

MR. DEPUTY SPEAKER: The question is:

"That this House approves the Proclamation issued by the President on the 17th February,, 1980, under article 356 of the Constitution in relation to the State of Maharashtra."

The motion was adopted.

MR. DEPUTY-SPEAKER: The question is:

"That this House approves the Proclamation issued by the President on the 17th February,, 1980, under article 356 of the Constitution in relation to the State of Orissa."

The motion was adopted.

MR. DEPUTY-SPEAKER: The question is:

"That this House approves the Proclamation issued by the President on the 17th February,, 1980, under article 356 of the Constitution in relation to the State of Punjab."

The motion was adopted.

MR. DEPUTY-SPEAKER: The question is:

"That this House approves the Proclamation issued by the President on the 17th February,, 1980, under article 356 of the Constitution in relation to the State of Rajasthan."

The motion was adopted.

MR. DEPUTY-SPEAKER: The question is:

"That this House approves the Proclamation issued by the President on the 17th February,, 1980, under article 356 of the Constitution in relation to the State of Tamil Nadu."

The motion was adopted.

MR. DEPUTY-SPEAKER: The question is:

"That this House approves the Proclamation issued by the President on the 17th February,, 1980,

under article 356 of the Constitution in relation to the State of Uttar Pradesh."

The motion was adopted.

18.32 hrs.

HALF-AN-HOUR DISCUSSION

ENQUIRY INTO GOLD AUCTIONS

DR. FAROOQ ABDULLAH (Srinagar): On 14th March, 1980, I asked a question of the Finance Minister regarding the sale of gold by the previous Government, and he gave me a one line answer. He said that the matter was under the examination of the Government.

The gold sale policy was decided on 3rd May, 1978, and was suspended after five months in October of the same year after 12.95 tons of gold had been auctioned. At that time, the then Government said that this policy is to curb smuggling. Just as the colour of the 'crow, whom you might wash with all known detergents of the day, with all the medical help that you might have, will never change, so will the smugglers also never change. Even those people who promised the previous Government that they would never indulge in smuggling, continue to smuggle even today and the country lost 12.95 tonnes of gold. Did that remove the smuggling for which they had introduced this, that the gold should be auctioned and this gold was auctioned and sold only to a very few people. We in this House have the right to know who those people were who bought that gold and a profit of Rs. 8 crores was made by those people. That is not the gold which belongs to those people, it belongs to everybody. Today, the position is, I have also got daughters and I am unable to afford any gold for them and today, when we think of Mangalsutra, where is the gold, what are the prices? It used to be Rs. 200 per ten grams and today it is over three figures, into four figures and that

gold was quickly disposed of. Fourteen auctions were held and it was to curb smuggling. We produced two tonnes of gold and it was until 1939 that the import of Gold into this country was free. But in 1939, the British Government, under the Defence of India Ordinance, banned this thing and it continues to remain the same even today.

18.38 hrs.

[SHRI GULSHER AHMED in the Chair]

Today, because a thousand rupee note could be demonetised, could be called back at any time, those who have black money no longer want to keep it in rupees, are storing it in gold and that gold has gone to only a few people and not to the common Indian. That is why I oppose this policy and I want that a strong inquiry must be launched, not the one which will take five years, but the one which would be done within months to find out where the fault lies and who has benefited from it. If any of the politicians, who are the future or who have been the past of this country, are involved in this racket, they must be brought to book and they must be brought before the people for the wrongs they have done. In America, also, they once sold about 11,000 tonnes of gold because they wanted to stabilise the dollar. The result of that was that after 11,000 tonnes of gold was sold, they realised that their policy was wrong and they were not going to be able to stabilise the dollar and they left it into the open market. The Government cannot say that they did not have resources at their hands, that they did not have officers or machinery at their disposal, who could find out what is right and what is wrong. Did they not know at that time that America had dabbled in this, had undertaken this and sold about 11,000 tonnes of gold and nothing was returned. But we, with meagre resources, with little gold, which was stored, and which was given, I was a medical student, when the Chinese war took place, and I know

all my friends who had come from Pakistan with nothing, with only rings of gold or probably with bali on the ears and when Panditji called out, 'come on, give me what you have, your gold can give me tanks and guns', we gave and that gold was thrown away for a few pockets, to benefit from. Did they have the right to do so? They are responsible as much as this Government is responsible for the wrongs they committed and they will have to answer for them. They should not leave the previous people who have taken wrong decisions, by which some people have benefited wrongly.

