

[Shri Nirem Ghosh]

Corporation because you cannot afford to give Rs. 500 to 600 crores as subsidy. Then what right have you got to take away Rs. 3000 crores and donate to the industry in various ways. This also must go.

As regards public sector, I should say that the root cause of the malady in the public sector is the management by bureaucrats. They play ducks and drakes with public money. They come and make profit. They become bosom friends of capitalists and then they leave. That is why, the public sector suffers. Therefore, the elected workers should have control over the plants.

These are the few points I wanted to make.

MR. CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

15.02 hrs.

**STATUTORY RESOLUTION RE. NOTIFICATION INCREASING THE EXPORT DUTY ON HESSIAN CLOTH AND BAGS**

**THE MINISTER OF FINANCE AND INDUSTRY (SHRI R. VENKATARAMAN):** I beg to move:

"That in pursuance of sub-section (2) of section 8, read with sub-section (3) of section 7 of the Customs Tariff Act, 1975 (51 of 1975), this House approves the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. GSR 54(E) dated 18th February, 1980, increasing the export duty on hessian cloth and bags (other than carpet backing) from Rs 600 per tonne to Rs. 1000 per tonne, from the date of the notification aforesaid."

Prior to 18th February 1980, all jute goods were exempt from export duty. This exemption was granted in 1978

and 1976 in the wake of competition from synthetics. From April, 1979 cash compensatory support was also provided on major export items of jute manufacturers. However, since the middle of 1979, competition from synthetics being on a low key on account of the hike in petroleum crude prices, export of jute goods got a substantial boost. Besides; international prices of jute goods also registered a sizeable increase. In particular, there was a spurt in the prices of hessian, the principal export item in the jute family. It was in view of this development the cash subsidy of 6 per cent which was earlier given in respect of hessian was withdrawn in August, 1979. Subsequently, in November, 1979, the cash compensatory support in respect of carpet backing was also withdrawn. The question of reviving the export duty was also reviewed. It was decided to examine the position on a later date on consideration of the fact that the industry has not fared well in the past couple of years and it was not clear whether the increase in prices was a temporary one.

At the time of the review made in February 1980, it was noticed that the international prices of hessian were still on the higher side, though they had declined from the level reached towards October/November, 1979. As against an average cost of Rs. 5,800 per tonne, the sales realisation was Rs. 8,780/- per tonne. The jute industry was thus earning a profit of about Rs. 3,000 per tonne from export of hessian. The continued demand for hessian goods despite the higher prices was also indicative of the fact that the goods could bear the burden of the export duty.

In view of the above considerations, the Government decided to re-impose the export duty on hessian cloth and bags other than carpet backing at the rate of Rs. 1,000 per metric tonne so that the Exchequer could also get the

benefit from the appreciation of the hessian prices. Looking to the long-term interests involved, however, the exemption from export duty in respect of other jute goods manufacture has been continued.

I, therefore, commend this Resolution for the consideration of the House.

MR. CHAIRMAN: Shri Jyotirmoy Bosu has given notice of an amendment to the Resolution. He is not present here. So, it will not be treated as moved.

SHRI NIREN GHOSH (Dum Dum): Sir, this Resolution has been brought forward only to bluff the public. Perhaps a deal has been struck with the jute magnates. All through its history, particularly after independence, at each and every time we have seen the Union Government striking a deal with the jute magnates, giving them various concessions, at the same time, collecting crores of rupees from them for the ruling party. The Commerce Minister has been the fund-collector for the ruling party, the Congress(I). That has been the practice throughout.

Now you are talking of getting a share of the profit to the Exchequer. But you never lifted one little finger to see that the workers got their dues. It is only when the workers have been able to strike back for a long period that they have been able to get some benefit. But that is nothing compared to the profits which the jute magnates have earned. The attitude of the Union Government has all along been in favour of the jute magnates and against the working class.

