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Title: The Minister of Commerce and Industry laid a statement regarding "Export of non-basmati rice to some countries".

MR. CHAIRMAN: Now, we shall take up item no. 8 – Shri Anand Sharma. You kindly lay your Statement on the Table of the House.

...(Interruptions)

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA): Sir, I beg to lay a statement regarding 'Export of non-basmati rice to some countries'.

Non-basmati rice was exported to a few African countries during the period December 2007 to March 2009. On 30th July 2009, while responding to a Calling Attention Motion on this issue, I had informed Members of this august House of the circumstances in which the Government decided to permit the export of the rice.

To briefly recount, during that time the Government had imposed a ban on the export of non-basmati rice. This ban was occasioned by the general rise in food grain prices and an overall assessment of the domestic supply position. In 2008, escalating rice prices and situations of extreme distress in many parts of the world, especially in some Least Developed Countries (LDCs), led to requests to India from some poor African countries to sell limited quantities of non-basmati rice. Keeping in view our close ties with these countries and the delicate supply position they were facing, a decision was taken on diplomatic considerations to authorize the export of limited quantities of non-basmati rice in relaxation of the ban. Questions were raised in this august House, following media reports, about the integrity of the process followed for the same.

My statement of 30th July 2009, inter alia, made the following points:

- (a) Though the Government had authorized the release of about 13.5 lakh Metric Tonnes (MT) of non-basmati rice, the actual quantity exported was about 1.22 lakh MT; only 9% of the amount authorized for release was actually exported.
- (b) The rice was procured from domestically available stocks; the rice exported was not out of public distribution system stocks.
- (c) The transactions were to be concluded on a commercial basis. The Governments of the African countries had not requested for the rice as aid or grant; the requests were for outright sale,
- (d) The actual export of rice was completed only in respect of transactions with five countries, namely, Comoros, Ghana, Madagascar, Mauritius, and Sierra Leone.
- (e) In the majority of the transactions, the recipient African countries nominated both the importing agency in their country as well as the domestic supplier based in India.

I also informed Hon'ble Members that, on examination of the transactions, certain infringements had been noticed, I had assured Members that enquiries will be held, responsibility will be fixed, and remedial action taken.

An Enquiry into the matter was ordered. An Additional Secretary in the Department of Commerce was appointed the Enquiry Officer (EO), who went through the records of transactions in the department and the PSUs and also sought responses from the concerned parties. The Enquiry has been completed and duly examined. Some of the main findings of the EO are:-

- (i) The transactions with Mauritius (by STC and MMTC) were found to be transparent and competitive; prima facie, there was nothing objectionable in the transactions. The Government of Mauritius appointed the State Trading Corporation of Mauritius as the buying agency. The PSUs selected suppliers, through a tender process and picked up those offering the lowest rates. The transactions were concluded on a commercial basis.
- (ii) With the exception of Mauritius, the exporting PSUs of the Department of Commerce did not follow a transparent

procedure for selection of domestic associates or determination of the price at which the rice was exported.

(iii) In these cases, the importing country nominated the importing agency in the recipient country and selected a domestic supplier in India, without involving the PSUs. The importing Government/agency settled the selling price (purchase price for them) in negotiations with the domestic Indian supplier without associating the

(iv) All documents showed the PSUs to be the exporter for record. However, the PSUs operated on a meagre trading margin ranging between 1% and 1.5%. The pre-defined terms of the contracts between the foreign buyers and the domestic suppliers (with small margins for the PSUs) led to hugely disproportionate profits accruing to private parties, namely, the foreign Government nominated domestic suppliers in India.

(v) Though all transactions were concluded through the PSUs, the sharing of gains from the transactions was effectively pre-determined, through contractual terms, settled between the foreign purchaser and the domestic supplier.

(vi) In lifting the ban on exports and bestowing the right to export solely on the PSUs, the Government took a public policy decision recognising that commercial profits would accrue to the PSUs because of the large differential between domestic and international prices. It appears that PSU officials did not exercise due diligence in the matter, resulting in a denial of legitimate profits to the PSUs. The officials clearly did not act in the best commercial interests of the PSU. At a minimum, the concerned officials erred in exercising sound commercial judgement.

The Enquiry Officer was also tasked to identify all officials of the PSUs directly associated with the decision-making in these transactions. The Enquiry Officer has identified the officers directly involved. Based on the Enquiry Officer's report, and its detailed examination, the following action has been taken:

(i) The concerned officials have been issued show-cause notices calling their explanation for not exercising due diligence, failing to act in the best commercial interest of the PSU, and abrogating their responsibility leading to the non-realisation of public policy goals. Further action will follow after explanations are furnished and examined.

(ii) pending further investigations, and without prejudice to the outcome thereof, all the concerned private parties (domestic suppliers) who were involved in these transactions have been blacklisted and the PSUs of the Department of Commerce given directions prohibiting them from doing business with them. This decision has also been communicated to all concerned central government ministries.

(iii) A detailed scrutiny of the Enquiry report suggesting that the domestic supplier and the importing agency clearly acted in concert; they settled the terms of the contract. The possibility of collusion cannot be ruled out. However, such issues were beyond the terms of reference of the Enquiry Officer and, in any case, may need special investigative skills. Taking the totality of circumstances into account, the matter has been remitted to the Central Vigilance Commission for its advice. All records available in the Department have been forwarded to the CVC.

(iv) Remedial action to prevent recurrence of such a situation has been taken. On 8th September 2009, the Directorate General of Foreign Trade issued directions to all PSUs on the export of non-basmati rice stipulating the explicit conditions under which non-basmati rice exports would be permitted. As a sequel to these directions, the Department of Commerce prepared detailed guidelines governing the export of non-basmati rice by Indian PSUs on diplomatic considerations. These guidelines were prepared in consultation with the concerned Departments of the Government and the CVC. These guidelines were issued on 18th February 2010 to the concerned Departments in Government as well as to all PSUs.

I have taken action to honour the assurance given to this House. The Enquiry has been held; officials responsible have been identified and action for proceeding against them has been set in motion. Lastly, remedial action to prevent recurrence of such an eventuality has been taken through the issuance of detailed instructions and guidelines.

...(Interruptions)
