

will be sanctioned with effect from 1-10-1986.

- d) These remunerations will be subject to revision as and when remuneration of other relevant Government servants are revised including revision made in the Fourth Pay Commission recommendations.
- e) The JDF and Associations of other Central Medical institutions request the Government to consider the sanction of emoluments of specialists to Senior Residents.
- f) The JDF requests the Government to consider the period of Residency Scheme for purpose of pension, retirement benefits, sanction of advance increments in lieu of the Residency service and relaxation of age limit to the extent of Residency Service.
- g) There will not be any victimisation of all those who participated in the strike. Those who had been suspended/whose services have been terminated on account of strike will be reinstated. If any criminal cases are pending against them on account of strike, they will be withdrawn.
- h) The strike period will be condoned with the concurrence of MCI and concerned Universities for academic purposes.

In view of the above, the JDF and associations of other central medical institutions have decided to call off the strike and join duty immediately.

Sd/-P.P. Chauhan/13th
Nov., 1986, Joint
Secretary Ministry of
Health & FW Govern-
ment of India

Sd/-

(Dr. Lokesh Kumar)/
13th Nov., 1986
Convenor, J.D.F.

DR. KRUPASINDHU BHOI
(Sambalpur) : I must congratulate you,
Prime Minister, Health Minister and

Finance Minister because they have resolved the crisis of Junior Resident Doctors who were on strike.

12.08 hrs.

CALLING ATTENTION TO MATTER
OF URGENT PUBLIC IMPORTANCE

[English]

Reported sharp increase in clandestine
deposits made by Indians in foreign
banks

SHRI MOHD. MAHFOOZ ALI KHAN
(Etah) : I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon :

'The situation arising out of the reported sharp increase in the clandestine deposits made by Indians in foreign banks and the steps taken by the Government in the matter.'

THE MINISTER OF FINANCE (SHRI VISHWANATH PRATAP SINGH) : The subject of the Calling Attention Motion today is an extremely important one for the economic health of our country. Of all the economic crimes committed against the nation, illegal siphoning of foreign exchange is probably the most serious, as it weakens the country, undermines our efforts at self-reliance and reduces our ability to cope with external problems.

As the House is aware, recently certain reports have appeared referring to a study made by a staff member of the IMF on non-resident bank deposits and fiduciary deposits with Swiss Banks. This study shows that in 1984 such deposits from all countries, outside Switzerland, amounted to \$42,575 million Swiss Francs.

SHRI INDRAJIT GUPTA (Basirhat) : In rupees, Indian currency, how much does it come to ?

[Translation]

MR. SPEAKER : Multiply it by six.

[English]

SHRI VISHWANATH PRATAP SINGH : I shall get it converted and let you know.

MR. SPEAKER : Swiss Franc is equal to Rs. 7.80.

SHRI VISHWANATH PRATAP SINGH : This study estimates that nearly 49.1% of such deposits in 1984 were held by residents of Middle East countries, 6.5% by residents of Latin American countries, 5.3% by residents of Asian countries and 3.5% by residents of African countries. For India, the estimate is that 1,397 million Swiss Francs, amounting to 0.6% of total such deposits, in 1984, were held in this form. This amount of 1,397 million Swiss Francs is a little more than Rs. 900 crores—between Rs. 900 crores and Rs. 1000 Crores.

The Government has been aware that clandestine deposits by Indian citizens in foreign banks to exist. These arise from various illegal practices, such as, invoice manipulations in exports and imports an illegal retention of commissions abroad, illicit traffic in drugs and the smuggling of Indian currency etc. In order to curb such activities, the Government has launched a major drive against economic offenders. Recently, an Economic Intelligence Bureau has been set up in the Department of Revenue, and the Enforcement Directorate has stepped up raids and prosecution of persons and companies violating FERA. Strong action has also been taken to curb smuggling. In 1985-86, as a results of stepped-up efforts on the Enforcement side, over 5200 raids were conducted. The documents seized in these raids involve crores of rupees and more than 1300 prosecutions were launched. The amount of gold seized by Customs authorities in 1985-86 was also the highest in recent history, at over 2,500 kg., valued at more than Rs. 50 crores. The number of persons prosecuted for smuggling and customs-related offences was over 2100 in 1985-86.

Simultaneously, the Government has also tried to create an atmosphere of healthy growth and investment in the

country so that incentives to keep money abroad are reduced.

I would like to re-assure the House that the Government is determined to work relentlessly to eliminate this evil.

[Translation]

SHRI MOHD. MAHFOOZ ALI KHAN (Etah) : Mr. Speaker, Sir, I am very grateful to the hon. Finance Minister for presenting the data and for giving details of the proposed action proposed to be taken in this matter.

