

therefore, entitled to the revised D. A. of 4 per cent of basic pay with effect from 1-7-1986.

2. Government have now decided to pay this instalment of Dearness Allowance to the Central Government Employees in cash. Orders in this behalf will be issued by the Ministry of Finance soon.

3. The annual cost of this amount of D. A. is estimated at Rs. 270 crores (approx.). The cost in the current financial year will be of the order of Rs. 180 crores.

12.15 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

[English]

Reported poor performance of India at export front thereby widening the trade deficit

SHRI CHINTAMANI JENA (Balasore) : I call the attention of the Minister of Commerce to the following matter of urgent public importance and request that he may make a statement thereon :

Reported poor performance of India at the export front thereby widening the trade deficit and the steps taken by the Government in regard thereto.

THE MINISTER OF COMMERCE (SHRI P. SHIV SHANKER) : Concern has been expressed on different occasions by the Hon'ble Members about the reported poor performance of our exports and widening trade deficit.

India's exports during the Sixth Five Year Plan period grew in rupee terms at an annual rate of 13.2 per cent. The provisional figures of India's exports during the financial year 1985-86 place them at Rs. 11006 crores as against the comparative figures of Rs. 11477 crores in the previous year. At the same time, imports during the financial year 1985-86 were at a provisional total of Rs. 19622 crores compared with Rs. 16730 crores during 1984-85. As a result, India's trade deficit (Provisional figures) increased from Rs. 5254 crores during 1984-85 to

Rs. 8616 crores in 1985-86, which was about 3.6 per cent of GNP.

An important factor contribution to the decline in overall exports was the virtual elimination of exports of crude oil which had amounted to Rs. 1563 crores during 1984-85. The provisional data revealed that non-crude oil exports at Rs. 10871 crores in 1985-86 registered an increase of 9.7 per cent as compared to Rs. 9913 crores during the previous year. This increase in non-crude oil exports should be seen against the back-drop of only 3 per cent growth in the world trade in 1985 as compared to 9 per cent growth in 1984 on account of the slowing down in the growth of some of the major industrial economies as well as intensification of protectionism. It is also worth nothing that during 1985 there was a continued fall in the prices of primary commodities — which fell by 9.5 per cent (in dollar terms). The unit values realised for tea, an important item of our export, declined by 12.5 per cent during 1985-86; that of jute manufactures, by 8.3 per cent, that of coffee and cotton yarn by more than 4 per cent.

The economic recession in parts of the world in which we had acquired a foothold in exports also meant a set back to our exports. Thus, exports to West Asia and Africa, for example, fell by more than 5 per cent during 1985-86.

A series of initiatives have been taken to promote exports. These are designed to generate surpluses for exports, to induce the production of goods contemporary in technology and competitive in prices and to make the exports profitable. Several changes have been made with these objectives in view in the areas of fiscal policy, industrial policy and import policy backed by institutional support. A long term framework has been evolved to generate stability and confidence. In addition to these several new measures have been initiated recently. It has been decided in principle to make available capital goods and machinery which are not produced in the country, for export production or for improving the quality of products for exports for the thrust sectors at lower rates of duties on a case by case basis. The principle of supply of raw materials at international prices through scheme such as the one that has been in operation for steel, rubber and certain chemicals would be extended to other important areas and cover consumables

where they form a significant part of the cost. Preshipment credit will be made available for export production at 9.5 per cent interest for 180 days. The Cash Compensatory Support Scheme has been reframed to cover indirect taxes on inputs of the exported products and in principle full remission of excise and other duties on exported products will be allowed subject to certain considerations. A liberal approach would be adopted in making available contemporary technology for thrust sector, where necessary linked to export obligation. The Ministry of Industry has already issued a notification exempting from the requirement of licensing any exemption of capacity exclusively for export production. Besides, it has been decided in principle to allow the use of 5 to 10 per cent of the net foreign exchange earnings by exporters for export/promotion. Action is also being taken to tackle the problem of shortage of power and for improvement in the performance of infrastructure such as the ports.

Simultaneously steps are being taken to promote import substitution and increase the production of bulk commodities such as edible oils, sugar, fertilizers and crude oil.

According to the provisional data available for the first quarter of 1986-87 i.e. April-June, 1986, as compared to the corresponding period of the previous year, India's foreign trade situation has shown a distinct improvement. In April-June, 1986 India's exports at a level of Rs. 2790 crores were 24.6 per cent higher as compared to Rs. 2239 crores in the corresponding period of the previous year. Due to incomplete reporting of provisional data in 1985, however a correction shall have to be applied and after adjustment a growth of the order of 15 per cent is indicated. Information from export promotion councils also indicates a growth rate of 16 per cent and add for the first half of this fiscal year.

At the same time, during April-June, 1986 imports are placed at Rs. 4414 crores which were not very significantly different from Rs. 4349 crores in the corresponding period of the previous year. Consequently, there has been a substantial decline in trade deficit.

We have had intensive interaction with the industry and trade at different levels. We

intend to continue the dialogue with them. There are already signs that in the current year the trade gap will decline. Considering the international environment, however, a constant watch and adjustment of policies of various measures will be necessary.

SHRI CHINTAMANI JENA (Balsore): Hon'ble Chairman, I am very grateful to the Hon. Minister for Commerce for admitting our deficiency in export trades.