They used to say that the jute mills have no future. What is the present position? As the Finance Minister knows, whenever a mill changes hands, the share prices goes up by 100 per cent. This is something peculiar in the jute industry. I put this question to

the jute magnates also. They could not answer it; rather they had no answer to it. They were dumb-founded. It means that it was always a milch cow for them. They suck it dry, completely, then in a few cases they gave up the mills. Those sick mills are now run by the Government.

While they are making extraordinary profits, the Finance Minister says that they are making Rs. 1,000 per tonne. I say that they are making a profit of Rs. 4,000 per tonne on hessian and Rs. 3,000 per tonne on carpet backing. This is the inside information and everybody knows that the jute magnates by utilising this industry have set up many industries throughout India. Through under-invoicing they have deposited perhaps more than Rs. 1000 or Rs. 2000 crores in the Geneva Bank and there is joke in Switzerland that "we have industrialised your country with your money". All that has been done in complicity with the Government at the Centre. Not only this. For putting the industry on a sound basis and for bright future they have procured the raw materials affecting the jute growers of five States of India. Up till now there is no mechanism whatsoever for 100 per cent procurement of jute direct from the growers so that all the jute magnates including Birla, Singhanian, Bangur, Kanoria, Bajoria etc., are all postmasters in the art of speculation and you ought to know that Singhanian was caught red-handed. He was president of IJMA (Indian Jute Mills Association) and in a confidential report it is said that after paying Rs. 50 lakhs to Congress(I) party, that case was hushed up. So, they are making extraordinary profits all along and you have denied the jute growers and workers their price. They do not go in for diversification, they are only going for instant profits and now they are making a profit of Rs. 3000 per tonne. You have exempted all of them. Only with a slight marginal increase in the export duty of hessian they are making a profit of Rs. 4000 and more per tonne. This I

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assert and if necessary I would be able to prove it from inside information. So, these are the profits they are making and this has caused a public outcry. I do not know, but perhaps the industry has a bright future now since the cost of synthetics has gone up. There was some competition but not that competition in synthetics by which the industry will be ruined. Now it has become an extra bonanza for them. That is how it is running and they are big business houses and speculators and they have set up about hundred Birla manufacturing companies. What for? There are the cement factory, the engineering factory, the carbide factory, the linolium factory and what not? They are all under the name of a single concern. There are other units throughout India and they are also making money. That is why I said, this is only to bluff the country. The productivity of the workers throughout the period has gone up. Their wages *pari passu* have not gone up. They have got a golden cow in the shape of speculation from cash crop. Each year they make Rs. 30 to Rs. 40 crores, but the industry pays less wages to the workers. In a clandestine way production is diverted to the market, and they make black market profit. Production is shown to be less. Government knows all these things, and they are in full cognizance of it. Now they are making so much profit that even they cannot hide it. So, Government has come forward, in order to bluff the public, with a meagre Rs. 300 extra duty on hessian. So, I say you have made a deal with the jute industry. I would like to know how many crores you have got from the jute industry for the coming State Assembly elections. That is the moot point. Even for this meagre rise, they raised a hue and cry, but that is only in order to hoodwink the public. You have made a deal, there is no doubt about it. All the Commerce Ministers have done it, we know that from confidential and inside information.

Even the magnates themselves privately told many Members how they to the jute magnates also. They could are giving for this election. So, this is how you are treating this big business. So, export duty on all items should be raised sufficiently. All this profit should go to the public and the workers. Some such provision should be made.

**SHRI INDRAJIT GUPTA (Basirat):** This export duty will not come out of the pockets of the mill-owners, it will be passed on to the consumer, so that even this limited and hesitant step which the Government is taking of increasing the export duty on hessian and hessian cloth from Rs. 600 per tonne to Rs. 1,000 per tonne will not mean even a pin-prick as far as the jute mill owners are concerned. Whichever Government has been in power at the Centre has never been able to muster courage to take any firm steps against the owners of this industry which used to be our largest foreign exchange earner for years and years.