The Government that was there previously believed that anti-smuggling operation could be helped by putting this gold into the market. But the real reason was somewhere else. The prices were already high in India and the prices, at that time, were low at other places and the gold was being brought in. But even today, from the rough estimate that we have, about 90 to 100 tonnes of gold are smuggled in. Is it not a major amount by any calculation? Would this Government not consider that about the gold ornaments that are exported out of this country the people should be able to bring in that gold back into this country through some other source? We have silver in large quantities. Silver is not utilised by our people either for ornaments or for other use. Could that silver not be exchanged for gold, thereby saving ourselves from the catastrophic decisions that we have been taking in the past?

What I would like to bring to your kind notice is that the policy of selling gold to the highest bidder had another disadvantage, that is, gold went to only some traders and that the majority of traders did not benefit. As I asked before also, we would like to know from the hon. Minister as to who were those people who bought this gold, who were the beneficiaries of this gold. According to one estimate, the profit earned was Rs. 6 crores in a

short span of four months and, when the Government realised it they scrapped that thing completely.

The sale of gold by the Government would have been of some benefit to an enormous number of people without enriching only a few, if it had been made available to them directly. If this gold could have been sold through the banks by making into 20 or 40 g. gold sovereigns, this would have been far beneficial to our people who utilise gold during marriages.

Suitable penalties could be prescribed for bogus declarations. If the people who bought this gold from the Government or from the banks made declarations which were bogus, the Government could have easily caught them. But that was not done.

To augment the supply of gold, imports may be allowed against export of silver. This will incidentally help in replenishing the stock of one of the precious metals with another metal which is utilised more by our people. Further, against export of gold jewellery, full replenishment of gold should be allowed. Simultaneously, the demand should be curbed or controlled. The limit of holding may be halved from the present level of 2000 g. for an individual and 4000 g. per family.

With all this, the incentive to smuggle gold will not diminish because

the unstable demand for the commodity resulting in gap in Indian and international prices. The only way to tackle it is to take stringent measures. Alas, the fear of law has become a thing of the past. It is for the Government to see that the law is not infringed with impunity. I do hope that the present Government whom the people have given a massive mandate will do something. The people have given you a massive mandate and they expect something from you. Please remember that the hopes of people are there. If you fail them, God help democracy in this country.

I would also like to say one thing before I sit down, that is, your Government has taken a major step today of having an Embassy of PLO. My party, the National Conference, and the Government of Jammu and Kashmir thank you for such a major decision and I pray to God that we all will see Palestine liberated one day.

THE MINISTER OF FINANCE AND INDUSTRY (SHRI R. VENKATARAMAN): Mr. Chairman, Sir, I am in a very awkward position because I was the person who sitting on the other side condemned the gold sale policy of the then Government. When in the Budget Speech the then Finance Minister said that they were proposing to sell gold, I said, this was a disastrous policy, and that the country would lose the precious wealth. I also said that the posterity would call him the 'prodigal son' of India. So, I am not second to anybody in condemning that policy of gold auctions which was introduced in 1978. The gold auctions were done for a period of four months and about 13 tonnes of gold were frittered away, and I called it that the Government had squandered the national wealth.

Arising out of this, there are a few points which require further scrutiny and examination. One is whether this was done deliberately to benefit some persons; alternatively, whether this has been used to benefit some persons. The second is whether there has been a lack of propriety in the manner in which the bids were called and the bids were taken. Now, these are all matters which require a thorough examination. When this question came up before the House some time back, I told the House—rather, I should say that the Prime Minister told the House—that this would be looked into. Unfortunately, with so much of heavy work, with ten Budgets to present, and our own Budget to add to these, I have not had the time to go into this question of how to make this inquiry. I assure the House that I will go into this question very soon and then proceed to

make an inquiry into the gold sales in order to find out whether there has been any impropriety in it, whether there has been any motivation in it, and whether it has, in fact, been used or abused by some interested people. Because I do not have any other information, I cannot say whether the charges made or the accusations made are true or are not true. But this much I can say that there were a large number of bids during that period and the bids were all opened by a Committee which the then Government constituted under the Deputy Chairman of the Reserve Bank.