From the statement you will kindly see that the export in 1985-86 amounted to Rs. 11005.91 crores against the provisional figure of Rs. 11297.38 crores in the previous year. But in the case of non-oil export, it had shown a growth of over 11 per cent, I fully agree with the Hon. Minister in this regard. The commodities which showed a decline in export are tea, tobacco, engineering products and crude oil.

In the case of imports also you will see that in 1985-86, the imports amounted to Rs. 19622.27 crores as against the provisional figure of Rs. 16,484.85 crores in the previous year. Thus it shows an increase of Rs. 3137.42 crores. We are expecting to have good result from export trade but our imports are increasing. On the other hand only the imports of fertilisers, edible oils, sugar, petroleum and petroleum products news prints and non-ferrous metals as a whole showed an increase of only Rs. 427 crores.

Import of crude oil and petroleum products taken together, were virtually the same as in the previous year even though Rs. 1563 crores worth of oil was exported in 1984-85 but the exports in 1985-86 were only Rs. 135 crores. The Hon. Minister may agree to it.

Manufactured fertilisers and non-ferrous metals showed a rise of Rs. 131.50 crores and Rs. 123.53 crores respectively.

There was a sharp increase in imports of iron and steel which amounted to Rs. 1214.63 crores in 1985-86 as compared to Rs. 732.69 crores in the year 1984-85. Import of machinery also was higher by Rs. 889.22 crores at Rs. 3469.49 crores.

Except machine tools, all other categories like electrical machinery, non-electrical

machinery including electronics, transport equipments largely required for assembling motor vehicles and two and three wheelers has shown substantial increase.

Even though there was a significant improvement in the balance of trade during the first quarter of the current financial year, yet it is noticed that imports during this period amounted to Rs. 4414.16 crores against Rs. 4348.59 crores during April-June of last year, which has registered a growth rate of 1.5 per cent.

Realising the abnormal trade deficit and poor performances of the big business houses in the country, the Hon. Prime Minister about a month back, which the Hon. Minister may kindly recall, had advised the big business houses to redouble their efforts to capture markets in the developed nations by producing high quality products which would be competitive in the world market also. The Hon. Prime Minister had said that the Government had charted out plans to bring India in the front ranks of the advanced nations and in the world market also. In this context the Hon. Minister may kindly tell the House in which way his Ministry and Industry Ministry has charted out a plan for it. The Hon. Minister also told a few days back, which he may kindly recall, that he proposed for the big business houses to mention in their balance sheets about the amount of foreign exchange they have spent and earned for the country because of their poor export performances. He also urged on the engineering industries not only to drive vigorously to boost exports, but also to create new markets for Indian goods. In this connection the Hon. Minister may kindly enlighten us about the progress.

In this context he also told to set up a committee to study the question of the decision at the General Agreement on Tariffs and Trade (GATT). May I know the progress in this regard?

In this connection the Government policy on international price reimbursement scheme was to be announced. The decision on this issue would help to boost the export markets. In addition to it, the Hon. Minister has told that the individual companies should draw up export plan as an integral

part of their corporate plans. These plans should not only identify products and markets, but must lay down production schedules, programmes for technological upgradation and modernisation as well as detailed marketing strategy, suited to meet the needs of individual products in the international markets. I begin with, he had suggested that the companies must export a certain percentage of their production and meet their import requirement through exports.

MR. CHAIRMAN: 10 minutes are over.

SHRI CHINTAMANI JENA: Sir, only two minutes.

Similarly, the Hon. Minister had very correctly advised the companies to retain 5 to 10 percent of their foreign exchange earnings for specific market development activities. The Hon. Minister may kindly enlighten us in this regard the result of it, as our export market is facing a great challenge in the world competitive market.

I am coming to the products which are facing a lot of challenges and competition in the international market. In the blended fabrics, the Republic of Korea, Hong Kong, Taiwan, Singapore, Thailand and Indonesia also are producing this, and there is a lot of competition. We know why this is happening. Our energy cost is higher than that of any other countries. Similarly, in the case of jute goods, our jute goods industry has become uncompetitive in the global market because of our outdated technology. Similar is the case with synthetic fibres etc., in which we were pioneer a decade back. But now, we are facing challenge from these countries. Regarding cement also, a few years back, we were exporting cement. Now, we are importing a large quantity of cement from Korea etc. Similar is the situation in sugar and paper industry. In 1974-75, we had exported a million tonnes of sugar. But now we are importing a large quantity of sugar from other countries. The paper industry is also in a shamble and we cannot compete in the international market.

The Hon. Finance Minister on 31st March announced in the House to establish

a special fund named as Export Development Fund in the Export Bank of India. The loans or advances would be available for financing research, survey in connection with the promotion and development of international trade and for providing technical, administrative and financial assistance for any kind of items which have got export potentiality. May I know, what is the progress made in this regard? The funds also to be utilised for promotion of our market facilities in the countries where we have no such markets.

May I have the comments from the Hon. Minister on all these issues?

