

### Utilisation of Foreign Exchange Reserves

815. SHRI P. KANNAN : Will the DEPUTY PRIME MINISTER AND MINISTER OF FINANCE be pleased to state :

(a) the foreign exchange reserves today as compared to a year back ;

(b) whether any effective policy has been devised to utilise the reserves for the rapid economic development of the country ; and

(c) if so, the particulars thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATISH AGARWAL) : (a) India's foreign exchange reserves (excluding Gold and SDRs) were Rs. 5463.70 crores as on 6th July, 1979 as compared to Rs. 4533.37 crores as on 6th July, 1978.

(b) Yes, Sir,

(c) A series of measures have been taken by the Government to utilise the foreign exchange reserves fruitfully with a view to enhancing the rate of growth of the economy and maintaining reasonable price stability. These include :—

- (i) Import policy has been progressively liberalised and relevant procedures simplified with a view to improving utilisation of existing and establishment of new industrial capacity while taking care that indigenous industry is not hurt. Actual users (a major category of licensees) are now entitled to automatic licences for import of industrial raw materials, components, spare parts (except restricted and banned items) within liberal limits. The Open General Licence list has been substantially expanded to include, among others, leather machinery, garment and hosiery machinery and a wide range of machine tools. Provision has been made for imports on a global tender basis of capital goods and machinery for 13 specified priority industries to reduce bottlenecks in speedy completion of projects. Canalising agencies are being provided foreign exchange on a liberal scale to enable them to service the needs of their clients for imported canalised items.

(ii) Increased plan outlays and a general step-up in demand have resulted in enhanced requirements for important commodities like steel, cement, fertiliser and fertiliser raw materials, non-ferrous metals, etc. Foreign exchange reserves have been liberally utilised to augment domestic supply of these inputs and this has helped maintain the tempo of development.

(iii) A special facility has been established to enable intending importers of capital goods to obtain, on reasonable terms, rupee funds with which they can purchase the requisite foreign exchange.

(iv) Price stability is an important condition for sustained economic growth. Government has, therefore, been importing essential consumer commodities such as edible oils which are in short supply in the domestic market.

The substantial step-up of imports during 1978-79 as compared to the preceding years, is an indication of the effects of the steps taken by the Government in this direction.

### Export Potential

816. SHRI K. MAYATHEVAR : Will the Minister of COMMERCE, CIVIL SUPPLIES AND COOPERATION be pleased to state :

(a) whether it is a fact that exports have not shown the spurt in keeping with the developmental needs of our economy ;

(b) if so, the reasons thereof and the sectors which show a decline ; and

(c) the steps proposed to promote and develop the full export potential ?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE, CIVIL SUPPLIES AND COOPERATION (SHRI ARIF BAIG) : (a) to (c). According to the latest provisional estimate, India's exports during April, 1978 to March, 1979 amounted to Rs. 5645.99 crores, marking an increase of 6.1% over the corresponding provisional estimate for 1977-78 and of about 4.5% over the revised figure of exports for 1977-78.

a. The trend of exports, imports and balance of trade for the past few years is as follows.—

(Rs. Crores)

Year	Imports	Exports including re-exports	Balance of trade
1973-74*	2955 37	2523 40	(-) 431 97
1974-75*	4518 78	3328 83	(-) 1189 95
1975-76*	5264 78	3096 26	(-) 1228 52
1976-77*	5073 95	5145 78	(+) 71 83
1977-78*	6025 29	5404 26	(-) 621 03
1978 79 @	6762 61	5645 39	(-) 1117 22

\*Revised

@Provisional

3 At the present stage of our development, large imports of several items of capital goods energy and inputs such as fertilizers, non ferrous metals, steel, etc are required to strengthen agricultural and industrial production, and the production base and for acquisition of new science and technology. The import surpluses are of critical importance to the objective of price stability also. The draft Five Year Plan 1978-83 had already projected a total adverse balance of trade of Rs 8823 crores for the Plan period. The recent sharp increase in the prices of petroleum is calculated to increase the cost of petroleum imports by about Rs 1200 crores for a full year. In these circumstances, Government's efforts are directed towards keeping down the trade deficit by stepping up exports and curbing imports.