This is not a new thing. But it is unfortunate that all these things have been exposed through the I.M.F. reports. Why these things did not come to the notice of the Government earlier? This practice of remitting money abroad has been going on for a long time, Who are the people remitting money, which are the agencies dealing in such transaction and what are the methods adopted for it? In which different countries and the banks the money is deposited? As a layman we used to hear that so and so Minister or influential person has opened his account in other countries so that he may be able to take shelter in Italy, France and Switzerland when he flees this country.

Today I am speaking on this subject in this House. It has been revealed that it is a fact that some people have opened accounts in the banks of Switzerland for using the money abroad. Some people, whose names I don't want to mention, have already left the country and have started business there. This is an important issue concerning the economy of the country.

I think they are 'beiman'. The word 'beiman' does not sound goods in urdu. It should be dishonest businessmen.

SHRI INDRAJIT GUPTA : 'Beiman' word is innocuous.

SHRI MOHD. MAHFOOZ ALI KHAN : Yes. But the word sounds little awkward. For that we can use the English word 'dishonest'.

SHRI INDRAJIT GUPTA : Is 'beiman' an un-parliamentary word, Sir?

SHRI MOHD. MAHFOOZ ALI KHAN : 'Beiman' is a translation of dishonest.

SHRI INDRAJIT GUPTA : Is it unparliamentary to term such people as 'beiman' ?

MR. SPEAKER : You are yourself comprehending this. There is nothing to object.

(Interruptions)

SHRI HARISH RAWAT (Almora) : 'Beiman' is a fit word. Even 'Maha-beiman' can be used for them.

SHRI MOHD. MAHFOOZ ALI KHAN : 'Beiman' is an Urdu word. Therefore, I have myself used the word, dishonest.

So you are encouraging the already increasing dishonest business. You issue import and export licences to them and these very persons remit money to foreign countries. Their *modus operandi* is that they over-invoice while importing the goods and under-invoice at the time of exporting them. In this way they misappropriate foreign exchange and deposit it in the foreign banks. These people are the arch enemies of the country. Stern punishment should be awarded to them.

I had said yesterday also that laws are enacted in the Parliament but they are not implemented. When the Commission submitted its report, the hon. Finance Minister brought an amnesty scheme under Foreign Regulation Act and he gave one more chance to those dishonest persons to declare their assets and liabilities by 31st March 1987. Raids should be carried out against them and the money seized. Such facilities should be given to those who have migrated to other countries so that they may return to India along with the money. Which may help in improving the economy of our country.

SHRI VISHWANATH PRATAP SINGH : We have offered these facilities.

SHRI MOHD. MAHFOOZ ALI KHAN : But the facilities have been given late.

MR. SPEAKER : You might have heard an Urdu couplet :

DER KI AANE MEIN AAPNE.

MAGAR SHUKR HUA PHIR BHI AAYE.

SHRI MOHD. MAHFOOZ ALI KHAN : Mr. Speaker, Sir, you have expressed my views. It is true ; 'Better late than never'.

However, you have enacted law and it is a matter of pleasure that you are going to enforce it strictly. People of other countries are using our money for their own benefit. They are being given import-export licences and they are using the money thus earned in other countries and are also depositing it there. If that money is remitted to our country, the people can be raised above the poverty line. The situation in our country at present is such that the poor are not getting drinking water, clothes to wear and houses to live in. According to the report of the Commission there are at least 75 such industrial Houses in the country which have cornered the wealth of the country. This thing should be done away with and this wealth should be used for the benefit of the poor. A law to this effect should be enacted and enforced strictly.

Now the question arises how to extract information from the foreign banks ? We understand that the banks of Switzerland do not reveal the accounts of businessmen. They keep everything secret. One way to know about these accounts is to submit a particular name, say, Mahfooz Ali Khan to them and ask them to tell about the money deposited in his name ? Though I am a poor man I am equating myself with them. I would also urge that the Ministers and M.Ps should be asked to declare their assets and liabilities. I should be excused for saying this because I am not mentioning any particular name. You go to their houses. You will find that they have constructed palatial buildings and own cars. All these things should be investigated. Investigation should also be conducted to know as to how the M.Ps, M.L.As, Ministers, ex-M.Ps and ex-M.L.As have amassed such a huge wealth.

MR. SPEAKER : We should enact a law to make it obligatory that all these people should declare their wealth.

SHRI MOHD. MAHFOOZ ALI KHAN : Yes, we should enact a law under which M.P.s, M.L.As and Ministers should declare their assets before as well as after their election and should inform about the source through which the assets have been acquired. There are a number of instances to show that previously people had modest means but now they have bungalows and palatial buildings. Previously they used to go on bicycles but now they have fiat cars. Wherefrom then have they got so much wealth ?