SHRI INDRAJIT GUPTA (Basirhat) : Mr. Chairman, Sir, the statement which has been made by the Hon. Commerce Minister fully corroborates everything that has appeared in the Press. Our source is the Press and replies given to various interpretations in both the Houses of Parliament. I should say, he has made a very factual statement but very complacent. There is no air of urgency about it at all. We are facing a record trade deficit, which has increased in one year, between 1984-85 and 1985-86, the trade deficit has gone up by Rs. 3,362 crores. I should say that this is an extremely serious and grim picture. It exposes also the failure and the bankruptcy of the present import-export policy of the Government. The whole emphasis in what the Hon. Minister has said is on how we should try to increase exports by giving various concessions and incentives to the private sector. That is the sum and substance of their policy. Of course, exports have to be stimulated but the main thrust of this policy, as we have seen during the last two years particularly, is to liberalise imports. It is in the name of liberalisation that the gates have been opened for unrestricted imports of so many things. He does not tell us anything about the fact that the imports have really created the real mischief in the whole situation. Our export trade is more or less, I think, not very elastic. It cannot be in the present international situation, unless we find new markets in new countries because the countries to whom we are trying to export, most of them the advanced capitalist countries of the West, are countries who do not allow our exports to enter their markets. It is they who have got high protective and tariff barriers against the exports of the developing countries.

Everybody knows that this is a big struggle which is taking place in the whole world today between developing and developed countries. This is what you are talking about so much in all the non-alignment conferences, at the Group of 77, at the United Nations and so on. I agree that India, like any other developing country, is at a disadvantage because of the policies which are being pursued by the USA, UK, West Germany and other countries. It is only in the markets of the Socialist countries where the Indian exports have been able to register a big increase but he does not tell us a single word about all that. The main thrust of the Government is how we can give more concessions and incentives to the private sector industries to step up their exports. All those concessions have been recited here. They are well-known to everybody and one thing I should like to point out is that it has also been said that sectors which are enjoying high export potential, not high export performance, but the sectors enjoying high export potential, will be allowed to import capital goods either duty free or at very low duty incidence. This is one major incentive that they are giving under the new policy, that a wide range of capital goods and machinery, have been put on the open general licence, without any consideration for what the impact is going to be on our indigenous capital goods industries which we have created in this country at very heavy investment costs and mainly in the public sector. The Bharat Heavy Vehicles, the Bharat Heavy Engineering Corporation and all these giant plants which were set up in the public sector involving investment of thousands of crores, were precisely meant to make us to some extent at least self-reliant in the manufacture of capital goods. But from what we see now, what is happening in the last two years? It is the capital goods which are being allowed and machinery which is being allowed to come in at very high cost, from these countries abroad. They are putting up their prices all the time while the prices of our exports to those countries have gone down and the impact on the capital goods industries in our own country should be assessed and estimated and told to the Parliament by the Government. We are told that in another two or three years' time, I know from good authority, the order book of the Bharat Heavy Vehicles will be blank. They will have no orders left in their order

books. The same thing is happening in the case of Bharat Electronics in Bangalore. The Bharat Electronics has had to close down production in two or three important projects which they had taken in that factory because of imports which are now being allowed. I cannot go into details in this time. But it is the question of imports which should have attracted more attention from the Government. One of the major concessions they have given to exports is, for example, ready-made garments. We were developing a big trade in ready-made garments. Now, they are being given further incentive by being allowed to use foreign brand names also. They can use foreign brand names subject to certain conditions—that only indigenous fabrics are used. 75 per cent is exported and so on. They can sell under foreign brand names—not even made in India. My point is that we should know how this pattern of trade balance has deteriorated so much in the course of one year. It is not a normal thing. How has it deteriorated so sharply between last year and this year, taking us to Rs. 8600 crores—may be more by the end of the year, I do not know. How is this burden going to be met, unless we are to follow the dictates of the World Bank, of the International Monetary Fund from whom we are borrowing large sums of money and they have got conditions attached that we have got to import from certain countries and all our indigenous production must be—what they call—export oriented. How will it be export—oriented when they themselves are erecting tariff barriers and protectionist barriers about which the World Bank has nothing to do with them.

Now, a move is a foot—we read in the papers—by these advanced countries to bring about some new arrangement through the machinery of GATT whereby not only goods but services also they want to export to other countries. I do not know what is the Government's stand? If that comes about, in any shape or form, this balance of trade deficit will go up many fold more.

He has not said anything about import of technology. These are figures and prices given for import of goods. But what about import of technology which is invicibly

imported, which is taking place in the name of modernisation? That technology transfer, whether it is obsolete technology, or suitable for our country or are not suitable—on that I am not going into. But the transfer of technology which is taking place is not reflected in these figures at all. Because of that technology which is often obsolete technology, which is repetitive technology in the sense that it is already available in this country, it has been developed by our own scientists, our own technicians, our own engineers working in our own Research and Development Institutions, this repetitive, obsolete technology, technology with strings attached, is also costing us thousands of crores of rupees. But it is not reflected in these figures at all. So, I would just say that last year the price of oil in the international market did not rise. It even declined a little bit. We had a big item in our import Bill and it was the price of oil. Last year, the price of oil was stable—even it declined a little bit. In spite of that this sharp deterioration has taken place.

Then engineering exports, everybody know, is lagging far behind. Now we are told that because of the concessions that the Government is giving to the Private Sector engineering firms, the United States is threatening to impose certain countervailing duties. I do not know what the position is? He should tell us. Because the United States' countervailing duties are imposed on our engineering products, then the miserable export performance of the engineering industry will become even more miserable. That will be the result, instead of being stimulated. I would say that this Government is following a policy which is quite disastrous as far as export and import is concerned. On the export side, simply by giving hosts of concessions and subsidies and incentives to the Private Sector, the export trade is not picking up and not like to pick up. An engineering industry will never go in for exports so long as they enjoy a good market in the country. That is the real trouble. They find it more profitable to sell their goods here than to try to export in spite of all the concessions given to them, all the facilities given to them. But the Government is persisting in the same line. He has said in his statement in one phrase at the end: "Simultaneously steps are being taken to promote import substitution...." Very good.