Now, with these facts, I would humbly submit to the House that I will very soon constitute an inquiry into this matter.

Having disposed of the main issue, I will now deal with one or two points raised by hon. Dr. Farooq. He wanted that silver should be exported and exchanged for gold. Sir, on this matter there are several and different points of view and it will be very difficult for Government to take a decision. The question bristles with difficulties. Therefore, since he has raised this point and since I do not want speculation in the market, I merely wish to state categorically that the Government have no such proposal at present. Otherwise, people will start speculating on it and then either smuggling will increase or some other thing will happen.

The second point which was mentioned is that penalty should be imposed for false declarations. The law already provides for penalties for false declarations. Under the Gold Control Order every person who has excess of gold holdings has to declare and if there is any false declaration, penalty will be levied.

Then he asked for the replenishment of exports. This again is a cumbersome procedure leading to a lot of abuses. As the government are advised

at present, they do not want to have this kind of a system. What the system means is that some people will be allowed to export jewellery outside and then get replenishment of gold in return for the purpose. All that we will get is the value added on the gold imported. But for the sake of a little value added, we may throw open the floodgate of abuses and, therefore, we do not want to do it. I quite trust the House will accept my answers.

SHRI ARJUN SETHI (Bhadrak): The hon. Minister has already stated that the policy of gold auction was a disastrous policy followed by the previous government—I may say—to ruin the economy of the country. So I do not want to proceed further as the Hon. Minister assured us for inquiry.

But I would like to ask some specific questions. My question is: will the Minister kindly tell us the names of those persons who were benefited out of this gold auction.

Secondly, what steps do the government propose to take so that the price of gold may come down and as a result, at least we can have something of gold for marriage ceremonies, etc.

MR. CHAIRMAN: Mr. Eduardo Faleiro—he is not here. Shri Lakkappa.

SHRI K. LAKKAPPA (Tumkur): The other day when the matter was discussed by way of questions and then supplementary questions, the question of certain malpractices in the gold auction came up and it is also true that the hon. Minister at that time and rightly, the Prime Minister also intervened in the subject and said that all the issues concerning and also involving such a speculative business of gold sales would be looked into. The Prime Minister said emphatically that the matter would be looked into. There was an agitation from all side ...

MR. CHAIRMAN: The hon. Member will please ask the question.

SHRI K. LAKKAPPA: I am formulating the question and I have to bring the facts to the notice of the House.

MR. CHAIRMAN: We know them.

SHRI K. LAKKAPPA: As also the background. This discussion arose out of the main question raised by Mr. Sanjay Gandhi and the supplementary questions put by me and others. Sir, we were all in the Opposition when this decision was taken by the previous government and the pertinent question on this subject was not replied by the hon. Minister in spite of this half-an-hour discussion because a lot of points were raised by my friend and also in the supplementaries at that time.

But, I would like to know whether, this precious yellow metal being one of the important issues on which is based the economic situation of this country, a lot of changes took place during these 2½ years not only under the garb of controlling or selling of gold by auction but through other methods also. The previous Government took lightly the smuggling activity thereby a floodgate of it was opened by them.

This situation has not only helped them to take away the precious yellow metal but it has become a flourishing ground for the smugglers to carry on their smuggling activities. I would say that the place of activity became the smugglers' paradise almost. Therefore, at that time, a new syndicate was born to corner the sale of gold. They were big business people flourishing here at that time who were helping the former Prime Minister, Shri Morarji Desai and his son who were directly involved. I would say that most of his relatives were even involved and they were all from Bombay and Gujarat and not from the other corners of India. That new syndicate was born and they had made it to see that the entire auction of gold was cornered by this group of people. They not only had taken away the gold but they left the economy of this country

into shambles. Therefore, I would like to know from the hon. Minister of Finance whether he would have the structural changes made into the entire system of what happened in the previous Government's time which had created this situation of the smuggling activity. He should effect an overall change in the system as far as gold auction in this country is concerned.

In view of keen interest shown as also the observations made by the Prime Minister on this question by having a fuller probe of the highest order into the matter and of submitting a report to the House regarding this within six months, I want to know from him what steps he would take to see that the entire situation is eased out and the suspicion created in the country on the issue of gold sale is removed completely and thereby the smuggling activities in gold in this country are completely stopped.