MR. SPEAKER : Please conclude early.

SHRI MOHD. MAHFOOZ ALI KHAN : This money is not lying in the banks of Switzerland only. According to my information Rs. 25,000 crores are lying outside,

SHRI VISHWANATH PRATAP SINGH : Tell us where that money is lying ?

SHRI MOHD. MAHFOOZ ALI KHAN : Listen and note down. I am telling you—it is lying in the banks of Hong Kong, New Jersey, Philadelphia, Manhattam and Bermuda.

AN HON. MEMBER : Not in Etah ?

SHRI MOHD. MAHFOOZ ALI KHAN : Etah is the most backward area. I often pleaded its case. Hon. Finance Minister knows about Etah very well. I would request for allotment of some funds to Etah. The money thus mopped up may be released for Etah.

SHRI VISHWANATH PRATAP SINGH : Shri Mahfooz Ali, banks hesitate to open their branches there.

SHRI MOHD. MAHFOOZ ALI KHAN : It is not so. You have been the Chief Minister of that State.

MR. SPEAKER : Shri Mahfooz Ali Khan, no other place is as safe as the place to which Shri Mahfooz Ali Khan belongs.

SHRI MOHD. MAHFOOZ ALI KHAN : Sir, believe it, this area is very backward and crime proul area. The Government is neither setting up any factory there nor is there any institution in that area. I would request that the Government may not allot funds under any other head to us but do allot us some funds from the money you will be seizing from these dishonest businessmen or rich people. Their money is lying in the foreign banks. You may give us some money out of it. We will not demand more from you...

(Interruptions)

MR. SPEAKER : Now conclude.

SHRI MOHD. MAHFOOZ ALI KHAN : We are poor people. The legislation you have brought should be implemented strictly. This tendency is increasing and every one is trying to deposit his money in the foreign banks.

SHRI ZAINUL BASHER (Ghazipur) : Mr. Speaker, Sir, the hon. Finance Minister has expressed concern over the deposits made in foreign banks from out country and it is natural that people should be worried about this trend. In the newspapers, reports have appeared that during the last three years there has been increase in such clandestine deposits. Such deposits are not confined to Swiss Banks only. As has been told just now, Indian money on large scale has been deposited in the banks of Hongkong and America also. There are no two opinions that the hon. Minister of Finance has launched a relentless war to bring out the black money. The effect of these efforts is clear from the fact that people have got panicked and have started thinking of taking their money out of the country and some of them in fact already deposited it abroad. People have deposited or are thinking of depositing their money abroad with the same speed with which the Finance Minister has made saids on them. So far as the question of curbing the black money is concerned...

SHRI VISHWANATH PRATAP SINGH : Sir, I may give the information that the report of the IMF is for the period upto 1984 whereas the panic you are refering to is after 1985.

SHRI ZAINUL BASHER : That means I was under the wrong impression. Your efforts have made no impact on them.

SHRI VISHWANATH PRATAP SINGH : This report is for the period upto 1984.

SHRI ZAINUL BASHER : I thought that between 84 to 86 there was sharp increase in it but the question now is that how will you stop it? You are adopting stick and carrot policy. I want to give an example of Shri Lalit Mohan Thapar. The Thapar case has not only made fun of the Supreme Court, you will excuse me, but has also mocked at you, Mr. Finance Minister. If I first steal and later on return the stolen goods and apologise for the act, will the judge let me go? Will he not send me to the jail?

(Interruptions)

Moreover, a man like me will steal property worth one hundred, fifty or one thousand rupees and for that it is possible that the judge may excuse me also but if the people who have evaded taxes worth crores of rupees apologise, pay taxes subsequently—and that too will be known only say after two or three years as to how much tax they will pay, though a Minister like you will definitely realise money from them—will they be allowed to go scotfree? Whatever is under your jurisdiction, for that you are adopting a strict policy. Therefore, I will not go into details on that because time is also short. I would like to submit only this much that there should not be any let up in the strictness that has so far been shown. Rather it should be doubled.

Secondly, I want to know how will you bring that money back which has already been taken out of the country? I am unable to understand how that will be recovered or how will you come to know about the precise amount that has been sent out of the country? I have heard that there are several agencies in the foreign countries—they are both Government agencies as well as Corporate sector agencies—which detect the accounts of the businessmen. Have you any such agency or are you thinking of constituting such an agency so that informa-

tion could be gathered about the bank accounts of such peoples?