But only this half sentence is there about it. I would like to know what are the sectors, what are the products, what are the categories of commodities in which they are seriously trying to bring about import substitution. We are all very proud of the fact that our country has produced so much foodgrains and we are supposed to be self-sufficient in food now. But if I read out to you the figures, you will be surprised how much wheat we are importing still, how much rice we are importing still and how much sugar we are importing still. Fantastic figures are there, running into thousands of crores of rupees. A country which is self-sufficient in foodgrain production, I do not understand why we are having to import such massive quantities of wheat, rice and sugar still. In edible oil, of course, our production is insufficient and we are spending huge sums on edible oil. What is the strategy of the Government? Is it simply to go on allowing imports to come in on a massive scale, much more than previously, at the same time trying to stimulate exports by giving some benefits to the private sector who do not respond at all? Then where will we end up? So, I am afraid, this import-export policy brought in by the Prime Minister, Shri Rajiv Gandhi, primarily in the name of modernisation and liberalisation is going to be the undoing of the economy of this country, if they persist in this way. Our public sector industries will be ruined, the domestic industries will be ruined, the small scale industries, cottage industries, handloom industries, and so on in our country will be ruined if this unrestricted flood of imports is permitted. Self-reliance is being given a go-by. I would request the Minister to assure this House that they will review this policy at every step, every six months, and if they find that negative effects are following, they must take corrective steps immediately. Otherwise, the control of this economy will go completely out of their hands and we will be landed in a state of complete bankruptcy.

SHRI AJAY MUSHRAN (Jabalpur) : Mr. Chairman, Sir, the statement given by the Hon. Minister on the reported poor performance on the export front because of which trade deficit is widening every year is partly convincing in the sense that he has given some major reasons as to why this gap has widened in the last one year. But

I wish he had covered certain aspects like restricting imports and what concrete steps the Ministry is going to take under his leadership in that regard and what export promotion, what incentive to export, could be given under the gambit of the policy. As Shri Indrajit Gupta says, there is nothing wrong with the policy; it is basically a question of execution of the policy and ways and means have to be found for punishing or restricting those people who are basically using the incentives given under the export policy or under import licences for their own benefit and not for export promotion. The import policy liberalisation will be of no effect to the national economy unless it is correspondingly, in terms of value, in terms of gain, associated with export endeavour. The statement is absolutely silent on it. The Hon. Minister has only mentioned it by making a passing reference that they have 'intensive interaction with industry and trade at different levels'. What are the levels, what is the interaction, what are the other liberalisations being done under the policy, the statement is silent on these. The Hon. Minister, at Para-4 on Page-2 has mentioned :

"It has been decided in principle to make available capital goods and machinery which are not produced in the country..."

and which can promote production of these items which can be exported. How this will be ensured that this is not mis-used as the mis-use has been done in the past?

In the past whenever any liberalisation of import policy has been done, wherever incentives have been given for the import of machinery, heavy machinery or raw material under the pretext that they are going to export correspondingly, it has landed us into trouble as we are forcing and trying to call his attention. My submission is that the Government is capable of arresting the people who mis-use these incentives. Simply by saying that so and so has mis-used the incentive and you bar everybody of the same tribe—I am talking of the private sector—is not the end all of the situation. What I expect from the Hon. Minister is that the Government machinery which is capable of monitoring the import vis-a-vis export of

the finished goods and the import of the raw-material or the heavy industry or the production machinery, there should be a constant monitoring with a complete aim to achieve a set of profit.

I have certain suggestions to make. Today we need a very appropriate institutional framework for our export marketing. I think, one of the main reasons why this gap is widening between our exports and deficit is because we have not got any marketing infrastructure in the other countries where we have got a market. Any other developing country which has achieved success in their promotion of exports has got a very effective marketing infrastructure. We have no marketing infrastructure. There was a time when we started with Trading Houses. Private Companies, private producers used to have their trading houses which have the facilities of show-rooms, foreign offices, after-sale service centres, godowns and even off the shelf delivery. This is being discouraged because in our fiscal policy we have laid down that those who will be managing their exports directly will get substantial tax benefits. This means indirectly you are discouraging the producers from having their trade houses. Either there should be trade houses organised by the Ministry or the corresponding manufacturers and producers of export items should be allowed to have their trading houses. The Hon. Minister may like to throw some light on this.

MR. CHAIRMAN : Please conclude.

SHRI AJAY MUSHRAN : Sir, I have just started. One of us has not come, so I may be given five more minutes.

