

18.00 hrs

STATEMENT BY MINISTER

Gold Transactions

[English]

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH). We are faced with balance of payments crisis of an unprecedented nature. Our foreign exchange reserves have despite significant borrowings from the IMF in July 1990 and January 1991 fallen to a very low level. Due to the weakening of international confidence in the rupee, international commercial banks have become extremely reluctant to lend us money. For the same reason, inflow of remittances from non-resident Indians into foreign currency and rupee denominated general accounts with banks in India has ceased to be a positive figure and in the last month there were signs of a large net outflow on this account. All over the world, expectations about the future value of the rupee were highly unfavourable and this was encouraging India exporters to delay the remission of export proceeds to India and also encouraging illegal export of capital from India.

It is in this background, that we took the decision on 1st & 3rd July, 1991 to adjust the exchange value of the rupee. This action has had a favourable impact on the psychology of international markets and all the principal players therein. I am confident that over time, the exchange rate adjustment together with the trade policy reform measures we have taken our balance of payments will significantly improve and there will be a return of international confidence in our currency.

However, in the immediate run, we have a major liquidity problem. We have compressed our import bill to an unprecedented degree to save foreign exchange for import of only the most essential articles.

At the same time, we have large external debt service payments falling due. We have taken a firm decision

to honour all our international commitments and not to default on payment of debt.

We are, therefore, faced with a situation where we have large financing requirements which cannot be met immediately by increase in exports, or by further import compression, or by increased external borrowing from international commercial banks or by way of increased flow of remittances from non-resident Indians.

It was in this background that the previous Government led by Shri Chandra Shekhar took this decision to sell abroad 20 tonnes of gold out of Govt stocks with an option to repurchase it at the end of six months. The actual export of this gold took place between 21st and 31st of May, 1991.

The previous Government had also agreed with the decision of the Reserve Bank of India that in the present difficult situation, upto 15 per cent of Reserve Bank of India gold could be sent abroad to be kept in safe custody with a Central Bank. The Reserve Bank of India's intention was to seek a short term loan against the pledge of gold sent out of India. Under Section 33(5) of the Reserve Bank of India Act, Section 33(5) of the Reserve Bank of India has the power to keep up to 15 per cent of its gold abroad and the Reserve Bank of India can take decisions in this regard on its own. However, for the sake of abundant caution the Reserve Bank of India consulted the previous Government and they agreed with the Reserve Bank of India's proposed course of action. When our Government came into power, I was aware of the decision of the Reserve Bank of India as concurred in by the previous Government. But I did not consider it wise to countermand that decision. In exercise of its powers, the Reserve Bank of India sent abroad 4.8 metric tonnes of gold on 4th July, 1991 to be kept in safe custody with the Bank of England. On 7th July, a

further quantity of 20.01 tonnes was sent. On 11th July, a further quantity of 10.01 tonnes was sent. On 18th July, a further quantity of 12.09 tonnes was sent. Thus in all, the Reserve Bank of India has sent abroad for safe custody with the Bank of England a total quantity of 46.91 tonnes.

Against the pledge of 46.91 tonnes of gold, the Reserve Bank of India can borrow for a period of one month at a time a total sum of about ₹ 400 million to help us tide over the serious liquidity problems we are now facing.

With the transfer abroad of the final instalment of gold on 18th July, the whole operation has been completed as originally planned. For obvious security reasons, the movements of gold had necessarily to be done without prior public announcement. Hereafter no further gold from the Reserve Bank of India stock will be sent abroad.

The export of gold was a painful necessity. However, I am confident that the various measures we have now taken will, over a period of time, lead to a significant improvement of our balance of payments. It will be my sincere effort to work to bring back to India as early as possible the gold we have sent abroad.

(Interruptions)

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum): I have sent a note for clarification. What happened? *(Interruptions)*

SHRI BASU DEB ACHARIA (Bankura): In reply to a question, some assurance was given by the Minister.... *(Interruptions)*.

SHRI NIRMAL KANTI CHATTERJEE: Is it true that during the period April to June we had an export surplus? Is it being put to use? Is it still high? *(Interruptions)*.

MR. SPEAKER: Shri Ahamed.

(Interruptions)

MR. SPEAKER. Shri Ahamed may speak now.

18.10 hrs.

MOTION OF THANKS ON THE PRESIDENT'S ADDRESS *Contd.*

(English)

SHRI E AHAMED (Manjeri) Mr. Speaker. Sir, I rise to support the Motion of Thanks moved by the hon Member, Shri Buta Singh, on behalf of my Party, the Indian Union Muslim League.

Sir, for the last three days, this House has been discussing the Address of the President. All these three days I have been listening to the speeches made by the hon Members of this House, particularly the leaders of the Parties. The President's Address, Sir, has prompted the hon. Members of this House, particularly the leaders of political parties to . . .

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum) Sir, may I draw your attention to one thing? A Minister of a State Government is present in the House. As far as I remember, Sir, there was a Ruling in the Lok Sabha . . .

SHRI CHITTA BASU (Barasat): She made a speech today in the morning.

SHRI NIRMAL KANTI CHATTERJEE: Mr. Advani will corroborate this. There is a Ruling in the Lok Sabha that a Minister of a State Government is not permitted to speak in the Lok Sabha. In the Rajya Sabha there is a different directive. Since she has already spoken, the entire speech must be expunged from the proceedings of the House, Sir, I want a Ruling on this.

MR. SPEAKER. I will look into it.

SHRI RAMESH CHENNITHALA (Kottayam): Sir, she is a Member of the Lok Sabha.