Thirdly, so far as foreign money through commission, under-invoicing or other means is concerned the biggest culprit is our Public Sector. The Public Sector imports goods worth crores of rupees and the officers charge commission thereon which is deposited in the foreign banks. The same is the position with the Private Sector. You are aware that in under-invoicing actual prices are somewhat different from those shown in the invoice and it is this difference that is deposited in the foreign banks. Therefore, it should be controlled from here, and a beginning should be made with the Public Sector and the Private Sector. In the export and import business, under the table commission is provided. You will have to advise methods, to stop it. I hope that an able, sincere and devoted person like you, if willing can find a solution to the problem.

[English]

SHRI M. RAGHUMA REDDY (Nalgonda) : Sir, the International Monetary expert have noticed a sudden jump in the capital flight from India. Recently, one survey report says that Rs. 1333 crores are deposited in Swiss Bank till now. But people say it is tip of the Ice-berg. In Hong-Kong, New Jersey and other places the deposits are amounting to Rs. 20,000 to 30,000 crores, as per the reports. It is more or less equal to our foreign debts. This is the situation where we are. As my hon. friend has said, people are starving here and crores of rupees are flowing to other countries. What are the reasons? Who are the people responsible for all these things? Our economy is being depressed by this. The value of the rupee has come down to 14 paise. Black money is gathering too much. For all these things, the businessmen, industrialists and the politicians are responsible. Every paise which we deposit is a cost to the Indian economy. We have to take stringent steps against those dishonest persons. It is as good as a murder. These persons are murdering our economy. The hon. Minister has to take stringent action against those people. The process, as I have come to know, is like this. Kickbacks will be

collected by the officials, Ministers and others. For as much as Rs. 10,000 crores we are making purchases from foreign countries and on that, a minimum of ten per cent they will get and those amounts are being deposited in foreign banks, as per this report. As my friend has said just now, you must cut down these things. Our foreign trade is running at a loss to the extent of Rs. 9,000 crores. All these things have happened because of malpractices and mismanagement. Those who are responsible for these things have to be punished. (Interruptions) Yes, defence stores also. Our yearly budget is Rs. 8,000 crores; they are getting defence contracts, trade contracts, business contracts, public sector contracts, and so on. Amounts are being looted like this. This has to be checked. If the same tendency continuous, we will go like Mexico and the same situation will come to us in future. The hon. Minister has to take some stringent action against these dishonest people. Your liberalisation policy might have weakened the detection process, leading to spurt in the deposits there. No action has been taken so far. You can approach the Governments of those countries or the International Monetary Fund or some such organisations, you can contact the Swiss Bank also. You can find out. Where there is a will, there is a way. Even the secret numbers can be found out. You can find out the numbers and you can discover the dishonest people. We have to punish those dishonest people. These people might be in the ruling Party or in the Opposition or they may be big industrialists or big officials or even politicians. We understand that, during the election period, nearly Rs. 4,000 crores were drawn from the Swiss banks and that money was used during elections. Our fate is decided by the foreign bank money. This is the position. These things have to be taken note of and viewed with serious concern. This is a very serious matter. Whichever it is, to whichever Party he may belong, be it official or anybody, serious action has to be taken against such people. I request the hon. Minister to take stringent steps in this regard. Your Ministry conducted many raids. But unfortunately the raids have been reduced recently due to many factors. I know what pressure the Minister is having. Because of pressure if you are not able to conduct raids here, how

can you prevent these things relating to deposits in foreign banks? We have no doubt about the integrity of the hon. Minister, but many factors are acting on him in the discharge of his duties. We request the hon. Minister to take stringent action against all these culprits.

[*Translation*]

SHRI HARISH RAWAT : Mr. Speaker, Sir, whatever has been published in the newspapers on the basis of IMF Study, and the concern which has been shown in the country is reflected in the Statement by the hon. Finance Minister. The Finance Minister, as per his commitment, has stated with firmness that there is need to check it. The hon. Minister has enumerated those loopholes which assist in depositing the money in foreign countries in clandestine manner.

Sir, from the newspaper reports it has been revealed that during the last one and one and a half year, from the time we have made our policy a little liberal and have provided some relaxations to the industrialists, these deposits have been made in the Swiss banks.

SHRI VISHWANATH PRATAP SINGH : I would like to correct you. This report is for the period upto 1984. Liberalisation etc. which you have been mentioning was after the report.

SHRI HARISH RAWAT : That is why, Mr. Minister, its clarification is necessary because it puts a sort of question mark on our financial policy. Therefore, I want to bring this thing to your knowledge. I am grateful for clarifying the position but even then this matter needs to be taken seriously. It is possible that out of foreign exchange worth crores of rupees which we have been giving to the businessmen for import of technology, they have created this sort of money by over invoicing about which you have made a mention. I would, therefore, urge you to tell us that against how many big businessmen, to whom large scale foreign exchange has been made available for importing foreign technology, enquiry has been instituted to know whether they have resorted to over-invoicing with the parties with whom they had entered into agreements.