My other suggestion is that currently the Government is exhorting everyone to export—whether it is medium, small or large scale entrepreneur or it is public sector or private sector—everybody is being exhorted by the Government to produce more and export. I suggest that certain amount of an element of selectivity should be brought, so that we know what is the marketing value of their items. Our marketing efforts should only be generated towards those items. For example, exporting of engineering products, which Mr. Indrajit Gupta has also touched. They

are not supported by adequate facilities and after-sale service. Even those countries where we have supplied these items in a very large number and of substantial value, we have not been able to provide that much after-sale service as is necessary to motivate more and more people, for increasing our market. At the moment our market is primarily in West Asia and Africa. If there is a war going on, if there is a political turmoil going on, our sales decrease and if our sales decrease, then our gap will widen. The Hon. Minister may like to throw some light on this. Government's policy of export assistance should be linked with the creation of overseas markets. A person who has market infrastructure must get some incentive. You may not call them trading houses. You can give it any other name but there should be some system after-all for the Government's efforts to increase exports by way of giving incentives and spending money the return must come to the Government—whether that return comes from the public sector export endeavour or from the private sector. Both should be welcomed. I am of the view that the Hon. Minister is capable of handling this Ministry and also monitoring. Wherever you find any industrialist in the private sector is doing some 'hera pheri' you should be able to catch them and punish but trying to do away with the system simply because somebody can misuse it is not a good thing. Either you should say that you have no got the monitoring capability but if you have the monitoring capability then this incentive must be given.

Sir, it is time that we have another look at the Government policy of canalising of Government imports and exports. The justification of this canalisation has been that better terms of trade can be obtained through large buying and selling power. I would like to know from the Hon. Minister has this objective been achieved? It has also been presumed that the end users of these items which are canalised will get a better service through the canalising agency. Has this happened? We will be glad to know that this system has proved a success.

Sir, coming back to my original theme we have got the organisation, we have got the integrity both in the officers of the Commerce Ministry and the private sector and this sense of integrity should be exploited

for the promotion of our exports. Even in respect of these canalised items Government can appoint a Director on the Board of Directors of these firms who are dealing with these items and every transaction made by the private sector who are given canalised items, as an experimental measure, can be monitored as to see whether they have done any under-invoicing or over-invoicing or any 'hera pheri'. That can be monitored. But this experiment to bridge the widening gap between imports and exports must also be given a trial. Therefore, I suggest that this exercise may be carried out. I am sure as the Minister has shown optimism in the statement the gap will be bridged; our exports will increase. A certain amount of check must be maintained and a thrust must be made whether it is in the public sector or private sector.

DR. G. S. RAJHANS (Jhanjharpur) : Mr. Chairman, Sir, after all that has been said I feel there is very little to say.

(Interruptions)

[Translation]

SHRI NARAYAN CHOUBEY : It means you have nothing to speak about.

[English]

DR. G. S. RAJHANS : Sir, I shall only put a few questions. From the statement of the Hon. Minister it seems the picture is very rosy. If it is that rosy why should the Hon. Minister tell everywhere that the situation is very grim. I am prepared to quote from the speeches of the Hon. Minister which he has made in Export Promotion Council, Engineering Export Promotion Council and elsewhere.

13.00 hrs.

Well, I should be excused, if I may say, that probably there is something more than what meets the eye. You have given figures upto June only. It is not convincing that you do not have figures upto October. Rumour is there in the market that the export promotion is not that satisfactory.

I shall now refer to another point made by Hon. Minister that the liberalisation of imports has helped exports. I am sorry to

say that this is not the fact. I fully endorse the dynamic export-import policy, but at the same time, I would caution the Hon. Minister about the buying spree which is going on abroad. Under the OGL system, big businessmen go abroad and purchase almost anything they can lay their hands on. You know what happens to those commodities which are imported under OGL. Sometime back in this House itself, I had drawn the attention of the Hon. Minister that the paper waste which is imported in this country by burning precious foreign exchange is being misused. I had given the example also. Likewise, there are several items and if we could possibly curb the unnecessary imports, the trade deficit will further narrow down.

The Hon. Minister has every interestingly said in the Engineering Promotion Council meeting that he is thinking of asking the big companies to mention in their balance sheets what amount they have spent on imports and what amount of foreign exchange they have earned. The plea given at that time was that by doing so, they will stand exposed. I should be excused if I say that most of these people are thick skinned. They just do not care what the public thinks about it. If a raid is conducted in a businessman's house, his social prestige goes up in his circle. This is a fact of life. People are prepared to marry their children in that family. People feel that he has plenty of money. Please try to understand the practical effect of it. We must accept what is happening around us. If you ask them to mention in their balance sheet, how much they have exported, they will mention zero and you cannot do anything. They are not at all worried what you think about them. You will have to devise some ways through which they are forced to export. The Hon. Minister has himself admitted that companies producing engineering goods have exported only goods worth Rs. 50 crores. Why should they bother to export? When they are getting a very good domestic market, why should they take the trouble of exporting the engineering goods? There was a time when our engineering goods were very much in demand. But today, they have thrown standardisation and quality to winds. Nobody cares for such things here. On the basis of advertisements on television and radio, they can dump almost anything in the local market.

Hon. Minister has said that it is a matter of pity that those companies having a turnover of Rs. 4000 crores, do not export even one per cent of their produce. So, please let us know as to what you are going to do. The whole House, in fact, the whole country is exercised over this matter. A time has come when we must say that these companies will have to behave. Hon. Prime Minister during his recent visit abroad, has said that we are proud of our small scale industries because they have been exporting a lot. But these big houses have not exported anything. It is a very good picture as far as the big companies are concerned because it suits them. The small scale industries bring in the foreign exchange and the big houses burn it. The time has come when a realistic view will have to be taken and a realistic export policy should be evolved.

