their retirement to join communal parties or contest elections on the tickets of such parties. It is very unfortunate that some of our Members had been holding high posts in the armed forces or in the Government but now make speeches from the opposition benches and spread communalism in the country. Should I tell you that there are such members in this House as well as in the other House. I do not want to disclose their names. Of course, I must say one thing and I would like to submit that once he has made it absolutely clear in his statement about the deal that the former Defence Minister has issued orders regarding three enquiries which are still being conducted. After this statement, there should not have been any scope for any controversy. The Finance Ministry is doing its duty and the Defence Ministry is doing its duty. What should have been asked actually is if only a Minister could make any purchase for the Ministry of Defence? How does the corruption take place? When does it grow? When is a Government guilty? Does a Minister make a purchase directly? What is the objective in making a purchase by the Government? Who certifies and decides about the utility, requirements, rates, justification, standard and all such other things? We want a reply from the Minister to all such things and I hope the hon. Minister would definitely reply to all these things.

I would like to make one thing absolutely clear that certain elements are continuously indulging in such a propo-

ganda through the press, which is anti-national and would help to disintegrate the country. Unfortunately, standard of education is very low and there is not wide spread education among the people and as a result whatever is published in the newspapers is believed to be true by most of the people. Perhaps this is the reason that people pay their attention to publish many wrong things in the newspapers and some persons even pay the money to get such news published in the newspapers. I want that such things must be stopped.

The credibility of newspapers before independence in India was of very high order. At that time the aim of the journalists was to bring out the reality before the people. No body could question the credibility of the news published by Lokmanya Bal Gangadhar Tilak, Mahatma Gandhi, Paradkar and Shri Ganesh Shanker Vidyarthi. Some people think that same is true about the present newspapers also. They do not know as to what is being written and published by the capitalists having vested interests and the newspapers owned by them, because these capitalists know that people of the country could be misguided by the newspapers. I would like to submit that the member of the opposition should be careful about it and they should save the country from being disintegrated.

With these words, I express my thanks for giving me an opportunity to express my views.

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE RESEARCH AND DEVELOPMENT IN THE MINISTRY OF DEFENCE (SHRI ARUN SINGH): Mr Deputy-Speaker, Sir, a very large number of hon. Members had raised a number of questions.

SHRI AMAR ROYPRADHAN : (Cooch Behar) : Sir, I am not given a chance to speak.

MR. DEPUTY SPEAKER : I called your name. You were not

here. You are just now coming. Now, the hon. Minister is on his legs. Any way, you can ask him to clarify your points. I can allow that.

(Interruptions)

SHRI ARUN SINGH : Sir, a very large number of hon. Members had raised a number of questions. Before I go into those points and try to reply to them, I would like to express my gratitude to all for participating in this debate and for looking at this, as far as possible really as a non-partisan issue, but to study the concept of what is involved, what are we trying to do and where we are trying to do in this way and what could be the lacunae, that would be looked into. In order to attempt a reply, Sir, I would first like to set for myself a certain set of ground rules. In doing that I am not going to be able to deal with some of the specific points that the Members had raised. Sir, I had the honour and the privilege of working as the junior Minister to Shri V. P. Singh, when he was the Defence Minister. Neither personally nor in that capacity, do I consider it either meet or seemly for me to query the conduct, the bona fides or the mind that went into what he did. He was my superior officer, he was my superior Minister and I am not going to raise any question on that point. I will, therefore, deal only with the events as they actually took place. I have attempted in my statement to be as factually correct as is the truth. I have not attempted to conceal anything and I have not attempted to draw any inferences at all. The factual position that emerges, Sir, is that there are three enquiries or three evaluations of three studies that the then Defence Minister ordered into this area.

One arose out of a specific piece of information that came to his attention and that was in itself divided into two parts—one part be conducted by the Central Board of Direct Taxes looking at their area of jurisdiction and another part be conducted by the Directorate of Enforcement looking at their area Sir, one of the Members raised a very interesting point : what is an Indian agent. Quite frankly I am sorry I have no reply to

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that point because I also do not know what is an 'Indian agent'. The exact terminology that I have used is the exact terminology that came to us.

**SHRI INDRAJIT GUPTA :** Whether the difficulty is with the word 'agent' or with the word 'Indian'? That is what we don't understand.

**SHRI ARUN SINGH :** Shri Shabuddin, I think, said so. What is Indian? Is it Non-Resident Indian, foreign Indian, ex-Indian or what is it? I have avoided this reference. Therefore, these three enquiries have been ordered. One is the factual enquiry which is an actual piece of information, as I said, divided into two parts. In terms of his own directions—the directions of the then Defence Minister—he ordered that this enquiry be carried out by a stated set of authorities, that is, CBTD, the Central Board of Direct Taxes and the Directorate of Enforcement. These are his orders. I had faithfully, as Minister of State, complied with that order. I had through my orders ensured that the Department of Defence had communicated the information received by the Department to the Ministry of Finance for them to pass it on to those two bodies.

