

and lease and financing in reply to a question of Shri George. I want to draw your attention towards a very simple problem. In our country we have several small scale industries and beads a sort of pearl is exported. The cost of this pearl is Rs. 55 per kilo and the supplier exports it at the rate of Rs. 35 per kg. The exporters import the raw material which is used in the work of finishing these pearls. Thereby they save 130% on custom duty under the shelter of your policy. All the industries are running in heavy losses since the goods are exported at cheaper rates while their domestic market is higher than that of their foreign market. As such I would like to know that in the matter of import and export business, the raw material which is imported custom free for the purpose of producing manufactured goods; and sold here in black market. Under this policy how will you put a check on it?

MR. SPEAKER: Does the question arise out of it? Does this question relate to the original question?

SHRI RAJNATH SONKAR SHASTRI: The Minister can know better. Let me make it clear once more that this is a very serious matter.

MR. SPEAKER: If he wishes he can answer the question. You ask the question. Though it does not relate to the subject yet in case the Minister is willing to reply I will give a chance.

SHRI RAMESHWAR THAKUR: Mr. Speaker, Sir, although it does not relate to this question yet I want to assure the hon. Member that in the import and export of pearl whatever description the hon. member has given right now, I will try to find out the detailed report in this regard and thereafter we shall take appropriate action. This is my assurance to those small traders who collect beads, that we will take care of them. We have to look at the conditions prevailing in the international market also. Sometimes, in view of the hard competition in foreign markets we have to give exemption in taxes to compensate the exporters because the price of goods to be exported is sometimes

less than the cost of production. But what has been particularly pointed out by the hon. Member in this regard will be looked into and the hon. Member will be intimated later on about the action we can take in the matter and if there is any scope of providing relief in custom duty etc. or otherwise we shall consider it in due course.

[English]

MR. SPEAKER: All these are assurances given on the floor of the House.

(Interruptions)

Impact of Devaluation of Rupee on Exports and Imports

*326. SHRI DIGVIJAYA SINGH: Will the Minister of COMMERCE be pleased to state:

(a) whether the Government have examined the impact of devaluation of the rupee on exports and imports;

(b) if so, the percentage rise or fall in exports and imports after devaluation of the rupee in terms of dollars till November 15, 1991;

(c) whether the devaluation of the rupee has affected our trade with the rupee payment area countries; and

(d) if so, the steps proposed to be taken by the Government to build up trade relations with those countries?

THE DEPUTY MINISTER IN THE MINISTRY OF COMMERCE (SHRI SALMAN KHURSHEED): (a) to (d). A statement is laid on the Table of the House.

STATEMENT

(a) yes, Sir. However, it needs to be pointed out that exports do not merely depend on devaluation, but several other factors such as global trading environment, domestic production, availability of surplus for exports, availability of imported critical raw materials

and capital goods for export production, availability of credit, etc. Similarly, imports are also related to availability of foreign exchange to effect imports, shortfall in domestic production of essential items, industrial activity, etc. It also needs to be mentioned that impact of devaluation is not felt immediately, but there is a time lag for such impact.

(b) The data on India's foreign trade is available upto April-September 1991. The month-wise figures of exports and imports during July, August, September 1991 as compared to the corresponding months of previous year are as under:-

(US \$ Million)

Months	1990-91	1991-92	% Growth
Exports			
July			
GCA	1139	1200	+ 5.4
RPA	303	101	- 66.7
August			
GCA	1192	1257	+ 5.5
RPA	254	86	- 66.1
September			
GCA	1160	1280	+ 10.3
RPA	279	132	- 55.7

(US \$ Million)

Month	1990-91	1991-92	% Growth
Imports			
July	1713	1326	-12.6
August	1906	1505	-12.0
September	2116	1528	-27.8

(c) No, Sir.

(d) Our future export strategy is not only to deal with the Soviet Union but also its republics and the other RPA economies such as Czechoslovakia and Romania. Elements of our future export strategy would include: greater marketing thrust in the changed economic environment, diversification of structure of trade to exploit new possibilities, promotion of direct contacts at the commercial enterprises level, greater emphasis on new forms of cooperation such as Joint ventures, greater attention to consumer preferences, quality and prices, etc.

SHRIDIGVIJAYA SINGH: Sir, because of the devaluation of rupee, the General Currency Area exporters are getting higher return on their exports and the withdrawal of the Cash Compensatory Support to them is quite justified. But the Rupee Currency Area exporters have been put to extreme loss because of this change in policy. Some of these exporters had firm contracts, prior to devaluation, mainly for the manufacture of machinery and projects. They entered into an agreement before the change of this policy. Would the Government consider compensating these exporters in any way? or, would they allow these facilities, which are available now, to the exporters to rupee Currency Areas so that they could avail of the same facility existed before the devaluation and the change of the policy that took place?