Lastly, at the end, I would just like to mention one point. Every day, there is some announcement about export liberalisation. People feel confused and they do not know where they stand. So, I beg the Minister that the policy should be announced during the Budget Session only and not later.

SHRI P. SHIV SHANKER : Mr. Chairman, Sir, I thank the Hon. Members for their significant observations made on the Calling Attention Motion. The thrust of the question in the Calling Attention is on the widening of the trade gap; as to what the situation is; and how we are trying to meet the same. One of the Hon. Members has raised a very pertinent question that the thrust in the statement should have been on how we are trying to curb the imports. I will immediately come to that part of it.

But before I go further, I would like to bring to the notice of the House that the first quarter of the year has been significant. From April to June, the position had been, that while last year the trade deficit stood at Rs. 2109 crores, this year it has come to Rs. 1623.86 crores. According to the trends that are continuing, I am confident that the trade gap would be bridged by at least about Rs. 1500 crores. This is my estimation on the basis of the trends that are going on. One of the Hon. Members was saying that the figures for April-September period,

should have been available. The provisional figures from the Directorate General of Commercial Intelligence and Statistics—whose figures are quite authentic—are not yet available for period after June, 1986. But, I have certain figures from the Export Promotion Councils. Normally, the figures from the Directorate General of Commercial Intelligence and Statistics have better coverage as compared to the figures of Export Promotion Councils.

I have said in my statement that for the first six months, the position is that there is a 16 and odd per cent growth in the exports. The figures indicate that in 1985, our exports stood at Rs. 4631 crores.

And in 1986, the position for the six months as per what the Export Promotion Council says, is that the exports are Rs. 5409 crores with a difference of Rs. 778 crores.

Sir, while I was trying to go into, as to what are the items, where the imports have increased in 1985-86 as compared to 1984-85, the position is that the imports bill has increased with reference to two factors. One is the bulk commodities and the other, I find, is the machinery—iron and steel. In the case of bulk commodities—I will not go into the details of each and everyone, but I will just give a few figures—i.e. in respect of fertilizers, there had been an appreciable increase, but much worse was the situation with reference to sugar, where Rs. 318.38 crores difference was there. That means, the sugar that was imported was of the value of Rs. 318.38 crores, more, as compared to the year 1984-85.

Then, in the case of iron and steel, there had been a difference, an increase of Rs. 437.30 crores as compared to the year 1984-85, and in the case of machinery it was Rs. 851.91 crores. The other items, of course are slightly small here and there.

Now the point is what exactly is sought to be done? On the question of the bulk commodities, I would like to bring to the notice of the Hon. Members that certain steps have been taken. Those steps are first the import substitution efforts. The emphasis has been

shifted now from more import substitution to efficient and cost-effective import substitution. Certain measures which we have taken in this regard are, in order to reduce the import of edible oil, a special programme for stepping up production of oilseeds is being implemented and simultaneously, Vanaspathi industry has also been permitted to use increased quantities of mustard oil, that is upto 35 per cent against the maximum of 10 per cent, earlier, so that they can manage with less imported oil.

Sugarcane prices have been increased in order to increase the production of sugar. While potassic and phosphoric fertilizers have to be mainly imported for want of any significant indigenous resources, the production of indigenous fertilizers is being rapidly built up with six new plants each having a capacity of 4.5 million tonnes of urea, based on Bombay High gas approved for the Seventh Plan. The first two Thal Vasisht and Hazira are already commissioned.

Similarly, the production of saleable steel of SAIL Plants which was 5.3 million tonnes in 1984-85 and 6 million tonnes in 1985-86 is proposed to be increased further in 1986-87. Leaving aside this steel part, which I had mentioned, edible oils, fertilizer and sugar—the bulk commodities—normally are the reason for the increase in imports and they have been tackled. The measures that we have taken, I have specified.

Coming to the machinery, I would like to make one submission here. That it is true that in the case of machinery there had been significant imports as compared to the year 1984-85, but the policy that has been pursued is that, if there are indigenous engineering goods that are produced, they are not allowed to be imported at all. They are being taken care of.

Now, in the case of goods...

SHRI INDRAJIT GUPTA : It is not correct Mr. Minister.

SHRI P. SHIV SHANKER : I am saying it on the basis of being a Minister. (*Interruptions*) If you think I am wrong, I am only sorry because this is what we are doing. It is possible in a stray case—I would

not like to deny it—that what you say might happen. But if we come to know, we are taking care of it. I would like to tell you that there is a Permanent Review Committee which goes into all these things every time; and whatever adjustments have to be made, whether it has to be taken out from OGL and put in the limited permissible list, whatever it is, action is being taken on that basis. Whenever certain cases are coming to my notice, we sit and discuss; and if we find that it is in the interests of the nation that they should be restricted, we are restricting them. The position I am trying to submit is that it is true that in the case of iron and steel, and machinery, there had been significant imports. But as I said, if it is an indigenously—produced machinery, we are putting all hedges. There is no difficulty about that part of it.

Now about the question whether we should stop imports of such machinery which we do not indigenously produce: I would like to submit that the economy has got to grow. For the purpose of the growth of the economy, we have necessarily to import the machinery, be it needed in the country or for the purpose of exports. The machinery necessary for the manufacture of goods either for the purposes of improving the quality—whether for internal consumption or for goods to be manufactured for the purpose of exports—we cannot stop. It is because of the fact that the economy has got to grow, that these imports become necessary.