I want to ask two questions. Why has carpet packing been exempted? The figures which are available show that this huge spurt in the market price of jute goods is fully shared by carpet packing also. Carpet packing which last year was selling at Rs. 5,260 per tonne, is now selling at Rs. 12,000 per tonne. Hessian, which was selling at approximately Rs. 6,000 last year, is now selling at Rs. 9,000 per tonne. Last year there was a strike in the jute mills in West Bengal for 40 days, and at that time I remember there were some negotiations and a settlement, we were all concerned with it very much. The jute mills had again said that this burden which they would have to bear by way of slightly higher wages for the workers, some house allowance and other benefits which we got out of that strike, would cost them Rs. 15 crores per year additionally, and therefore the industry would be absolutely crippled, that its back would be broken and so and so forth

—the usual thing which all mill owners say whenever they have to part with even a pie. In six months of last year after the strike, in spite of these higher wages to the workers, these mills have earned a profit of Rs. 99 crores, in six months.

The reason for it, of course, was partly stated by the hon. Minister. There is a saying that there is no ill-wind which does not blow good for some people. This oil crisis, this petroleum crisis, this world crisis of fuel, which we are having to cope with, in a different way has brought a tremendous boost for the jute industry because their main competitor was synthetic fibres, whose base is naphtha, crude and polypropylene, which are all made out of oil and petroleum products. Now at one blow, the base of that synthetic fibre industry has been knocked out, the prices have gone up so much and the demand has revived again for jute, for hessian cloth hessian bags and carpet backing and they are taking full advantage of it.

**SHRI N. G. RANGA (Guntur):** The jute producers get nothing.

**SHRI INDRAJIT GUPTA:** They are fleeced every year. In the last two or three days, many tears are being shed for the farmers. Please cast your thought for the poor jute cultivators. You have set up a Jute Corporation of India, which is supposed to help them by stepping into the market and making raw jute purchases whenever the price fell too low. Some minimum support price is being announced every year from Delhi for raw jute. These poor jute cultivators are all poor farmers, marginal farmers, there are no big farms cultivating jute. In Eastern India, in Assam, Bengal, Orissa and Andhra, they are all small farmers. Never do they get, let alone an economic price for jute even the support price which is announced from here every year. The Jute Corporation has been a big fiasco. Targets are set for them for procurement of raw jute, which

they are never able to fulfil because they say, we are given targets for procurement, but not adequate funds, they do not have enough purchasing centres, they have no storage godowns, they do not pay the cooperatives whom they enrol as their agents for buying. On the one hand, the jute cultivators are being fleeced and on the other hand, this industry is being fleeced by a group of mill owners who are nothing but speculators. You need not take my word for it. There are so many business journals and economic journalists who have been writing about this saying that this industry is run by a bunch of opportunists cut for a big kiln throwing to the winds their own long-term interests or even the norms of the business game. The industry's outlook has become a casualty at the hands of some speculators who have made quick money out of this industry. Three times in our recent history, once during the Korean War, once during the hostilities with Pakistan in 1971 when all jute mills in Bangladesh were closed and could not manufacture any jute goods and now when the oil crisis has knocked the synthetics out of the market, whenever an opportunity, an unexpected opportunity, a windfall opportunity has come, these jute mill owners have gone out of the way to see that in as short a time as possible they make the maximum profit, and if ultimately that leads to driving away of the customers in the foreign markets, that does not matter, we will make money now, get rich quicker—that is their motto. This industry which was one of the biggest assets of this country, which was our biggest foreign exchange earner is being systematically and planfully ruined by this group of people who are controlling this industry now. And what does the Government do? I think, Mr. Niren Ghosh's suspicions are well-founded though, of course, I do not expect the Finance Minister naturally to admit it. We are on the verge of elections, a mini-General election in nine States and they have made huge money most of which they do not

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show in their books, they are pastmasters at minting blackmoney. Everybody knows the notorious cases of under-invoicing of jute goods, which was caught one time, the big reputed houses in the jute industry were found to have cheated this country and cheated the exchequer by making crores of rupees by under-invoicing or over-invoicing. All that is going on still. We have said times without number, if you want to save this industry as an asset for the country's economy, the Government will have to step in and take over these mills. Whenever we say this, people like Mr. Venkatarama say that our party has got a congenital fixation about these things.