श. रानावतार शास्त्र (पटना) :

जनता पार्टी ने सोना बेचने का घंघा भ्रमनाया था। इसके समर्थन में तर्क यह दिया गया था कि इससे स्मगलिंग में रुकावट आएगी, कमी आयेगी। इस नीति के कारण लोगों में बड़ा असन्तोष भी पैदा हुआ था। सभी भी लोगों के मन में गलतफहमियां मौजूद हैं। लोग यह जरूर जानना चाहते हैं कि सोने की बिक्री के पीछे क्या राज छिपा हुआ था? मंत्री जी ने कहा है कि वह शीघ्र ही इस बात को प्रकाश में लाने की कोशिश करेंगे कि किन लोगों के हाथों में सोना गया और इसके पीछे कौन सी नीति काम कर रही थी। यह वह जब बतायेंगे तब मालूम होगा। लेकिन सभी में उनसे यह जानना चाहता हूँ कि क्या सचमुच में सोने की बिक्री से स्मगलिंग में कोई कमी आई थी और अगर आई थी तो इसकी जानकारी सदन को और देश को मिलनी चाहिये। अगर कमी नहीं आई और तस्करी चलती रही और राज

भी चल रही है तो उस तस्करी को रोकने के लिए सरकार ने सभी कौन सी कार्रवाई की है और उसका क्या नतीजा निकला है।

MR. CHAIRMAN: The Minister.

SHRI R. VENKATARAMAN: Sir, the questioners wanted to know the number of bids. I say that there were 18316 bids out of which 8577 were accepted. The whole list of bids that took place has already been placed in the Library for the information of the Members. It was done by the previous Government itself. If you want a few samples, I can read some of them whose bids were accepted. They are:

1. Vummidi Bangaru Chetty of Madras.
2. Chandra Kant of Bombay.
3. Yella Reddy of Prodatur, Hyderabad.
4. Devaji, Bombay.
5. Bhimji Zaverbhai and Co., Bombay.
6. Gokuldas & Co. etc., etc

19.00 hrs.

There is a large number I merely gave a sample. I only wanted to say that there have been bids from several places. We received eighteen thousand bids and out of that roughly 8,700 accepted.

The second question which was asked was how to make the price of gold come down? The price of gold is very largely governed by the international market price and in the international market the price of gold has been going up very much. In fact, during the later half of 1979 the prices

went nearly 50 per cent to 60 per cent above the Indian prices in the international market. I can give the figures for the prices in the international or London market and our prices from January-February and onwards. In January 1980 the highest for 10 grams in Bombay was 1700 whereas in London market it was 2173. Therefore, I do not think anybody will smuggle gold from a place where it rules at two thousand to this place. Then in February in Bombay it was 1400 and 1800 in London market. In March, 1980 it is 1370 in Bombay and 1676 in London. On the 21st March, 1980 it is 1320 in Bombay and 1333 in London.

Therefore, we cannot control the price of gold. It is very largely settled by international prices. The international prices are the result of large deals of people who buy and sell gold.

The next point raised by Mr. Lakkappa was that a syndicate has been formed and the gold cornered. I have said that this is the very thing to be enquired into and I shall enquire into it. He also wanted to know about the overall policy. During the budget I had stated that this Government will not auction or sell gold at all. This has been specifically mentioned that this Government will not sell or auction gold at all and there is no question of any doubt in the minds of anybody.

Mr. Shastri wanted to know whether smuggling has been reduced. Well, in this it is largely a matter of opinion. In my opinion smuggling was not reduced after gold sales. At that time I used to point out that from the number

of seizures it does not appear as if gold smuggling has come down and the only thing is that we have lost our stock. On the other hand Janata people were saying it has come down. There is no method whereby it can be judged. Then Mr. Shastri asked whether it has made any dent on smuggling. In my view, it did not make any dent on smuggling. Only international prices will determine. If price of gold is lower in other countries and higher in India then people will smuggle gold into India and if price of gold is higher in other countries and lower in India then they will not smuggle. Then they may try to smuggle out of the country.

But our situation is such that smuggling into the country appears to be a little more easier than smuggling out. Therefore, I do not think that there has been any spurt of smuggling. I do not claim any credit for it, for the Government, but it is largely because of the international price difference. That is all that I wish to say.

19.05 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, March 27, 1900/Chaitra 7, 1902 (Saka)