SHRI SALMAN KHURSHEED: Sir, under the changed policy, the EXIM Scrips are available to exporters both for the GCA and the ROA areas. Therefore, the Exim Scrips are available to the exporters to the RIA areas as well. However, I think the hon. Member's point is that the withdrawal of the CCS facility has probably hit the exporters to the RPA much more than it has hit the exporters of the GCA areas. However, since devaluation has made available a larger amount of rupee in the Soviet Union and other countries of the ROA areas, it is possible for our exporters to increase it by re-negotiating the prices of export. It has come to our notice that some exporters have successfully re-negotiated prices as well. There may be some hardship cases. We can give further

what is possible for them except that at present the picture of the RPA area looks very uncertain. We are in the process of negotiating and finalising what the position will be in the Soviet Union and the other countries. We hope towards the early part of next year, the picture will look clear. We can then take up any hardship cases which are there.

SHRI DIGVIJAYA SINGH: The Exim Scrips are only available to them for Rupee Currency Area countries. Most of the imports like machinery and other things are from the GCA area countries. Would the hon. Minister consider that the Exim Scrips available with them, that is, with the exporters of the RCA areas, are allowed to be used in the GCA Countries?

SHRI SALMAN KHURSHEED: For the present, there is no proposal because any decision of this kind has to take into account the implications of wider nature. We are, at present, encouraging, through various methods, the people who are exporting to the RCA areas to diversify their export to the GCA areas as well so that they can have some foreign exchange earning and the Exim Scrips also are applicable to the GCA areas.

[*Translation*]

SHRI HARI KISHORE SINGH: Mr. Speaker, Sir, as per the statement made by the hon. Minister there is much decline in our foreign trade after devaluation. I would like to know when the position will be improved in this regard. I think the Government might have made certain estimate in this connection because the very purpose of devaluation was to increase the foreign trade. He should also state whether the Government has made some calculation about the time by which foreign exchange is expected to be earned, whether the foreign trade has increased after devaluation or not and the Government's future plan in this regard?

Secondly I am interested to know about the trade with U.S.S.R in terms of rupees.

Mr. Speaker, Sir, 1 dollar is equivalent to Rs. 26 if the hon. Manmohanji has not increased it any further and 1 dollar is equivalent to 45 Rouble and 1 Rouble is equivalent to Rs. 31. Thus there is a heavy loss to our country. What is the Government's stand in this regard and how it is going to protect the interests of our exporters?

MR. SPEAKER: He has already replied that he will consider about this.

SHRI HARI KISHORE SINGH: This is not so, this cannot be done by any one party alone. (*Interruptions*)

[*English*]

No, Sir, the Minister said that the parties are free to renegotiate.

SHRI SALMAN KHURSHEED: Sir, to begin with, the drop in India's exports was due to various factors. When this Government came into power, at that time, due to severe import curbs, there was some impact on the exports as well. The new policy was introduced, when this Government came into power and since then several steps have been taken. Our position today is that the deceleration in the exports had been reversed; the acceleration is just beginning. We will still have to wait a while to see the definite trends. We have the confidence that towards the beginning of next year, we will have the good news to give to this House, as far as exports are concerned. As regards the rupee rouble exchange rate and rupee payment area, this is matter which is outside the purview of Commerce. The Finance Minister is sitting here; prolonged negotiations are necessary for that purpose. We are all concerned and I would like to add that Soviet Union has been a good friend of ours and we would consider that to be an important factor in whatever discussions that we have in the future.

DR. DEBI PROSAD PAL: Mr. Speaker, one of the objects of devaluation is to boost up the export trade in the country. In regard to exports, there has been an Exports

Inspecting Agency for improving the quality of export goods. But as a result of the policy of encouraging exports, is it now the policy of the Government to abolish the Exports Inspecting Agency which was hitherto rendering splendid services in the export of quality goods to abroad? By doing so, the reputation of the country will be heavily impaired. So, I would like to know from the Minister, whether the Exports Inspecting Agency is going to be abolished and if so, whether the employees who will be rendered surplus will be absorbed in the Services (*Interruptions*)

MR. SPEAKER: Shri Debi Prasad, does it arise out of this question? Mr. Minister, if you have the reply, you can give.

SHRI SALMAN KHURSHEED: Although it does not really flow out of this question, the devaluation has no impact whatsoever on our policy regarding inspection. Our policy regarding inspection, in a sense, is directed by the wishes of the exporters as well as the imported from abroad. The wishes of the exporters and importers over the years have been that we should not interfere with inspection. The exporters and importers desire that they should be able to satisfy themselves with the prescribed standards. We do not wish to interfere. The policy of this Government is that we should allow the market forces and individuals to apply their preferences as far as possible and wherever, in public interest, the inspection is considered necessary, we are continuing with the inspection.