The second thing that he ordered was that the Economic Intelligence Bureau, also in the Ministry of Finance, should conduct a generalised investigation into the *modus operandi* of the agents that is, what are the agents why do they need it and what work they perform etc. Those orders I have faithfully complied with, and have again addressed the Ministry of Finance and asked them to carry that out. The third was an in-house investigation again into the *modus operandi* of agents and the repercussion thereof, and potential recommendations for changes of procedure within the Ministry. That has also been complied with. The Committee has been formed and proceedings are now under way. I would like to assure the Members, Sir, on my own part that I raised no queries

at all about the right of the then *Raksha Mantri* to order these inquiries. I raised a procedural point and that is that he as the *Raksha Mantri* could order the Defence inquiry, but could only recommend the inquiry to the Ministry of Finance because as per the rules of business, Sir, it is a technical point and as both sides of the House are aware, in the Defence Ministry I cannot order the Minister of Finance to do anything. But I can certainly give a strong recommendation. That is exactly what we have done. I have personally, as his Minister of State, faithfully complied with all these orders. His orders to me I have complied with. I assure the Members that it would be my personal endeavour and the endeavour of the Government to pursue all these three lines to their logical and ultimate conclusion.

**SHRI INDRAJIT GUPTA :** What else can you do?

**SHRI ARUN SINGH :** I could have done it. (*Interruption*). You say, 'what else can you do?' I could have done it.

Having stated that so far as the particular set of facts is concerned, I would like to go into the basic concept because this is being questioned very effectively by Members on both sides of the House as to when Defence buys something, the Department of Defence goes out and purchases something, is it possible it is conceivable, for example, that I as the Minister of State in the Ministry of Defence wander round some parts of the world, take a look at some guns and say, 'Right, I want twenty of these, I will have to buy' them. Can any other person do this? Can a Prime Minister do it, for example? What are the procedures, what is the control, how do we manage the processes of acquisition? I would, therefore, like to crave your indulgence, Sir, and through you the indulgence of the House to take a little time to explain how this is done because I feel that we are justifiably proud of the processes that we have evolved. I do not want to make it long-drawn, I be-

lieve that what I am going to say... (Interruptions). I know better, I happened to hear him.

Sir, I would divide this into two parts. I will start with technical evaluation because some of these questions, some of my instances will deal with some of the questions that had been raised by Members on both sides. Sir, the first problem is: How do you modernise the weapons system or a platform or a sensor? How do you modernise it? Do you wait, see what is available in the world, and then come out and buy it? Or do you attempt to anticipate what do you think you are going to require in terms of technical quality, in terms of specifications? I can quote an example. We are in the process at the moment of working on the prototype of the Main Battle Tank 'Arjun'. But the Army Headquarters is in the process of studying its successor: What will be the tank, for example, of the year 2005, which will succeed the Main Battle Tank? Concepts have to be worked out and the first step in any technical process is the creation of those concepts. Then, this is not something which happens only with us. This is a fairly common procedure for all the major Armed Forces or Defence Services. There are postulated technical requirements. These also take into account what else could be happening around, what are our neighbours working on, what kind of equipment will they be receiving '5 years from now, 20 years from now. What technological development is taking place? From this conceptual analysis, a set of parameters emerges which identified all the technical and operational requirements of a proposed system. The system could be a platform could be a weapon, could be a sensor or it could be an integration of all the three. In general parlance, this defined set of parameters is called the general staff requirements. To be more technical, the Army is called Army Staff requirements, Airforce is called Airforces Staff Requirements, Navy is called the Naval Staff Requirements. But I will define it in the generic term, the General Staff Requirements (GSR). Having defined in a very specific term, the General Staff

Requirement, it is the standard that you are getting as to what you are going to get.

The first step in the process of our acquisition is to evaluate whether there is: (a) any indigenous source which can match or (b) any non-convertible rupee source. In the event that neither (a), nor (b) are available, a search commences in the free furnished sales. This search is done in three ways, combination of three. That is, published literature to which Mr. Shahbuddin referred to which is often different from the supplier's literature. It is because the supplier could be making claims for his own product which a more authentic, a more detailed examination" by another publisher might throw some doubts on some of the claims made by the supplier. So, there are published literature, suppliers literature and information collected from our own embassies abroad. We then go through a process where a paper evaluation based on all these sources of information including the information in the minds of people, including the know-how, all these bits of information pooled together are evaluated in paper terms against that GSR, General Staff Requirement. In the format, in that paper evaluation, automatically, certain products will get excluded straight-away. They do not come anywhere near; they are not comparable; they do not match the GSR. For the rest, the process then has to go further more. It is because, it is not possible only to deal with the paper processes. And then come, just trial evaluation processes. Trial evaluation processes are basically hands on processes. You physically put your hands on the equipment and you look that equipment in very crude and general terms, in two ways. The operational capability of the equipment, is one way. Let us take a gun, Sir. How does it work? What is the rate of speed of fire of the gun? What is the range, what is the accuracy? That is, the one type of evaluation.

