

12.03 hrs.

**STATEMENT RE-INQUIRY ORDERED  
BY FORMER MINISTER OF DEFENCE  
INTO ALLEGED PAYMENT OF  
COMMISSION BY THE SUPPLIER TO  
AN INDIAN AGENT IN A DEFENCE  
DEAL**

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE RESEARCH AND DEVELOPMENT IN THE MINISTRY OF DEFENCE (SHRI ARUN SINGH) : Mr. Deputy Speaker S.r. With your permission I would like to place before the House information regarding the inquiry ordered by the former Defence Minister into a defence contract in which an Indian agent was said to have had an arrangement for receiving payment of 7 per cent commission from the supplier.

On February 25, 1987, Government received a secret telegram in cipher from one of our Embassies stating that an Indian agent is involved in a defence contract in which the agent has an arrangement for receiving payment of 7 per cent commission from the supplier. The identity of the agent or the amount of money said to have been received by him was not stated.

This information was furnished by a foreign government. Keeping in view sensitivities pertaining to international relations, I do not propose to divulge any information on the subject matter of the defence contract or the source of supply.

The papers on the subject were put up to the then Defence Minister on March 3, 1987. On March 11, 1987, the then Defence Minister ordered that the matter should be referred to the Directorate of Enforcement for investigation of violations of the Foreign Exchange Regulation Act and to the Central Board of Direct Taxes for possible violations of the Income Tax Act. He further desired that the Economic Intelligence Bureau of the Ministry of Finance should be requested to carry out a systematic study of the modus operandi of all agents, Indian and foreign, so that firm action could be taken against them, as necessary.

On March 25, 1987, a draft letter from the Defence Secretary to the Finance Secretary was put up to the then Defence Minister for approval in pursuance of his order of March 11, 1987. On April 9, 1987, the then Defence Minister approved the draft letter and authorised its issue. He further directed that a committee under the chairmanship of the Defence Secretary should report on the modus operandi of foreign and Indian agents in defence deals and to suggest steps necessary to eliminate them from defence transactions.

The Hon'ble 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.

However, on April 9, 1987, the then Defence Minister directed the issue of a press note stating the substance of information received from an Indian Embassy and further stating that an inquiry into the matter had been ordered. The press note also announced the establishment of a committee under the Defence Secretary.

The concerned file was despatched to the Prime Minister's office for information of the Prime Minister on the evening of April 9, 1987. However, before the file could be put up to the Prime Minister on April 10, 1987, the newspapers had already carried the press note, giving rise to speculations.

I would like to draw the attention of the Hon'ble Members to the following specific points :—

- i) In regard to the specific case of the defence contract in which an Indian agent was reported to be involved, the inquiry ordered by the then Defence Minister was to be conducted by the Directorate of Enforcement and the Central Board of Direct Taxes of the Ministry of Finance.

(Shri Arun Singh)

- ii) The Economic Intelligence Bureau of the Ministry of Finance were also desired by the then Defence Minister to carry out a systematic study of the modus operandi of the agents, Indian and foreign.

The Defence Secretary has written to the Finance Secretary in pursuance of these directions as per the draft letter approved by the then Defence Minister.

- iii) The committee under the Defence Secretary to study the modus operandi of agents has also been constituted and has begun its work.

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.

(Interruptions.)

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,

(Interruptions)

MR. DEPUTY SPEAKER: Why are you interrupting? No interruption, please. I am not allowing any interruptions.

SHRI ARUN SINGH: No equipment is purchased.....

SHRI NARAYAN CHOUBEY (Midnapore): Question.

MR. DEPUTY-SPEAKER: Why are you interrupting? No interruptions please. I am not allowing any interruptions.

(Interruptions)

SHRI ARUN SINGH: May I repeat? No equipment is purchased without technical certification of acceptability from the concerned Service Headquarters.

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.

12.10 hrs.

RULLING RE : QUESTION OF PRIVILEGE AGAINST THE TIMES OF INDIA, THE HINDUSTAN TIMES AND THE INDIAN EXPRESS FOR GIVING ADVANCE PUBLICATION TO NOTICE OF MOTION FOR REMOVAL OF SPEAKER

[English]

MR. DEPUTY SPEAKER: The House will now take up Item No. 8, that is motion for leave to move the resolution regarding removal of the Speaker given notice of by Shri Somnath Chatterjee and 14 other members on 30th March, 1987. The notice was extensively reported in the newspapers of 31st March, 1987. The same day, that is on 31st March, 1987, three members, namely Sarvashri Ram Singh Yadav, Pratap Bhanu Sharma and Shanta Ram Naik, gave notices of question of breach of privilege under Rule 222 against the *Times of India*, *The Hindustan Times*, *The Indian Express* and *The Statesman* for giving advance publicity to the notice of motion for removal of Speaker in their issues of that date. The matter was sought to be raised by the members in the House on the 31st March itself and again on 1st April, 1987.

Even before the notice of a resolution for removal of the Speaker was received by the Secretary-General, as required under Rule 200 of the Rules of Procedure, it was widely and repeatedly mentioned in the press that such a notice was being given. After the notice was given on 30th March, 1987, a