SHRI JASWANT SINGH: Mr. Speaker, Sir, the export to rupee payment areas is a complex question. The rupee rouble exchange rate, which of course, the Minister has conveniently transferred into the lap of the Finance Ministry, is only one aspect of that complexity. Has the Government examined this aspect, given the fact that we have an outstanding credit of something like Rs. 20,000 or Rs. 30,000 crores. to be repaid over the year to the Soviet Union, which the Soviet Union in whatever altered form it finally emerges? They will still be

legates nation of the Soviet Union and to that legatee nation India would have an obligation to pay back anything between Rs. 20,000 and Rs. 30,000 crores. That Rs. 20,000 or Rs. 30,000 crores over the years is going to be whittled down through barter, through captive trade as it were between the Soviet Union and India and given the facts that precisely for this captive trade a number of Indian entrepreneurs promoted their industries directed specially to the Soviet and Eastern Block markets, what kind of time-frame has the Government in mind to reorient these industries to cut down this Rs. 20,000 to Rs. 30,000 crores credit outstanding against India and yet have a really workable rupee-rouble exchange rate?

SHRI SALMAN KHURSHEED The hon. Member knows very well that there is a trade plan for every year. Trade Plan for the Indo-Soviet Union trade for the next year is still to be finalised. We find it difficult to get convenient dates from the Soviet side because they have internal problems.

SHRI JASWANT SINGH: My question is not about the annual trade plan.

SHRI SALMAN KHURSHEED: The hon. Member may please allow me to complete my answer.

The annual trade plan is within the perspective of the trade protocol and the annual trade plan takes into account the overall credits on both sides - the technical credit arrangements which taken place. Our problem in the previous year was that the Soviet Union was not able to meet some of the obligations which under the trade plan it was to meet. Therefore our technical credit was not going all right which is the reason why we have gone slow. Our insistence only has been that we should restrict ourselves within the trade plan limits and not go beyond the trade plan limits. We have to be able to sit with the Soviet Union before a long term perspective can be drawn out. I believe it is necessary that the Soviet Union will have to first plan out its own long term perspective before we can sit down to plan out a joint long term perspective

SHRI E. AHAMED: All exercise of the Government is to promote more export and generate more foreign exchange. But, as a matter of fact, there were several exporters who have been earning the foreign exchange for this country especially in rupee payment area. After the devaluation process of the Government, they have to suffer a heavy loss because those agencies in the foreign countries with whom they have had trade agreement, was not prepared to honour the pre-devaluation rate for the payment. Those exporters who have been doing very good work in export are now suffering very heavy losses due to the Government's new policy especially in the textile sector. I would like to know from the hon. Minister whether the Government will consider their case sympathetically and give them..

MR. SPEAKER: That was the question asked by Shri Digvijaya Singh already and replied to also. Now please come out with your question quickly.

SHRI E. AHAMED: May I submit that it is one of the reasons why these exporters to rupee payment areas have to suffer? My question is in relation to that aspect.

SHRI SALMAN KHURSHEED: My reply to the hon. Member would be, this Government is not lacking in sympathy for any honest effort made by any section.

[*Translation*]

SHRI CHHEDI PASWAN: Mr. Speaker, Sir, I would like to know from the hon. Minister the real income in rupees through the export after devaluation and the amount in rupees which will have to be paid in terms of loans, interest and the principal amount?

MR. SPEAKER: It has also been replied by him. If he wants to reply, he can do so.

SHRI SALMAN KHURSHEED: The exact figures are not available on this because the exact figures will be available only at the end of the year. As I said earlier, after devaluation and in addition to devaluation other policy measures that have been taken have stopped the de-acceleration

of exports and acceleration has just begun to take place.

SHRI SOBHANADREESWARA RAO VADDE: Mr. Speaker, Sir, through you, I would like to know from the hon. Minister with the devaluation of the rupee and with the good production of cotton crop in the country - whether the Government was able to export more of cotton and cotton yarn, especially long the extra long staple cotton; and whether it was able to earn more foreign exchange. If so, what is the result and what are the steps that are being taken by the Government to earn more foreign exchange by exporting more of long staple and extra long staple cotton and cotton yarn

MR. SPEAKER: This is the question about the impact of the devaluation of rupee on exports; and not on cotton export. anyway, the Minister is replying.

SHRI SALMAN KHURSHEED: From the figures that are available with me, I could say that the percentage by which cotton fabrics and yarn made up, etc. have gone up during April-September 1991, is 58.9 per cent.

The figures that are available with me are for cotton fabrics and yarn made up. If the hon. Member wants specifically for cotton and cotton yarn, I will give it later.

• **MR. SPEAKER:** You can reply in writing.

Projects in Backward States

*327. **SHRIMATI VASUNDHARA RAJE:** Will the Minister of FINANCE be pleased to state:

(a) whether priority is being given by the Government to the implementation of such projects in the backward States as are getting foreign aid;

(b) if so, the number of these projects taken up in different States during each of the last three years, State-wise; and

(c) the details of such projects proposed to be implemented in different State during the Eighth plan period?