4 The main reasons for the deceleration in export growth since 1977-78 are (a) the recessionary conditions prevailing in the developed countries, (b) the protectionist measures adopted by them, (c) substantial fall in the international prices of export items like tea, coffee, pepper, sugar, oil cakes and iron ore during 1978-79, (d) fall in Rupee Value of Dollar, and (e) reduction in exportable surpluses caused by various factors like shortage of power, industrial unrest, transport bottlenecks, port congestion, increasing domestic demand for items like iron and steel, cement, textiles, unprecedented floods in many States, reduced availability of imported raw cash-wheat, difficulties in obtaining domestic supplies and deliberate policy of Government to restrict export of certain commodities for ensuring sufficient domestic availability at reasonable prices and thus reducing the social cost of exports.

5 The main thrust of the new Export Policy and the measures taken to overcome the difficulties and restructure the export trade on a scientific basis in tune with the national development strategy have been (a) to strengthen the export production base by facilitating availability of essential inputs through a radically simplified and decentralised import policy, (b) to expand the production base for selected items both in industrial and agricultural sectors by removing obstacles hindering production and endeavouring to secure priorities for them in the matter of allocation of funds in the Annual/Five Year Plan (c) to involve the State Governments fully in the export effort, (d) to identify and tackle problems of dynamic export sectors on the basis of in-depth studies by Task Forces, (e) to energise the organisations of the Chief Controller of Imports and Exports, export organisations like SIC and MMTC, India's Commercial Representatives abroad, and the Export Promotion Councils and Commodity Boards, so as to make them play a more dynamic and promotional role in the export field, particularly in the small scale and cottage industries/sectors, (f) to promote the export of items in value-added form rather than in primary form and to bring about diversification in export products as well as export markets, (g) to provide necessary cash compensatory support to selected export items on a systematic and stable basis, and (h) to make persistent efforts for securing better trading environment for India and other developing countries at multinational fora such as

UNCTAD and GATT and through bilateral negotiations.

6. Detailed official export statistics are available from the Directorate General of Commercial Intelligence and Statistics only up to September, 1978. However, more recent provisional statistics are available from the Export Promotion Councils and Commodity Boards. The latter statistics are presented in Annexure I. It will be seen from Annexure I that exports of Garments, Leather and leather manufactures, Gem and jewellery Engineering goods, Sugar and marine products registered large increases during 1978-79. This is heartening as the products are labour-intensive and the exports have large growth-potential. On the other hand, there was a substantial fall in the exports of Tea, Coffee, Cashew, Cotton piecegoods, Jute manufactures etc. The reasons for the fall in their exports have been indicated in paragraph 4 above. Exports of Tea and Jute manufactures are expected to increase during 1979-80 on account of improvement in demand and supply situation in these products.

7. The difficulties affecting exports, mentioned earlier, still persist. The bottlenecks due to shortages of basic inputs and infrastructural facilities, namely : power, coal, steel, port facilities, transportation etc., will have to be overcome for sustained growth in production. The inflationary conditions resulting from the sharp rise in petroleum prices, the increase in money supply etc. will also have an important bearing on our competitive strength. Export growth is naturally affected by these factors governing the overall growth of the economy. Further, it will be time till the measures adopted to boost exports begin to operate fully. Despite the difficulties, it is hoped that it will be possible to accelerate our export growth. The latest data available regarding exports during April and May, 1979 is heartening from this point of view though it covers only a short period. According to the data, the exports during the first two months of 1979-80 are provisionally placed at Rs. 940.70 crores as against corresponding provisional figure of Rs. 724.86 crores and revised figure of Rs. 859.94 crores for 1978.