Another type of evaluation is the maintainability. What is the spare support? What kinds of spares will be available indigenously? How much will

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have to be paid to accompany the weapon system, when you first buy the weapon system; how much you can bank upon stocking; how much you can bank upon during long leave time and so on. In this process of trial evaluation, it is again divided into two parts. Some trial evaluation is done in the supplier's country. Some trial evaluation is done here. In this process of trial evaluation, basically two types of people are involved. One is the Armed Forces Personnel themselves i.e. concerned services—for Naval equipment, the Navy, army equipment, the Army and the airforce equipment, the Airforce. Sometimes you have two Services or more dealing with one piece of equipment, for example, take helicopter, as somebody mentioned, where all the three will be evaluating together and in addition to that, Indian scientists and technologists will be involved. Once this,

15 00 hrs.

hand to hand evaluation process is over, a series of trial reports are submitted to the concerned Service Headquarters. These trial reports, sometimes for one type of equipment, you may have eight trial reports. For example, you have a piece of equipment which is tested here in India. You may test it in Barmer in summer. You may test it in Jammu in winter. You may test it in Punjab during the monsoons and so on and all these reports are cumulated together. Trial teams may be separate. They will not be the same set of people in Barmer and Jammu. Trial reports are sent to the concerned Headquarters. At the end of that exercise, the concerned Headquarters will amalgamate the trial reports for each supplier for each piece of equipment, from each source, into an over-all compilation because, for example, you are not only interested in knowing how well that gun performed in Babina. You may very well like to know how it performed in Barmer at the LGM temperature of 50 degrees centigrade and, at the same time, how did it perform in Jammu or in Srinagar with LGM temperature of minus 10 degrees centigrade. So, you will never get one set of answers. No equipment in the world is that perfect

that everything will perform equally in all circumstances at all times.

You want to know how a set of tyres or a set of wheels or an engine perform in the desert at 50 degrees centigrade. How it performed in the swamps, in the marshy lands, at normal LGM temperatures and how it performed climbing hills at minus 20 degrees centigrade. You will get a whole series of data. Those are accumulated and summed up together and then that summation is checked against or evaluated against the original general staff requirement. That process of marrying the trial evaluation data with the general staff requirement is the Headquarters Evaluation. At the end of that process and, sometimes when they are not satisfied, they demand another set of trial. We would like this to be duplicated to be repeated. At the end of that, the Headquarters will do two things. They will divide all the equipment into two parts. Part one, not acceptable technically. Part two, acceptable technically. The assurance that I want to give the House Mr. Goswami referred to it—in relation to the statement I made yesterday—that that equipment defined as not acceptable technically, is no longer under consideration. There can be no financial negotiations, no commercial negotiation, for equipment not acceptable technically.

All processes thereafter start with equipment acceptable technically. In the normal course, as a principle, it is our effort always to have at least two pieces of equipment acceptable technically. There are instances, there have been and there will always be instances, where this will not be possible. You may end up only with one supplier. But, in the normal course, there will be two or more. I will give the reason for that. Once the acceptable technically short list comes, then a process begins, which is techno-commercial process and then questionnaire is sent out by the Department of Defence which are called requests for proposals to each supplier, a request for proposals is sent. The request for proposals is a detailed questionnaire covering two things, technical specifications and secondly, all commercial specifications. Because reconfirma-

tion is required that the sample submitted for trial purposes, technical specifications thereof, have to be the technical specifications of the actual product itself also. Another technical specification of each supplier is demanded. These are received and again scrutinised by the same headquarters in relation to trial evaluation results and the general staff requirements. In this process of examining the technical specifications submitted under the request for proposals, again scientists and technologists are involved along with the services personnel. Once the services headquarters certify that the request for proposal questionnaire and the equipment so proposed to be offered which met the original technical acceptance trial can now be negotiated further, the commercial processes start. And the commercial questionnaire answers which came along with the technical questionnaire answers are opened. Till that point of time the answers themselves are not even opened. Because if the headquarters says that this particular equipment as now specified, no longer meets our original specifications and our requirements, it is returned.

Now I will come to the commercial negotiations processes. Once, as I said, the headquarters certify that the request for proposals answers are acceptable, commercial offer package is opened to individual is entitled to open this package. In every case, big or small, the price negotiating committee is formed. These offers can only be opened by the price negotiating committee. It is mandatory that the price negotiating committee will have a mandatory three members—a representative of the Department of Defence, a representative of Finance and a representative of the User. It is mandatory and in the normal course some others are usually involved. I will give you examples. Department of Defence Research and Development Inspection Organisation we have an independent organisation under the Director General of Inspection—the Ministry of Law; in cases where licences manufacturers are involved or where technology transfer has to take place, Department of Defence Production; in cases where electronic goods are involved and transfer of technology is involved, Department of Electronics. So, the

minimum membership mandatory is three. It could be 8, 9, or 15. I think in one case, I don't exactly have the details, it even has gone upto 19 or 20.

The level at which this price negotiating committee is headed depends on the function and size of the business proposed to be entered into. Therefore, it goes upto the level of a Secretary to the Government of India. The price negotiating committee sits individually with each supplier as often as is necessary.

Now we are entering into the real bargaining processes. At the end of this entire process, and as I said, I go back to what I said earlier, the effort is to have more than one supplier always because the effort really is to play one supplier against the other. In the normal course it is 'yes'. There are occasions when it is 'no'. But in the normal course the effort is to play one against another. We in the Ministry quote the example of Sabzi Mandi. We tell each other that this is like a Sabzi Mandi now, what is your price for cauliflower because it is purely a commercial negotiation.

At the end of all that process we come to the recommendation of the price negotiating committee to the Government of India. In this process, as a further cross check is required as per the rules of business, the Cabinet, through its Cabinet Committee on Political Affairs, depending on the level of the transaction, complex and rules, is involved in certain size of the transactions at two points—one before any price negotiation process had started and two in the event of any escalation taking place beyond the original sanction.