It is under this policy that we are allowing the imports; and I see the point that even in the first quarter, it is not as though we have been able to restrict it. There is a slight increase, as compared to last year. I have given the figures also. I do not hide them from the House. I just gave the figures...

SHRI INDRAJIT GUPTA : The same trend is going on: the imports are increasing.

SHRI P. SHIV SHANKER : Let me just make the submission: Imports in the first quarter of 1985 stood at Rs. 4348.59 crores. That has increased by about less than Rs. 100 crores. In 1986, in the first

quarter, the position indicates Rs. 4414.16 crores. But then, the point is: would you like to totally stop imports? As I said, in bulk commodities, you cannot do it, because they are absolutely necessary for our own consumption. (*Interruptions*) For example, as I said, sugar etc., about which I just made a reference. The one way of tackling this is to grow more sugarcane in this country, and see that we produce sugar; this I have already submitted. When it comes to the question of machinery etc., if the manufacturing goods have to be increased in the country, either for the purpose of internal consumption or for the purpose of exports, would it be a proper approach to either stop or hinder their import? There, we thought that we should allow these imports. Otherwise, the economy gets totally shattered. The economy has to improve; and it is for this reason that we are allowing the imports; but nonetheless, as I submitted, there is a Review Committee headed by the Chief Controller. Wherever complaints come, we go into this issue and try to set them right, wherever it is necessary. This is the general submission that I thought should make, before I deal with certain specific points that have been raised by Hon. Members.

SHRI INDRAJIT GUPTA : May I just ask for one clarification? This Review Committee must be quite a high-power thing, of course I do not know its composition, but I presume it is quite a high-power committee. When reviewing the difference between last year's performance and this year's performance—there has been a growth of Rs. 3300 crores in the deficit. Has this Review Committee come to any kind of assessment as to whether such a big jump, record jump, unprecedented jump is due to something wrong inherently in the policy or it is just one item here, one item there, one item there which needs to be reviewed? How it happened?

SHRI P. SHIV SHANKER : I am sorry, I have given the figures to the Hon. Members so as to make the position clear.

AN HON. MEMBER : Less than hundred crores.

SHRI P. SHIV SHANKER : Not less than Rs. 100 crores. In fact I have given

the figure that in the case of machinery, there was a quantum jump of Rs. 851.91 crores as compared to 1984-85. The point is whether this matter has been gone into as to which is the machinery where there is more import. I would like to submit that we have gone into it and we have come to the conclusion that all this machinery is the machinery where it is a case of updating the technology or where it is a case of the machinery not being produced indigenously, where the machinery is absolutely necessary for the purpose of increasing production either for the internal consumption or for the export purposes. It is because of these grounds that it is difficult to arrest the imports. If we arrest the imports, we arrest the growth, and if we arrest the growth, then we are nowhere. So, naturally a calculated approach has to be taken. It is true that the trade gap has been Rs. 8,000 crores and odd. I was trying to submit that this trade gap is likely to be reduced, according to me, by about Rs. 1,500 crores because of the exports being increased.

It is true that even very recently, the Committee of the Secretaries, because of my directions, has gone into this question again. Apart from the Committee headed by the Chief Controller, I wanted that the Secretary, Industry, Secretary, Commerce, Secretary, Agriculture Secretary Finance etc. should sit down and come to the conclusion as to where we can arrest the imports. In fact, we have asked them to put up a report to us so that we—I myself, the Industry Minister and Finance Minister—meet every fortnight and take stock of the situation so that we should also discuss as to what best could be done. But then the point that I am assuring the House is that if the imports are of such a nature which are not in the interest of the nation in the sense that if the indigenous production is also there, if it is not a case of an updated technology of the machinery, or if we feel that it is not going to help at all the growth of the economy, then there is no question of allowing such types of imports at all. That is why I gave the analysis at the very outset.

The Hon. Member who started the debate, apart from giving the figures of the exports and imports, has given certain suggestions. He did refer to my speech at

the Engineering Export Promotion Council. More than one Hon. Member has said that. In the Engineering Export Promotion Council's meeting I have said that the Government is contemplating to make it obligatory on all the companies that they should mention in the Directors' Report as to what is the foreign exchange that they have used in the financial year and what is the foreign exchange that they have earned. This we wanted so that the nation should know how each and every big company is giving its performance. This decision has now been taken at the level of we three Ministers that this will be pushed through so that the orders will follow. Now, the position is that 30 large engineering companies—as one of the Hon. Members was saying, I am referring to the Prime Minister's statement—are only exporting Rs. 30 crores worth of goods and in the case of engineering goods, it is the small engineering firms that are doing much better.

One of the Hon. Members was asking me as to why I was expressing my concern. I did express my concern in the Engineering Export Promotion Council because the engineering industry is not doing at all well. Today, the position is, the target is Rs. 1750 crores of exports. That we are expecting. Last year, practically near about that, I think Rs. 1550 or Rs. 1600 was fixed and their performance was of Rs. 1000 or 1050 crores. Now they have got atleast to meet the target and especially so when we are giving so many facilities.

When I express my concern, I do express my concern, because a certain industry is not doing well at all. When it comes to the question of trade gap, etc., I have put down in clear narration as to what the situation is. I would like to bring to the notice of the Hon. Member and in fact I have gone through it that so far as the percentage in the GNP is concerned, it is hardly 3.6 per cent—the trade gap. This is quite manageable. Manageable is a different issue altogether.