The reason is that reports on other aspects are published in the newspapers but we have not come across Press reports about businessmen found guilty of over-invoicing and under-invoicing or about some officers found to be in collusion with these businessmen. Therefore, I would request you to enquire into this aspect thoroughly.

One thing more has been observed. As per my ordinary knowledge, I think it is necessary for an Indian who wants to open his account in some foreign bank to take permission from the Reserve Bank of India. It is, therefore, possible that some of the businessmen of our country in the name of opening account in foreign banks take permission from the Reserve Bank and deposit the commission which they get by under-invoicing and over-invoicing in the banks of the foreign countries. This aspect also needs to be enquired into.

One thing more I would like to submit. Usually some people, because of some political interests try to involve politicians with this. When I was a student at that time also I used to hear from the opposition people that the politicians have deposited their money in foreign banks. I do not think it is so. It is possible that there might be one or two black sheep but majority of them are not black sheep. It is the businessmen who in collusion with the officials indulge in such things. Therefore, there is need to monitor these things strictly.

Besides, as Shri Zainul Basher has stated, you have given amnesty to those offenders who have violated FERA. You have done this with good intention and for a pious cause and the entire country has faith in your honesty and sincerity. This House also has faith in you but it is possible that those people who have become habitual offenders acts and indulge in corruption, may misuse this facility. What steps you intend to take to check misuse of this facility? The strictest possible steps should be taken against such people so that there are no misgivings on this issue.

[English]

SHRI VISHWANATH PRATAP SINGH : Sir, I thank the Hon. Members

for their suggestion for taking strong action against those who are siphoning away the wealth of the country. On this one issue there is no difference of opinion either from this side or that side of the House. It is a matter of serious concern. I am not going into details. I did mention that this report concerns 1984. No revelation has been done in this and it is from the Public Data Banks that they have published it. I am not going into this.

The basic fact does remain that qualitatively we know that by various methods—by under-invoicing, over-invoicing, charging of fees and also not bringing back the export earnings—it is done. There is a whole list of two sheets of pages to mention the various methods by which it is done and I would not take the time of the House on this. But the fact remains that the wealth of the country is being taken out by various businessmen. I have had quite a revelation coming in the Finance Ministry that some of the very top-most people in industry and business are taking out money. This is one thing.

SHRI INDRAJIT GUPTA : Can you indentify them ?

SHRI VISHWANATH PRATAP SINGH : Yes, we are doing that job. I will come to the whole issue as to what we are facing. I will not hide anything.

SHRI INDRAJIT GUPTA : Their accounts in the Swiss banks are supposed to be secret but if you know the names of some of these account holders...

SHRI VISHWANATH PRATAP SINGH : I will tell you what is our problem and what we are doing. We are in touch with the foreign governments. We have sent our people abroad also. We have collected information. It has to mature enough to get conviction in the court. We are taking action under COFEPOSA but let us address ourselves to the major issue. Now rightly Mr. Indrajit Gupta is agitated as to what we are doing as a Government. Certainly as a government we are responsible to see that this does not happen. Sir the several steps that we have taken in this regard have shown results. In the year 1985 the contraband that was seized was to

the tune of Rs. 191 crores against the previous year's of Rs. 101 crores. It was almost double. Then we went into several special operations like 'Operation Fetu', 'Operation Kali', 'Operation Rana', and 'Operation Burma Bazar' in Madras. Action has been taken against Orkay, Kirloskars, Bata, Kothari Electronics, GTC and NTC. It is not that the government is lacking in will. At least this government cannot be challenged on this issue. *(Interruptions)* Orkay is a case of under-invoicing. It is not that we are not taking action. There are many cases of under-invoicing. Under COFEPOSA in 1985 760 people were actually detained and prosecution were launched against 2111 people. About 802 people were convicted under Customs Act and some of the highest quantity of 'hashish' in the world was caught in India. It also causes concern that India is becoming a conduit but so far as the action is concerned it has shown results and the action taken by India has been recognised by the world organisation.

The Economic Information Bureau that we have established is developing contacts with its counter-part agencies in other countries. We cannot publicise many things day to day. Our officers are in contact with foreign governments also and in some of the cases we have been able to get help. They have given us documents which will help us in prosecution and conviction in some of the biggest cases that we are conducting.

