For Favour of Publication

SWATANTRA PARTY PARLIAMENTARY OFFICE

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My dear Indira Ji,

I am grateful to you for your kind invitation to attend the meeting to-day to consider the paper on "Approach to the Fourth Five-Year Plan". In such a nation-building activity, we would like to co-operate with Government but, on further consideration, I regret to say that we have come to the conclusion that no useful purpose will be served by our taking part in the discussion to-day until it is clear that Government has an open mind in planning and is genuinely anxious to have the co-operation of the other parties.

2. Let me make it clear that we are not opposed to planning as such but we are definitely of the opinion that the concept of planning is overdone by Government by making planning an instrument of all kinds of controls, licences and permits which are the bane of our political and economic life to-day but in which the Congress Party, I regret to say, believes for reasons which are obvious to any political observer. Our experience shows that controls are resorted to more for purposes of corruption and exercise of patronage than out of sheer economic necessity. Even where it is patent as in the case of cement that controls impede production, they are practised because they give Government the power and authority to hold people in check or put them under their obligation which they would not hesitate to exploit for vario purposes.

3. Take the case of Food Zones for example. This year we have had a bumper crop and if there was any time when the Food Zones could have been abolished and the unity and integrity of the country could have been emphasized, it is this year. In much less favourable circumstances, late Rafi Ahmed Kidwai and Shri Rajajee had the courage and the vision to abolish controls over food and history has shown that their action proved a success and there was increased production accompanied by free distribution and reasonable prices. It is the fundamental policy of the Swatantra Party that there is no need for Food Zones and that they should be abolished as early as possible and Itake this opportunity to reiterate the same in no uncertain language. We may make an exception in the case of a specially depressed area or economically land-locked and backward people in the sense that it would be the duty of the Central Government to provide subsidised foodgrains. Another typical example of mismanagement through control is in sugar. Over the years the shortsighted policy of imposing price controls on sugarcane and refined sugar has led to serious shortages and diversion to other more profitable crops and products and the country is faced this year with a serious crisis of under-production even leading to import of sugar.

4. As regards imports and exports, there is again unnecessary emphasis on controls. Specially the particular form of controls which is objectionable is the channelising of imports through public corporations and of exports through commodity boards and the like. Moreover export promotion and export controls are contradictory terms and it is only in this country that we have the spectacle of Government trying to promote exports through a system of export controls! Cases have come to our notice in which items which are manufactured locally are now allowed to be exported only to free foreign exchange countries. It is not realised that all exports are good, whether to free foreign exchange countries or to

rupee payment countries. Even where, sometimes in the manufacture of exportable commodity, there may be an element of importation from a free foreign exchange country. Overall, any export is healthy and should be encouraged regardless of destination. As regards export promotion, we should learn from the experience of other countries such as Ireland where an aggressive export policy has paid rich dividends, Taiwan where the economy is boomin the absence of controls, and even our next door neighbour, Pakistan, where because of adoption of wiser economic policies, the rate of growth has been higher as acknowledged by the World Bank and international economic authorities.

5. We in the Swatantra Party believe that there is hardly any need for industrial licensing in the conditions of to-day. We consider that industrial licensing and quotas should be completely abolished. The paper circulated refers to import substitution but we are afraid, more as lip service than as real genuine, practical policy. This is not a time for industrial licensing with a sellers' market and, therefore, nobody would set up an industry unless he is assured that he will be able to produce goods which he can sell and at reasonable or competitive prices. Industrial licensing at a time of sellers' market can be understood; but certainly not when it has become, as it is to-day, the buyers' market, apart from the difficulty of financial or money stringency, because the buyers freedom of choice is an automatic control over the choice of producers. It would then be possible for an entrepreneur to look around to see wherefrom the items are imported and where and what should be manufactured locally, taking advantage of the indigenous market. All the delays, corruptions and cumbersome procedures involved in obtaining industrial licences would be eliminated and people would go forward with manufacture, depending upon their own judgment of the market survey and economies of production and sale. Government may organise 'Advisory Service' to aid entrepreneurs who need and seek it.

6. Even if it is felt that some kind of licensing is necessary, it is our fundamental policy that such licensing should be done not by an executive agency like Departments of Government or by any inter-departmental licensing council or board but by a quasi-judicial body or authority, which can be set up with its own secretariat and which will be independent of executive influence and which will be non-partisan and non-political in its personnel and activity. The concerned departments of Industry and Commerce, Finance and Industrial Development should be made to provide all the studies, information and other assistance called for. Unless Government is prepared to accept this principle, it is no use our taking part in any discussions on plan policy.

7. The approach of Government is from the point of view of keeping power within its own hands which it can exercise for its own advantage in the practice of political power; whereas our approach is that while controls and licences should be reduced to the minimum, wherever and whenever they are absolutely necessary for the progress and proper functioning of the economy of the country, they should be exerciseable by a quasi-judicial and independent commission free from all influences of the executive authority and for a limited duration.

8. We believe that public sector may be necessary where private enterprise is not possible. But the policy of the present Government is to go into the public sector indiscriminately, regardless of the limited resources and the prior demands on such

resources. So long as this policy is not changed, it is futile to expect any return or resources from the public sector and any plan based on such mobilisation of resources is only a paper plan devised to mislead the public so that they may not know the exact picture of the public undertakings under the management of the present Government.

9. It has been said in the Planning Commission paper that additional resources to the extent of Rs.200 to Rs.300 crores should be mobilised from the public sector. However laudable may be this objective, we do not see how such optimism is justified. Our experience to-day is that these public sector projects are bottomless pits in which money is only sunk and from which nothing comes out. There may be a project here and there which may be making some profit but by and large the public sector is a losing business, involving annual losses of crores of rupees, particularly big projects as Hindustan Steel, Heavy Engineering, Heavy Electricals and Indian Drugs and Pharmaceuticals Ltd.

10. Government proposes to mop up savings of the people through taxes at an ever-increasing rates. At the same time, no determination for achieving economy has been shown which can afford scope for saving of about Rs.200 crores annually which can be utilised for developmental purposes notably irrigation, drainage, rural housing, water supply and education specially for tribal and backward people (Daridranayayan)

11. The whole momentum of this approach to the Fourth Plan is no different from the earlier plans especially in regard to imposition of higher and newer burdens upon the masses, that is, by way of additional and new taxes, inflation, foreign and domestic debt burdens. Our Party is convinced that ours are the highest taxed people (by direct and indirect taxes) and that there is urgent need for tax-relief, especially on indirect and excise duties.

12. A very serious omission in this Planning Commission approach is the total absence of any indication of the extent of resources available. As you know, so far, our plans have been "Need-Based" whereas they should have been "Resource-Based".

13. The paper has shown no awareness of the public demand for scrapping the Bokaro Steel Plant and thus saving another Rs.100 crores this year. Our development will not in any way be affected by postponing this project, if it can't be abandoned altogether. in view of the continuing glut in the steel market.

14. Therefore, we can't take any responsibility as a party in whatever Government proposes to do by way of new projects, additional taxation, public debt and inflation.

With kind regards,

Yours sincerely,

sd.N.G. Ranga

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