If it is a congenital fixation, I am not ashamed of it. When we see before our eyes what these people are doing to this industry, ruining it, and they have made huge profits, after so long, the Government comes forward and says timidly that the export duty on hessian will be increased from Rs. 600 per tonne to Rs. 1000 per tonne which will give them only Rs. 20 crores of revenue in a whole year.

I want to know why this duty should not be imposed with retrospective effect. Why these people should not be made to pay up to the Exchequer a part of the huge profits which they have minted since February of last year. As far as I see here, there is no retrospective effect. This is going to come in operation only from the date of the notification.

SHRI N. G. RANGA: How can it be with retrospective effect?

SHRI INDRAJIT GUPTA: They are not going to pay now also. They will pass it on to the consumer. They do not pay out of their pocket. The retrospective effect will make them pay out of their pocket, at least a part of it. I know, the hon. Finance Minister will not have the courage or the Government will not have the courage to go in for a step like this.

Secondly, I want to know why carpet backing has been exempted which is now selling at Rs. 12000 per tonne. I do not understand it. Is it in order to favour certain groups of mill-owners who have installed a number of looms for making carpet backing? I can name those groups also. We know them. They have brought enormous pressure and influence on the Government. They have got a powerful lobby. Somebody referred here, a little while ago, to powerful lobbies. The jute lobby is certainly known to everybody concerned. Therefore, I would say, please do not tinker with this problem like this. When you find that the prices are going down, you give a subsidy and when you find that the prices are going up, you put a little duty. That is all the extent of Government intervention or control that is exercised on this industry.

I have been told on good authority that the Commerce Ministry and one or two other allied Ministries are conspiring to disband altogether the Jute Corporation of India instead of finding out why it cannot operate properly, instead of strengthening it, instead of helping it to expand procurement operations, instead of providing adequate funds and helping to set up infrastructure so that they can spread out into the jute growing areas. This is what is going on. Because the Jute Corporation of India's record is a miserable failure every year, now somebody in Government circles here told me that a move is going on to see that the whole of the Jute Corporation of India is disbanded. It would mean handing over the business altogether, hundred per cent, to the tender mercy of the millowners.

I, therefore, say that this kind of a measure which is sought to be introduced here, is quite a ridiculous thing. It may bring in a few crores of rupees to the Exchequer. That is also a very miserable amount. I calculated just now sitting here that on an extra export duty of Rs. 400 per tonne, he



expects to realise Rs. 20 crores in a year. That means, he has calculated that there will be a production of 4,98,000 tonnes or, roughly, say, 5 lakh tonnes per year of these goods on which this duty is going to be levied. What about the rest of the production? I am not insisting on anything for sackig because the main market of sacking now is the home market, the domestic market. Obviously, there is no question of export duty on that. But what about carpet backing and all the different specifications of hessian which are manufactured in these mills and special types of fabric which are being manufactured in these mills? There is no competition now because synthetics have been knocked out. They are almost reverted to the previous position of a monopoly seller in the market. Why should the Government not take courage in both hands and at least do something to bring this industry under the control of the Government at all the three stages, cultivation of raw jute, manufacture inside the mills and selling to the foreign markets abroad. There is no control of any kind; there is no supervision of any kind.

We know all the mal-practices which go on in this industry. I have no time to recount them. You have to save the jute cultivator. You have to see that the production in the mills is done properly according to certain quality standards and that inferior fibre and inferior qualities of oil are not used. There is no supervision on all these things.