Now coming to the question of the involvement of agents I have already mentioned in my statement. I am sorry the wording did not satisfy Mr. Goswami. I am attempting to make clarification. Department of Defence does not deal with-non governmental agents or foreign suppliers in any commercial negotiation. How do we do this? This goes back to what raised earlier by Mr. Indrajit Gupta

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as to what are the procedures in force in the Ministry and when it was brought into force and so on. The procedures were brought into force in 1980 and regularly thereafter controls have been tightened - 1980-81 and then 1985-86. The idea is to ensure that no supplier is ever left in doubt. As far as Government of India is concerned we do not recognise the right even of a supplier to have an agent in relation to a commercial negotiation. This is unilateral. It is not necessarily legal. But it is a statement of policy. We do not let any supplier or agent remain in the dark that we unilaterally as buyers—because of the economic power we have as a buyer—do not accept the right of the supplier to have an agent in a commercial process. In order to make absolutely certain that this is communicated we say this specifically to the supplier when the price negotiating committee meets the supplier. The first time they meet when the document is opened they are told: Please remember Government of India's policy is unequivocally clear. You are not entitled to pay an agent any commission or fee for this contract. There have been—I will not go into details. On this matter you have to take my word for it—cases where the suppliers said, "Yes. Okay. I am clear. There is an agent." Next question follows in that case. What is his commission or fee or whatever you want to call it? In some cases we were told that it is 2 per cent. It is recorded on the spot and the supplier is told on the spot that you have one or two options. Reduce your price now by that 2 per cent irrespective of what may transpire in future negotiations or leave and the supplier reduces that. So the first position is made clear in the price negotiations committee. In spite of that—and here we have a case in point—*post facto* there have been instances where we have got to know, and the sources may be like the ones which we are talking about during today's motion or there could be any other source, that 'X', 'Y' or 'Z' has paid a commission. Sometimes quantity is known. In every such case till date exactly, this procedure has been followed. The Department of Defence writes to the Ministry of Finance drawing their attention to the fact that

this information has come to us. These are the parties said to have been involved. You as the Ministry of Finance through your Directorate of Enforcement, your Economic Intelligence Bureau and the like may proceed to carry out investigation into the matter in every case. I will not be making any secret of the fact that I have personally referred such cases. There are not many. Let me be very clear about that.

SHRI INDRAJIT GUPTA : Was there Cabinet sanction every time ?

SHRI ARUN SINGH : I will come to this. I am not a Cabinet Minister and I cannot speak as a Cabinet Minister but I believe that this is purely an administrative action. Then Defence Minister, on an administrative action in pursuance of earlier policy and following precedents set before, has every right to direct on file that his Minister must act as per his direction. He has every right to do so *..(Interruptions)..* I am raising a different point. You are raising a different point. The point, I think, you are discussing is the point I will cover later if you bear with me.

So, I want to assure the Members of this House and through the Members the people of the country. I have attempted to show you in a rather generalised way. I am not an expert myself. I hope you will bear with me. There is a technical evaluation process. There is a price evaluation process and there is a method in which we try and make every effort to ensure that agents do not enter into commercial negotiations. Therefore, all this as per the rules of business is the business of this Ministry and the business of this Ministry is the business of the Minister.

The question that has been sought to be raised about the business of Cabinet approval has nothing to do with this. I will come to that next. That question has something to do with the very effect of this debate. Perhaps one of the honourable Members on the other side of the House very correctly said that this is probably the first ever debate when we are talking about the weapons and

equipment, where queries have been posed and questions have been raised on the honour, integrity, patriotism of Ministers, of Secretaries, of Service officers. I personally as a Minister of State in this Ministry—the effect of which I am exceeding now—I consider this to be a tragedy because I feel that whether you are on that side of the House or this side of the House, is a part of the democracy. But neither that side of the House nor this side of the house should be questioned for that patriotism. However, that is life. I am sorry; let me be very clear. I have been told that I, as a Minister of State, had a role to play in the Bofars deal. You were saying no questions have been raised.

**SHRI V. SOBHANADREESWARA RAO :** No, it is not a question of patriotism.

*(Interruptions)*

**SHRI ARUN SINGH :** Let me deal with that. You have already indirectly suggested that I as a Minister of State would deliberately put my signature—which is the signature of the Minister of State—to a decision in which either I am not satisfied or I am not competent or I am a crook. If I am not competent, that is a different matter. If I am not satisfied or if I am a crook, I am not a patriot. Patriotism has been questioned. Let me be very clear about that.

*(Interruptions)*

**MR. DEPUTY SPEAKER :** Let him finish.

**SHRI V. SOBHANADREESWARA RAO (Vijayawada) :** I have not questioned his patriotism.

**SHRI ARUN SINGH :** I apologize to you; I am not accusing you.

**SHRI V. SOBHANADREESWARA RAO :** I did not question your patriotism. I only brought to your notice that as far back as 25th May, 1986 serious doubts were expressed regarding this deal in the Economic Times. The Minister can give clarifications or contradict it.

*(Interruptions)*

**SHRI ARUN SINGH :** Let me merely say that if you question my competence, let us leave at that. I do not wish to be rude to anybody. I am not trying to have any confrontation in this discussion. I believe it is of a grave national importance.