We are also going in for computerisation in these matters so that retrieval of information is easier. We are also going to strengthen our offices abroad. We have offices in Dubai, Hong Kong, London and Kathmandu. We are making it multi-functional. It is not that one officer looks after only one area but they look after the whole gamut of economic offences. We are also going in for training of officers. I am not going into the details. I am just sharing what effort the Government is making. In this regard an hon. Member rightly said why don't you put them in jail? I had the occasion to go to jail during 1977-80 several times for weeks together and Naini Central jail in Allahabad is one of the largest jails and one thing did strike me and I share with you what you say. In

that large jail there was hardly any tax assessee. This fact did hit me flat on my face. Is it that after one crosses a certain income limit he becomes an angel, and he can commit whatever economic offences he wants. Was it a guarantee for crossing the jail line? As we have a poverty line, was it a condition that you cross the jail line once you cross a certain income limit? It was during that period that I did start thinking. Was something wrong with the administration or with the dispensation of law in the courts, or what is the actual reason? It will be an interesting study if we analyse the income groups of those who are in jail. I think, such a social study has not been done. If this is done, if we relate this data with the common perception which basically quantitatively may not quantify itself, but qualitatively is correct of people's perception of who are the economic offenders—and the scale is going on—I think, it will be quite in contrast to the challenges we have.

As Government, it is our bounden responsibility and duty to challenge these people to take severest action against them because there cannot be a more anti-national activity than this. After all in the colonial rule what is the economic harm that is done? It is the pumping of the country's wealth. If somebody sitting here taking the benefit of the market of this country siphons away money, he is worse than a colonial exploiter, because he has at least his own country to serve, he has other countries to serve.

I tell you, we went for Kirloskar case and see what came up. I am sharing the difficulties of the Ministry of Finance and how we are grappling with them. This is an extract of the evidence in the court in which we had filed the case against Mr. Kirloskar. This is the evidence of the Secretary of the Company. After such clinching evidence in the court, there is acquittal. The question put to the Secretary of the Company was :

"It is disclosed from the entries in column No. 6 and 7 against serial No. 13 in the xerox extract of the commercial register pertaining to Messrs F H Schule Company maintained by the Country, Court, Hamburg (Exhibit No.

24) that on 10.12.1973 by resolution of the members the share capital has been increased from DM 2,000,000 to DM 4,000,000 and the entry of the said increase of the share capital has been made in the commercial register on 22.4.1974..."

...after the new FERA.

Then :

"What have you to say ?"

The answer was :

"This evidence is true and correct."

That is the confession in the court.

Then, the question was :

"It is disclosed from the xerox copy of approval dated 10.1.1974 (Exhibit No. 30) made by the accused No. 1 as Chairman Managing Director..."

That is Kirloskar.

"...of the accused No. 1 of the Company..."

That is this Company.

"... and Mr. Fried H. Schule with his address at Pune/India before a notary at Pune that on 10.12.1973..."

M/s...(It is a German name and I cannot pronounce it) acquired shares worth DM 2,000,000 which constituted 50 per cent of the share capital of M/s Schule Company and paid DM 2,000,000 to the said company on or about 26.8.74, as disclosed from the xerox copy of a letter dated 26.8.74—That is after the FERA came into operation—by M/s Schule to the Country Court, Hamburg (Exh. 32) and that thereby the percentage of non-resident share holding was increased to 52.05 per cent in M/s Schule Company. What have you to say ?

The answer given is :

"This evidence is true and correct."

This is the admission in the Court. Then it is asked :

"It is alleged that you and the remaining two accused did not obtain the general or special permission of the Reserve Bank of India for increase in the percentage of non-resident share holdings to 52.05 per cent in M/s Schule Company. What have you to say ?"

The answer :

"We did not obtain the general or special permission of the Reserve Bank of India for increase in the percentage of non-resident share holdings to 52.05 per cent in M/s Schule Company so far."

This is the evidence given by the Secretary. Similar evidence has been of Mr. Kirloskar himself. A question was put :

"It is disclosed from the xerox copy of approval dated 10.1.1974 (Exh. 30) made by you as Chairman and Managing Director of the accused No. 1 Company and Mr. Schule with his address at Pune/India before a Notary at Pune that on 10.12.1974 M/s INTERESSENVERWERTUNG ANSTALT Vaduz (This is the same German Company) acquired shares worth DM 2,000,000 which constituted 50 per cent of the share capital of M/s Schule Company and paid DM 2,000,000 to the said company on or about 26.8.74 as disclosed from xerox copy of a letter dated 26.8.74 by M/s Schule to the County Court, Hamburg (Exh. 32) and that thereby the percentage of non-resident share holding was increased to 52.05 per cent in M/s Schule Company. What have you to say ?"

Then Mr. Kirloskar said :

"This evidence is true and correct. I used to sign a number of documents daily at that relevant time. Therefore, I cannot say under what circumstances and why I signed this."

What more evidence is required ?

But then, the Court acquitted him. And it is SUB JUDICE now. I cannot say anything more. But I can share with you as to what the Government has gone through in this case.