Still, you have to ensure that in the foreign trade, in which our jute goods play such a major part, all these mal-practices of under-invoicing and over-invoicing are stamped out. It can never be done unless the whole industry is taken over by the Government and run by them, in which case the workers would be prepared to cooperate with the Government. One or two mills had recently to be taken

over because they were closed down by the mill owners.

SHRI N. G. RANGA: Why?

SHRI INDRAJIT GUPTA: They were closed down because there was no money left. They were looted and cheated. Why else?

I would like the Minister to make a statement here as to how much money has been pumped into the mills by the financial institutions in the public sector. Without even bothering to find out whether there is any security, on the basis of fictional security and fictional stocks of raw jute when the jute mill-owners said I have got it in my godown—they were given funds by the State Bank of India. Later on it was discovered the stocks did not exist at all. Such things can be got away with in this country simply because of the tremendous pressure and the hold on Government. All the big business houses in the country control some jute mills. Each of them has got 2, 3, 4, 5 jute mills and it is this lobby that is working here, at Delhi, which is paralysing the hand of the Government, because Government is not prepared to do anything which would irritate or annoy them. Therefore, what Mr. Niren Ghosh has suggested is nothing very extraordinary, that just now, on the eve of the elections, if Mr. Venkataraman were to take the bull by the horns, then, perhaps, the anticipated donations to the coffers of the ruling Party would be badly affected.

Therefore, there is no question of approving or disapproving this Order, because it does not even touch the fringe of the problem. I would like him to say why they are so timid and hesitant about it and why they don't bring to the Exchequer a major part of the windfall profit which the industry is now reaping.

SHRI N. G. RANGA (Guntur): Sir, I wish to sound a note of warning in regard to this Jute Corporation which came to be established in order to

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protect the jute growers. If it is incurring losses—I am told it has incurred considerable losses during last year and the year before also—this Government should not fight shy of it and say it is going to be abolished. What has happened in regard to the textile industry? More than 100 mills were taken over by the Government in order to provide employment to a lakh of workers. Because these mills were then losing when they were being managed by private entrepreneurs, they were taken over by the Government. Now, supposing the Jute Corporation comes to be abolished and all the jute growers are placed at the mercy of these mill owners and all the tycoons that my hon. friend Mr. Indrajit Gupta has been referring to, their fate would be miserable. And how many would these growers be? Not one lakh, not one million, but many millions. Is it not the duty of the Government to come to the rescue of these millions of people and see that the bottom for the price of jute is maintained? That can be done only by fixing the minimum prices.

What has been the defect of the Jute Corporation is that, as my hon. friend Mr. Gupta has already said, it has not been provided with sufficient funds to purchase jute; and it has not been encouraged to purchase, also. On many an occasion—I know it for a fact—the jute mill owners came in the way and they did not allow them to purchase. What is more, it was not given the monopoly for purchasing, from which alone the jute mill owners should be made to purchase. The jute mill owners could be expected to pay more, if there were to be real competition between themselves and the Corporation. That competition is not there; rivalry is not there. At the same time, the mill owners have been favoured all the time, whenever it suited them, by not placing funds at the disposal of the Jute Corporation.

Therefore, I am extremely serious about this, that the Jute Corporation,

under any circumstances, should not be abolished. Let the Government go into the reasons why it has not been functioning as satisfactorily as it should. Is it because sufficient funds have not been placed at its disposal? Is it because some jute mill owners are interfering with its operations? Or is it because the Corporation itself is bowed down by its own internal inefficiency and incapacity to deal with the situation? Let them study this thing and improve the manner and the resources that are to be placed at the disposal of the Jute Corporation and ensure that the Jute Corporation is maintained there in order to protect the growers.