Let me say that it is somewhat tragic that we are discussing this subject like this. Many hon. Members have rightly referred to the expenditure of Rs. 12500 crores and the Defence Grants coming up for discussion this week or the next week. It is somewhat tragic that much of the debate that we should have been having under Grants for the Defence Ministry has actually taken place on the floor of the House today.

**SHRI INDRAJIT GUPTA :** What is tragic about it ?

**SHRI ARUN SINGH :** In the sense that it emerges out of a strange scenario.

I will now come to the question that you really posed. There is no need for a Minister in this case to refer it to anybody for action, but why make it public, why give it publicity ? I ask that question for one reason. I would not be doing my job as a Minister if I did not give publicity to the fact, if I found personally, as an individual, that either a colleague of mine, or a subordinate or a superior or the lot put together were not doing something in relation to something that I wanted to have done in terms of their bonafides. But here we have a situation where a note has been recorded on a file as a decision. It has not been passed on to anybody, it is with the same individual, recorded as a decision. It is not actionable; it has not gone to anybody and publicity is given at that time. I can understand that if for example the Minister has directed me to do these things and I refused. Let us take that. All right. Therefore, I am not debating either his bonafides nor am I debating the question of his rights. I only say that I consider it somewhat tragic that it had to come out in this way. That is all.

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I will tell you what else I want to say...*(Interruptions)*. I raised this point for one reason. If this was the first ever such incident and if never before had any such thing happen and if, therefore, I doubted that anything would be done, then I might in my conscience, as a citizen and as a patriot and as one who has taken an oath, may take the decision to go public. But if I know that cases have come before they have been referred, they have been actioned and people are in prison, then I did not have that right.

SHRI S JAIPAL REDDY : We do not know, Mr Minister.

*(Interruptions)*

SHRI ARUN SINGH : I am not yielding.

MR. DEPUTY SPEAKER : Order, please. Why are you agitated? He has not yet finished. Let him finish. If any clarification is required at that time, you can put that. Why interrupt now? If you go on interfering like this, he cannot reply. Let him finish. Only five minutes are there. If time permits, you can ask for clarifications. Please sit down.

Let him finish. No interference.

*(Interruptions)*

MR. DEPUTY SPEAKER : So, you are not interested in getting a reply, that is what I can gather.

SHRI ARUN SINGH : Let me tell you, I am still standing here.

*(Interruptions)*

MR. DEPUTY SPEAKER : Let him finish. You can take note of whatever question you want to put and you can ask after the Minister finishes, I have no objection but no interference.

SHRI ARUN SINGH : You keep posing the questions. But what is the point? I am here and I am not able to continue.

MR. DEPUTY SPEAKER : I request Members to listen first : afterwards they can put questions.

SHRI ARUN SINGH : I am not talking of any internal trouble. I am telling you a simple fact, this is a fact: I want to make one more point, because my time is coming to an end. *(Interruptions)* You will not that I did not interrupt any of you, any time, but you are not equally fair to me. However, why is this business secret? What is the secret? After all these are very simple matters. I will explain to you why. I will try to explain you why is the matter secret.

There are two basic points which I would like to submit to the Hon. Members. The first point I would like to submit to Hon. Member is secrecy of technical specification. Questions have been raised about the submarine just now. For example, secrecy of technical specification, why? I give you an example. There is a very fine set of published literature on all kinds of weapons and equipment. You can probably get some information of some type about any weapon system available, certainly from free foreign exchange resources. There is no speculative write-ups about weapons and equipment available from the Soviets. The factual position is that all the published literature is normally lacking in accuracy. You will never get enough from that to know exactly what that equipment can do, also you will never get enough from that to know how you can damage that equipment. But if you... *(Interruptions)* The essential parameters of technical equipment are not known, normally, to anybody but its users. That is the point I am trying to emphasize. Only the user actually knows the essential parameters.

AN HON. MEMBER : If he uses...  
*(Interruptions)*

SHRI ARUN SINGH : Yes, you are absolutely right and I doubt very much whether the Indian Army knows anything near as much about, for example, Mirage-2000 fighters: I doubt whether

even the French Air Force knows as much as the Indian Air Force knows about the Mirage-2000 fighters in India. That is why technical specification is so important, because once you release in public technical specification of your own users, you are exposing that equipment in totality.

MR. DEPUTY SPEAKER : Minister, how much more time do you require ?

SHRI ARUN SINGH : I will take another 5 or 10 minutes. I will come to the other aspect.

MR. DEPUTY SPEAKER : I think the Members will accept it and we can extend the time for the Private Members' business afterwards. I want to get the permission of the House because Private Members' Business is to follow. I hope the House accepts.

SEVERAL HON. MEMBERS : Yes. We accept.

SHRI ARUN SINGH : I will come to another aspect of secrecy—secrecy of a totally different order. Secrecy with regard to technical specifications that I have postulated is a fundamental requirement to national security. I cannot claim the same about the secrecy of prices or commercial concept. Here I would like to draw the attention of the hon. House to another type of secrecy.