SHRI INDRAJIT GUPTA : There is something wrong with the dates. That is why he was acquitted.

SHRI K. RAMACHADRA REDDY (Hindupur) : Has no appeal been filed in this case ?

SHRI VISHWANATH PRATAP SINGH : Yes. An appeal has been filed.

SHRI SANTARAM NAIK (Panaji) : Even the court's judgement can be criticised. There is no bar.

SHRI VISHWANATH PRATAP SINGH : Certainly, we do feel that the Magistrate has not fully appreciated the evidence on record. That is why we have gone in for an appeal.

DR. DATTA SAMANT (Bombay South Central) : FERA has come subsequently. All these things have been done prior to FERA. That is what the Court has written to you.

SHRI VISHWANATH PRATAP SINGH : These dates are after the new FERA.

I do not want to go any further. But I do feel here that the Government virtually have a watertight case....

SHRI INDRAJIT GUPTA : Why was he given a bail in the middle of the night ?

SHRI VISHWANATH PRATAP SINGH : That, you can ask the Court. So, in these circumstances, this appeal has been admitted by the High Court. In this scenario we notice that when we are powerfully acting against in one those cases in which we thought that we have a watertight case. now we have got years of litigation ahead of us in the High Court and in the Supreme Court.

So, I am just saying one thing. In this regard, we have taken strong action And we have also taken the route of Amnesty, that is in a practical sense for a limited time. It is not for ever. If somebody wants to come to you, allow a time window, but we have not compromised with any obligation, that he has to do for payment of tax or anything that is due to the country.

Neither the act of amnesty nor under the custom of FERA, none in FERA in fact, he has to bring back all the money and if he is within that time window, and if he does not do that probably, we are again to prosecute him.

SHRI INDRAJIT GUPTA : How would you know that they have brought the whole of it ? They might have concealed half of it.

SHRI VISHWANATH PRATAP SINGH : For the amount which he does not bring and does not disclose, he runs the risk of prosecution and going to jail. The other thing is also, apart from his time limitations, which is a few months, is not that all have got amnesty ? We will continue our raids and put into book, only those few who come forward. Those who will not come forward, we will continue with our action and we will book them, prosecute them and penalise them. So, it is not an overall thing that has been done. That is one point which I want to make clear in the appreciation of this thing.

SHRI C. MADHAV REDDI (Adilabad) : Sir, it is not very clear to us that you have given the amnesty and how are you free to book the cases ?

SHRI VISHWANATH PRATAP SINGH : Only we have said that we are not going to stop our raids. Once we catch hold of them and launch prosecution, then we are not going to hold back, then the amnesty is not going to affect it. The whole sea is open. And only when we take strong action, then people will confess and nobody is going to confess by sweet words. All right, if by one window, we want people to go, we have to see that they don't go by other doors. We will have to be alert on that and see to that. That is the philosophy behind it, not that because, I have made an appeal, people will come and put their money, they know that if, they don't do that, they run the risk and that risk, I will make as high as possible. Then, it will be successful, otherwise, amnesty is not going to be successful.

The other thing, which I want to say is that while administrative action on this

subject has to be taken, the overall environment also has to be taken care of, so that investment climate is maintained. So, these are the economic measures to stop capital flight. We have to fight it on that front and in this respect, you have mentioned some of the parameters on which the country attracts capital and that is, (1) political stability and the other is (2) economic stability. Now, this country has shown to the world that there has been political stability. There has been transition of Government. We have democratically been able to establish that there could be transition of power, smoothly and economic stability and continuity is maintained.

On the economic front also, we have maintained our growth. So, this is an area where capital can be attracted. This is one point we have shown. That is why in respect of collaboration, we have to take care, that collaborations are in areas which we really need and not on areas of low priority. We have shown in increase in 1984, it was 11.73 per cent. It is 36.17 per cent in 1985. So, there is a trend of attraction of capital in the country, I am talking in general terms. If you see the inflation rate, though we debate it and differently we will debate it, I do not justify any rate of inflation is being very high. But, if we compare it, in 1985, Turkey was 40.2 per cent, Brazil—228.9 per cent, Yugoslavia—74.4 per cent, Mexico—53.5 per cent, Colombia—24.9 per cent, Phillipines—18.2 per cent and India 5.8 per cent.

So, the inflation rate is also something which relates to capital flight or income inflow. We have been able to manage that. Foreign Exchange are comfortable. If we see the debt service, ratio of Korea it is 13.5 per cent. This debt service on public and publicly guaranteed debts and percentage of exports on goods and services :

Korea 13.5%, Phillipines 14.1%, Pakistan 26.7%, Turkey 22.8% and Brazil 26.5%. I would not go into Latin American countries' percentage. I do not have to compare with them. But with Korea and Phillipines we can compare, i.e. Korea 13.5% and India 10%. So, on this, our management has been sound. A recent study was made, also on the flow of capital; how much risk is there in the country, for

foreign capital. A rating was done of India; and in 1986, compared to 1985, India has gained the 18th position, and its position is sounder than that of Singapore, or Taiwan which is many times quoted as growing, and being industrially powerful and getting ahead of India. But in stability and risk factors, India has improved upon these countries in 1986.