SHRI R. VENKATARAMAN: Both the hon. Members who spoke on the other side indirectly supported the resolution before the House. Only they wanted some heavier export duties to be levied. They were not against levying of the export duty.

One point my friend, Mr. Indrajit Gupta, made was: why is it that we have exempted the carpet backing? The reason is that the margin in carpet-backing today does not warrant an imposition of an export duty...

SHRI NIREN GHOSH: What is the margin according to you?

SHRI R. VENKATARAMAN: You can trust me to be very complete in my figures.

SHRI NIREN GHOSH: I have said that it is Rs. 3000.

SHRI R. VENKATARAMAN: It is a compliment which I can also exchange with you, but I do not want to. In November, 1979, the price was as stated by Mr. Gupta. Rs. 12,000 per tonne for carpet backing. In February 1980 it came to Rs. 8538 and in March it was Rs. 7722. The result is that now the cost of production is Rs. 7200 and the margin is only Rs. 500

**SHRI NIREN GHOSH:** Here comes the congenital fixation of hon. Shri Venkataraman.

**SHRI R. VENKATARAMAN:** I cannot answer all running commentaries. I submit in the matter of hessian—I have given the figures—the margin is around Rs. 3000 and, therefore, we have levied an export duty of Rs. 1000....

**SHRI INDRAJIT GUPTA:** Rs. 600 was already there.

**SHRI R. VENKATARAMAN:** Now the duty is Rs. 1000. The margin is Rs. 3000. Therefore the duty is Rs. 1000. Whether it is from Rs. 600 to Rs. 1000 or from Rs. 500 to Rs. 1000 does not matter. The duty to-day is Rs. 1000. Therefore, the reason why we did not levy any export duty on carpet backing is this one. Another reason why we did not levy any export levy on carpet backing is that we have a strong competition from Bangladesh. In Bangladesh the prices are competitive and we will lose the market. In our anxiety to harm certain so-called vested interests we should not harm the country itself. We cannot throw the baby with the bath water.

**SHRI INDRAJIT GUPTA:** 'So-called vested interests'.

**SHRI R. VENKATARAMAN:** That is what you have said. I repeated your statement.

**SHRI INDRAJIT GUPTA:** I never said the 'so-called'. The 'so-called' is your addition.

**SHRI R. VENKATARAMAN:** There are certain veiled innuendoes that the Government is getting collection for funds or something. If it were so, why should they levy an export duty? They should have kept it at Rs. 600 as it is and collected more money. So you have contradicted yourself. The fact that the Govern-

ment has come forward to do something which is unpopular with the industry and has raised the export duty itself shows that their accusations or allegations are baseless.

**MR. CHAIRMAN:** The question is:

"That in pursuance of sub-section (2) of section 8, read with sub-section (3) of section 7 of the Customs Tariff Act, 1975 (51 of 1975), this House approves the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. GSR 54(E) dated 18th February, 1980, increasing the export duty on hessian cloth and bags (other than carpet backing) from Rs. 600 per tonne to Rs. 1000 per tonne, from the date of notification aforesaid."

*The motion was adopted.*

15.39 hrs.

#### UNION DUTIES OF EXCISE (ELECTRICITY) DISTRIBUTION BILL

**THE MINISTER OF FINANCE AND INDUSTRY (SHRI R. VENKATARAMAN):** Sir, I beg to move:\*

"That the Bill to provide for the payment out of Consolidated Fund of India of sums equivalent to the net proceeds of Union duties of excise on electricity to the States to which the law imposing the duty extends and for the distribution of those sums among those States in accordance with the recommendations of the Finance Commission, in its report dated the 28th day of October, 1978, be taken into consideration."

Hon. Members are aware, this Bill, as mentioned in the motion itself, is to give effect to the recommendations of the Seventh Finance Commission, which have been accepted by the Government. Article 272 of the Constitution provides that, if Parliament by law so provide sums equivalent to

\*Moved with the recommendation of the President.