We are never the sole buyers of equipment from foreign sources. Never. Whether we buy in non-convertible rupee or we buy in free foreign exchange, we are never the sole buyers. In other words, all our suppliers—government and non-governmental—have many buyers. It is accepted to be basic ethics that we do not go public on the exact/specific commercial concepts of any such purchase. And the reason for that is two-fold. It is different for governmental supplies and different for non-governmental suppliers. For governmental suppliers, where we are purchasing from a Government, it could be exceedingly

embarrassing to that Government who could be selling the same equipment to another government at a different price. We may be buying something at Rs. 100 and another country may be buying the same for Rs. 125. If we go public and say hundred rupees, hundred rupees, the other chap who has to buy it at Rs. 125 is going to have strong words to say to the originating government.

In so far as the non-governmental suppliers are concerned, exactly the same logic obtains, but in a different way. They may be selling to ten customers and what would happen, supposing we went public ? I will give you what I think would happen. I may be wrong. We would become the top end benchmark country. All prices given to us would automatically be the highest prices possible because every other country in the world, who does not go public on any of these matters, would demand a lower price than the price paid by us. If we want to become the top end benchmark country, then I have no objection to going public and all that. There is no national security involved. But there is a national commercial interest involved.

AN HON. MEMBER : It can happen otherwise too.

SHRI ARUN SINGH : Yes. It can be, if everybody goes public. But since everybody is not going to be public, you will not be able to compel them and nor will I. In the circumstances, my own assessment is that we will become the top end benchmark country.

The third point that I want to come to is about the specific discussion which we are having. I am being asked today by various members to give all the details, to confirm that this is so and so contract, so and so agent, so and so supplier, so and so this and so and so that.

As I stated in my original statement, I am in no position to do that. I am in no position to confirm anything to do with this so called telex message or tele-

[Shri Arun Singh]

gram that has been received. The reason is very simple. The reason is, not that I want to cover up. The reason is that this is information, which under any circumstances, anybody would treat as privileged and secret information. It has originated from a foreign government. And until such time as the foreign government concurs in the release of that information publicly, it is totally unethical to do so. Not only is it unethical, but it would severely imperil the release of any information of a confidential nature by any foreign government to this country. Therefore, it is imperative that the concurrence of the foreign government is taken. In so far as the concept of agent is concerned...

*(Interruptions)* Don't interrupt. The foreign Government has not given this information publicly. Please understand that *(Interruptions)* Mr. Dandavate knows what I am saying. They have given it to the Indian Government's authorised representative there, who could be more privileged there. Please be sensible. *(Interruptions)*

MR. DEPUTY SPEAKER : What do you want, Sir ?

SHRI AMAL DATTA (Diamond Harbour) : You convince us that the foreign Government's concurrence was necessary which must be contingent on the fact that the foreign Government gave the information as a secret and confidential information. So tell us about that. How ?

SHRI ARUN SINGH : I will give you that. What would be the secret information for foreign Government is, in a case, if it summons the authorised representative of another Government. The authorised representative of another Government may be a known man to an office, gives him certain information which is conveyed in a message in cipher marked secret. *(Interruptions)*

I am in no position to tell you whether the foreign Government said that this should be conveyed to the

Press or not. It is unethical to ask them that is what I said.

*(Interruptions)*

SHRI DINESH GOSWAMI (Guwahati) : I want to ask you one point. While all these things are secret, at least this House has a right to know that those persons who were guilty of not going according to your directions and the rules, at least we should know who were the persons, who were found guilty and what punishments were given and what were their offences ?

SHRI ARUN SINGH : I will come back to this point in one minute. One thing I would like to say here categorically, because questions have been raised on this subject, as Mr. Shahabuddin has done a very good job on that. No name was given to us and no identification of this so-called agent. We have no knowledge—no authentic knowledge—at all as to who the agent was. Not because I am sure, some and all of you will appreciate that it is not possible for us to take cognizance of rumour. Therefore logically speaking, the then R.M.'s directive is entirely logical. He has said that we must find out and I submit to you that is exactly what they are going to do.

SHRI SYED SHAHABUDDIN : It will take 24 hours to get a reply from the Government. *(Interruptions)*

SHRI ARUN SINGH : I will come finally to one part of my reply.

SHRI INDRAJIT GUPTA : On Government to Government level keeping strict confidence, our Government can seek the information from that Government which gave that information, you will get to know who the agent was. What is the difficulty about it ?

SHRI ARUN SINGH : One point I would like to make very categorically I am not at this point of time in any position to reveal the country, the contract or the product. Therefore all these imputations that are being made, both in

this House and publicly in our Press that this concerns a particular transaction from a particular country, from a particular Government and those suppliers are involve—I am neither in a position to deny this nor am I in a position to confirm this.

SHRI S. JAIPAL REDDY : This is an excellent reply. We all agree.

PROF. MADHU DANDAVATE : This is consistent with the Principles of non-alignment. (*Interruptions*)

SHRI VASANT SATHE : Not genuine.

SHRI ARUN SINGH : I would like to make certain submissions about a specific weapon system. (*Interruptions*) Some part of today's discussion, in my assessment has tragic overtones. I am not talking of the motion under 193 and all that.

SHRI VASANT SATHE : And the cap can fit on any head.