13.00 hrs.

SHRI NARAYAN CHOUBEY (Midnapore) : What is meant by 18th position ?

SHRI VISHWANATH PRATAP SINGH : A study was made by some economists, of the risk element of a country, in investment. On that, its ranking was 46th in 1940, i.e. of India. It has come up to the 18th position, and now it ranks 28th. Its position is higher than that of Singapore, and Taiwan which is so many times quoted before us ; and we are asked : what are you doing in comparison to them ? So, India has improved in its economic stability. In fact, in this period, it has improved, even compared to China. China has slid by three points during this period.

SHRI C. MADHAV REDDI : Is it an authentic source ?

SHRI VISHWANATH PRATAP SINGH : It is a study by some economists. That is all I will say about its authenticity. But we are here. Also, the tax rate and tax structure have effect on these factors. On this matter, various reforms that have been done on the tax side, I think, have been of great help to the capital here.

Mr. Zainul Basher said : 'Because you are scaring them, they are running away.'

SHRI V. KISHORE CHANDRA S. DEO (Parvathipuram) : If I may interrupt—there is a general feeling in the country that a large portion of this money which is deposited in the Swiss banks is also a sort of corruption. Are you making any effort find out what percentage of this money is part of the kickbacks that might have been received either by senior politicians or bureaucrats towards commission on various contracts : (*Interruptions*) and are you

trying to stop it or expose it? The country wants to know this.

SHRI VISHWANATH PRATAP SINGH : One thing I want to categorically deny : mention was made about Defence contracts. This is a categorical insinuation, which I cannot accept. I categorically deny it. There is nothing like that. I refer to the insinuation against Ministers and others. Unless there is concrete evidence about anything, I think these general insinuations should not be made. But if there is anything against anybody, that he is doing any anti-national activity, that is a separate thing.

One thing more I want to impress : our total transactions in foreign exchange in a year are more than Rs. 50,000 crores. What has been expressed is the cumulative amount over the years, i.e. deposits in Swiss banks which are about Rs. 926 crores. I think that if you compare it with figures year to year . . . (*Interruptions*)

Mr. Zainul Basher was saying: 'Because the scare was being created, the flight will be there. But the crime they are doing is worse than murder, as one hon. Member said. We have to create terror in the heart of such people. I cannot compromise on it. We should be fearless. (*Interruptions*). At the same time, we have to strengthen ourselves on the side of taxation and intelligence, and we will continue this and we will strengthen our foreign intelligence wing, and take action there also, We cannot compromise on this.

DR. DATTA SAMANT : What about big industrial houses which are making sick units ?

SHRI SAIFUDDIN CHOWDHARY (Katwa) : What about the Swiss Bank ?

SHRI VISHWANATH PRATAP SINGH : What is there is not revelation ; it is already their published data which has come ; it has been mentioned here that the main source for external capital transaction here is used in the annual balance-sheet of banks and financial companies which provide detailed break-down of banks' foreign assets and liabilities by type of

assets in part maturity and currency. In addition a country's break-down of foreign assets and liabilities as well as of account is published. So, what has come is not a secret intelligence but already published data from the bank itself.

Now about Swiss Bank, they have their law of secrecy and that really becomes a problem for us. They have a law that if there is a criminal act, then they can cooperate in giving the information. But I was reading this in detail and I became very sad when it says that this is not possible for tax evasion which although subject to administrative sanction is not prosecuted at a criminal level in Switzerland. Now this is not a crime in Switzerland. So we are unable to get information. But, anyway, other sources, we will try. May I assure the House that we will take maximum action on this account to safeguard the interest of the country.

DR. DATTA SAMANT : You make some efforts.

SHRI VISHWANATH PRATAP SINGH : Anyway, we will pursue it. We are making efforts. (*Interruptions*) We have sent our officers to tax haven also and we are trying, but many things I cannot just bring up in the House and publish them in the press. But we will try our best. This is all I can say.

13.07 hrs.

BUSINESS OF THE HOUSE

[*English*]

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF FOOD AND CIVIL SUPPLIES (SHRI H.K.L. BHAGAT) : With your permission, Sir, I rise to announce that Government Business in this House during the week commencing 17th November, 1986, will consist of :

- (1) Consideration of any item of Government Business carried over from today's Order Paper.