#### Statement

#### INDIA'S EXPORT OF PRINCIPAL COMMODITIES

*Provisional Data from Export Promotion Councils/Commodity Boards*

1977-78 and 1978-79

(Rs. Crores)

Sl. No.	Commodities	Period	1977-78	1978-79	Increase/ Decrease
1	2	3	4	5	6
<b>ITEMS SHOWING INCREASE</b>					
1.	Engineering Goods . . .	April-March	620.0	685.0	+9.8
2.	Gems and jewellery . . .	April-March	559.6	725.0	+29.6
3.	Other Handicrafts . . .	April-Jan.	153.30	162.54	+6.0
4.	Manganese Ore . . .	April-March	19.1	16.4	+25.2
5.	Sports Goods . . .	April-Feb.	12.8	17.1	+33.6
6.	Man-made Textiles . . .	April-March	32.32	41.78	+29.3
7.	Leather and leather Mfts. . .	April-March	257.90	330.4	+28.1
	(a) E. I. Tanned hides and skins . . .	„	70.4	67.9	-3.6
	(b) Chrome Tanned . . .	„	50.3	39.3	-21.9
	(c) Finished Leather . . .	„	90.8	181.3	+89.5
	(d) Leather goods . . .	„	10.3	14.6	+41.7
8.	Natural silk goods . . .	April-March	31.60	40.12	+26.97

9.	Cotton Garments . . . . .	April-Jan.	171 62	256 97	+49 7
	(a) Mill-made . . . . .	"	101 78	141 74	+39 3
	(b) Handmade . . . . .	"	69 84	115 23	+65 0
10.	Silver . . . . .	April-March	83 0	126 0	+51 8
11.	Marine Products . . . . .	"	180 95	234 62	+29 7
12.	Cardamoms . . . . .	"	48 6	59 8	+23 0
13.	Sugar . . . . .	"	18 0	126 0	+600 0
14.	Castor Oil . . . . .	"	20 9	30 5	+45 9
15.	Plastics and Linoleums . . . . .	"	27 3	33 0	+20 9
16.	Iron Ore (MMTC) . . . . .	"	162 5	163 8	+1 8
17.	De-oiled Rice Bran . . . . .	"	14 8	14 9	+0 7
18.	Decorticated cottonseed ex-pellers/ extractions . . . . .	"	23 86	25 78	+5 96
19.	Lac . . . . .	"	6 34	8 37	+32 02

## ITEMS SHOWING DECREASE

20.	Tea . . . . .	April-March	563 7	328 6	-41 7
21.	Coffee . . . . .	"	190 69	154 6	-18 9
22.	Basic chemical, pharmaceuticals and cosmetics . . . . .	"	160 5	140 7	-12 3
23.	Chemicals and Allied Prod . . . . .	"	157 9	144 5	-8 5
24.	Tobacco Unmanufactured . . . . .	"	110 6	107 7	-2 6
25.	Cashew Kernels . . . . .	"	147 6	88 02	-45 8
26.	Jute Manufactures . . . . .	"	244 1	155 5	-76 2
27.	Cotton Piecegoods				
	(a) Mill-made . . . . .	April-Jan	117 76	120 03	+1 9
	(b) Handloom . . . . .	April-March	81 59	54 60	-33 1
28.	Cotton Yarn . . . . .	"	22 34	13 05	-41 6
29.	Hosiery . . . . .	"	15 50	8 87	-42 8
30.	Made-ups				
	(a) Mill-made . . . . .	April-Jan.	35 83	28 09	-21 6
	(b) Handloom . . . . .	April-March	34 54	26 54	-23 2
31.	Wool and woollen carpets . . . . .	April-Jan.	37 20	27 59	-25 8
32.	Pepper . . . . .	April-March	50 1	28 1	-49 9
33.	Coal . . . . .	"	12 5	5 3	-57 9
34.	Iron and steel . . . . .	"	238 67	156 78	-34 3