SHRI ARUN SINGH : Today we are discussing a motion under 193 in respect of an agent's commission information. I will deal with a separate subject now because I have done as far as I could to reply to your specific question. But I will have to deal with a separate subject. I would have preferred not to do it. There would be an appropriate occasion three days from now, four days from now during the discussion on the Demands for Grants. But since a question has been raised, I thought I would reply to that. We have a week-end coming up-three days off. Some very basic comments have been made. I will try to deal with those. This concerns the purchase by India of type 1500 sub-surface to sub-surface submarines from West German sources. Some of the specific questions raised were how many were to come to us and when will they come. Two were to come to us. Both are here. The second question was how many of our comparable types are available to other countries. Nine countries are involved.

30 such submarines have been supplied. The question was like this. I am not sure whether this is parliamentary or not. My knowledge and experience is not good enough. I think I am phrasing the question correctly in specific terms. I hope Mr. Shahatuddin will correct me if I am wrong. Did government have not dealt with Hinduja submarines from 1980? Is it a correct question? The answer to that question is, no, Sir. The next question was asked : was there any penalty clause incorporated in the contract. The answer to that question is, yes. Was there any escalation clause contained in the contract also? The answer to that question is, yes, Sir. (*Interruptions*) Two submarines were contracted for delivery. Both are in service in the Indian Navy.

SHRI SYED SHAHABUDDIN : How many more were to come?

SHRI ARUN SINGH : None.

SHRI S. JAIPAL REDDY : Because of the commission which cannot be paid.

SHRI ARUN SINGH : Mr. Indrajit Gupta has pointed out rightly that it is the duty of the government to confirm or contradict the press report.

I would like to very categorically state that in the opinion of the Indian Navy—it is not my opinion—which is an expert technical opinion the type of 150 Class submarine 209 is probably one of the best submarines available in the world today.

SHRI INDRAJIT GUPTA : On paper or after using?

SHRI ARUN SINGH : Actually. And in fact if you will recall only a few weeks or months ago, it was, when the first submarine of this class came to India, the then Raksha Mantri went to Bombay to welcome it.

SHRI INDRAJIT GUPTA : The torpedoes are working all right.

SHRI ARUN SINGH : Yes.

SHRI VASANT SATHE : Your torpedoes are also working all right.

SHRI DINESH GOSWAMI : We have been told that whoever has so far touched these submarines right from the Defence Minister had suffered.

THE MINISTER OF WATER RESOURCES (SHRI B SHANKARANAND) : The Minister of Defence has not missed the target.

SHRI ARUN SINGH : There are questions that have been raised.

I now come to the "tragic" part, if I may cut it that way. You see, we have men serving in these submarines. There is crew. Tomorrow—God forbid—you may demand that they go to war. In this House we, for purely political purposes, have raised questions which did not demand to be raised, about the capability of that system and the men and whom you are going to ask to go to war, are going to ask, that same question and I assure that that is correct.

(Interruptions)

AN. HON. MEMBER : We do not say that.

SHRI BASUDEB ACHARIA : We have asked this question.

SHRI S. JAIPAL REDDY : We did not expect this from Mr. Arun Singh, of all the people. We thought he is a more rational creature.

SHRI BASUDEB ACHARIA : You are no better

PROF. MADHU DANDAVATE : Let him not divide the House on patriotism.

SHRI ARUN SINGH : I am not dividing. I am not saying it. (Interruptions)

I would be giving a totally false impression otherwise. I am not speaking as a

Minister, but personally I think I can tell you, Prof. Dandavate, that if I were to tell you of patriotism. (Interruptions)

SHRI AMAL DATTA : As a Minister you know that you know best.

SHRI ARUN SINGH : I am not in a position to know best. I certainly know more about submarines than you.

SHRI AMAL DATTA : If any information about submarines is needed, you know. Wonderful.

SHRI S. JAIPAL REDDY : We do not question your patriotism.

(Interruptions)

SHRI ARUN SINGH : I now come to the point. I think I have successfully bored everybody.

SHRI DINESH GOSWAMI : You have not replied to the question that you have assured me.

MR. DEPUTY SPEAKER : He is going to reply now.

SHRI DINESH GOSWAMI : I asked about the persons, how many persons have been punished and what was the inquiry and you assured us.

SHRI ARUN SINGH : My apologies to Mr. Goswami. I am not in a position at this point of time to give a specific answer. You have my personal assurance. I will specifically convey it to you.

SHRI DINESH GOSWAMI : Convey it in the House.

SHRI ARUN SINGH : It will in any case be treated as an assurance. But I will convey it to you. I cannot pull it out now. I will give you.

SHRI DINESH GOSWAMI : All right.

**SHRI ARUN SINGH :** I think I have bored everybody now.

**SHRI INDRAJIT GUPTA :** The employment of retired Defence officers in such firms from which we are purchasing defence equipment—I had asked you.

**SHRI ARUN SINGH :** I am coming to the last bit, which concerns suggestions that Members have made. There is a suggestion which hon'ble Shri Indrajit Gupta has referred to about the retired officers. We have a system, it may not be good enough. It may require further improvement. As of now for two years after retirement no such employment is possible. But it is a suggestion which we will certainly examine.

Similarly, there are suggestions for examination by Parliament. In my view, I would submit with perfect humility, that this is totally an immature thought immature in time.

**AN HON. MEMBER :** Pre-mature.

**SHRI ARUN SINGH :** Yes, pre-mature.. Please correct that. I was doing a little bit of self-introspection.

**THE MINISTER OF ENERGY (SHRI VASANT SATHE) :** No reflection on Amal Datta'.

**SHRI AMAL DATTA :** He has already admitted it.

**SHRI ARUN SINGH :** Yes, I admit. I was doing self-introspection I admit. *(Interruptions)* I said pre-mature because as of now I would urge the House to allow the inquiry as directed by the then Raksha Mantri to proceed.....*(Interruptions)* I also assure the House that we will ensure that these inquiries will proceed.

I thank you very much for giving me this very lengthy opportunity and time.

*(Interruptions)*

**SHRI CHANDRA PRATAP NARAIN SINGH :** I want a clarification; it has not been made clear. The Minister

had assured that he would tell us when this contract was finalised and when agents were banned from entering the Defence Ministry? *(Interruptions)*

**AN HON. MEMBER :** 1980.

**MR. DEPUTY SPEAKER :** Now we take up further discussion on the following Resolution moved by Shri Bhattam Sri-rama Murthi on the 28th November, 1986. Now Mr. Namgyal—not here. Shri Shantaram Naik—not here. Shri Basavaraja...  
*(Interruptions)*

**SHRI BASUDEB ACHARIA :** Why is he not agreeing to a parliamentary committee?

**SHRI S. JAIPAL REDDY :** Can the Members of Parliament not be taken into confidence in regard to some secrets?

*(Interruptions)*

**SHRI BHAGWAT JHA AZAD :** He has taken the House into confidence.....

*(Interruptions)*

**SHRI S. JAIPAL REDDY :** Mr. Deputy Speaker, Sir, you call the House to order.

**MR. DEPUTY SPEAKER :** All are shouting. What can I do? Please order, please order, please order...*(Interruptions)* Shri Basavaraju.

**SHRI BASUDEB ACHARIA :** He has not answered many of the questions. It is very unfortunate...*(Interruptions)*

**SHRI V. SOBHANADREESWARA RAO :** He has answered only the general questions. How these agents could get kick back? Kindly enlighten us....  
*(Interruptions)*

**SHRI BASUDEB ACHARIA :** And about the escalation clause he has not answered.....*(Interruptions)*

**MR. DEPUTY SPEAKER :** You take your seats first.....*(Interruptions)*

SHRI S. JAIPAL REDDY : Where is the Minister, Sir ?

MR. DEPUTY SPEAKER ; He is here.

SHRI S. JAIPAL REDDY : You have run back, O.K.

MR. DEPUTY SPEAKER : This shouting, agitating I cannot understand...

*(Interruptions)*

SHRI BASUDEB ACHARIA : Why don't you agree to form a Parliamentary Committee ?

MR. DEPUTY SPEAKER : That he is not accepting.....*(Interruptions)*

SHRI S. JAIPAL REDDY : He has not stated the reasons why the Government does not deem fit to agree to our demand for a Parliamentary probe. He has not even referred to it.....

*(Interruptions)*

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRIMATI SHEILA DIKSHIT) : Sir, may I remind the hon. Members that the House has already gone on to the next item.

SHRI S. JAIPAL REDDY : Mr. Guptaji asked as to why the parliamentary probe cannot be ordered into the manner in which the agent... *(Interruptions)*

MR. DEPUTY SPEAKER : Next item now.....*(Interruptions)*

SHRI BASUDEB ACHARIA : We demand that a Parliamentary Committee should probe into such a big scandal.....

*(Interruptions)*

MR. DEPUTY SPEAKER : What is happening ? You want to know about the probe by a Parliamentary Committee.....

*(Interruptions)*

MR. DEPUTY SPEAKER : Now we

will go to the next item. He is not yielding. I cannot compel him.....

*(Interruptions)*

MR. DEPUTY SPEAKER Order : please. Shri Kadambur Janarthanan.....

*(Interruptions)*

SHRI BASUDEB ACHARIA : We are walking out.....*(Interruptions)*

*At this stage Shri Basudeb Acharia and some other hon. Members left the House.*

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15.57 hrs.

RESOLUTION RE : ECONOMIC POLICIES—*Contd.*

*[English]*

SHRI KADAMBUR JANARTHANAN (Tirunelveli) : Mr. Deputy Speaker, Sir, I like to speak on the hon. Member, Shri Bhattam Srirama Murthy's Resolution on the economic situation of India today.

The Sixth Five-Year Plan had been formulated after taking into account the achievements and shortcomings of the past three decades of planning. Removal of poverty has been the foremost objective of the plan even though it was recognised that the task of this magnitude could not be accomplished in a short period of five years. After that we are now in the middle of the Seventh Five-Year Plan. The Seventh Five Year plan's critical macro-targets are : (i) increasing the GDP—Gross Domestic Produce—in real terms by 28 per cent; (ii) increasing the aggregate real consumption by 27 per cent; (iii) increase in the standard-year employment by 21 per cent in the context of an increase in labour force by 14 per cent; (iv) reducing proportion of people living below the poverty line from 37 per cent in 1984-85 to 26 per cent by 1989-90. On all these four macro-targets of the Seventh Five Year Plan, we are in the midway, even after spending about 63 per cent of the planned target of the Centre. What is the effect of these macro-targets on the common man today ? Our target of reducing the percentage of people below the poverty line from 37 per cent to 26 per