I see the point when Hon. Members express their concern about the wide trade gap. But then it is not as though that it is not manageable. Economy has the resilience.

We can manage it. But then the point is where they should find fault is really whether imports are such where they are extravagant. The policy is wrong as a result of which the imports are taking place more. If it were to be of consumable goods, etc., then, of course, fault could be found. But it is in the circumstances that I have mentioned that the imports cannot be avoided. But then how do you meet the situation? The only way to meet the situation is to improve the exports, not merely by curbing the imports. If they are of extravagant nature, they should necessarily be curbed. But if they are absolutely necessary, they have got to go for the imports for the purpose of building up a strong economy, be it be for the internal consumption or exports.

One of the Hon. Member has also referred—what happened at Punta delesté? Two members have been pleased to mention about it.

One of the Hon. Members was making a reference that the developed countries are particular that 'Services' should be included in the regime of GATT. While I must congratulate my colleagues who had gone there for the purpose of trying to sort out this issue, I have made a mention at some other forum also in the SAARC twice at Islamabad and later on at Dhaka where I had gone. In the declaration we had categorically made the position clear that 'services' should not be included in GATT; not only 'services' but we have gone to the extent of saying that the investments, intellectual property, these items will not be conducive to the regime of GATT, later on even in the Non aligned Meet at Harare. In the Economic document the declaration was made absolutely clear. The policy was on the same lines as what we had enunciated at SAARC. But, unfortunately, at Punta delesté strings seemed to have been pulled so strong that India and Brazil and a few other countries were isolated. Best all joined that they should go into the regime of GATT. Well, that is where I said that I must compliment my colleagues—the Finance Minister, the Steel Minister and my colleague Shri Brahm Dutt who had gone there at that time. They managed at least to see, inspite of pressures, that 'services' is not brought within the regime of GATT and it

should be discussed outside the regime of GATT. A negotiating Committee has been set up for going into the details. We have appointed Stealing Committees too and. On our part the matter is being discussed now. A Goods Committee and also for Services, a Committee has been appointed by the Trade Negotiating Committee. Discussions are going on. It has to be seen how things will develop and we will have to take a decision at a later stage on the basis of what emerges out of it.

MR. CHAIRMAN : Please conclude.

SHRI P. SHIV SHANKER : I am sorry, I will take a minute or two on this. I have to take the House into confidence. This is a very sensitive issue.

SHRIMATI GEETA MUKHERJEE : There should be some discussion on that issue.

SHRI P. SHIV SHANKER : Personally I am of the view—I cannot say what we finally decide, —but it is my view that if services are included in GATT and we get bound by it being a signatory, my own feeling is that the entire economy of this country would be dominated by the developed countries because once if the banking services, the insurance, the transport, the shipping services etc. go into their hands, they are more, I must say, efficient as compared to ours, they will outweigh our services and then that will pave the way in the ultimate analysis, perhaps, I would not like to say, but...

SHRI INDRAJIT GUPTA : That is why they are proposing.

SHRI P. SHIV SHANKER : But may be that might lead to the political domination as well. I have personally a very great apprehension and that is why, now it has got to be taken because on this issue views are different. My own view I have put forth before the Hon. Members. This matter will have to be gone into a little carefully and in detail. In fact, I have had very clear discussions with my colleagues and I am glad to say that the Prime Minister had already directed that we must improve these

services and see that by that time, whether the matter is disposed of outside the GATT by the Negotiating Committee, by then if we had made a proper headway, then perhaps an evaluation of the entire situation has got to be taken and if necessary, and if we think that at this stage we have not developed so much as to compete with them, possibly they will have to take a very...

SHRI SOMNATH CHATTERJEE :
Open the door.

SHRI P. SHIV SHANKER : Close the door, not open the door. 'Open the door' will create more problems.

I would like to assure the Hon. Members that I will take the House into confidence as and when the things develop so that I take the guidance from this House as to what we should do in the matter.

Sir, I would like to make the submission that the Hon. Members have made the general points. I may only take a little more time as I have got to refer to them.

On the canalization policy I would like to say that the canalization policy is always under review and in fact, it is the Abid Hussain Committee on Trade Policy which had gone into the question of canalization policy in depth and came out with certain criteria. Those commodities meeting these criteria as a whole are canalised because obviously it so happens that the purchase and sale of such commodities becomes a little, I must say, cost effective from the national point of view.

Sir, I would like to submit that it is in this broad perspective that the policies that are being pursued are the policies which are in the larger interests of the nation and I assure the Hon. Members that nothing would be done to the contrary where the larger interests of the nation are at stake.

SHRI NARAYAN CHOUBEY : Larger interest in the small section of the people.

SHRI P. SHIV SHANKER : Sir, it would be difficult for me to convince my Hon. friend, but I must clearly put forth my view...

SHRI NARAYAN CHOUBEY : Are you yourself convinced ?

(Interruptions)

SHRI P. SHIV SHANKER : I would like to submit that the trade gap that has come out is not a trade gap where one should feel unnecessarily apprehensive.

13.34 hrs.

The Lok Sabha then adjourned for Lunch till thirty minutes past Fourteen of the Clock

The Lok Sabha reassembled after Lunch at Thirty-five minutes past Fourteen of the Clock

[**SHRI SOMNATH RATH** in the Chair]

[*English*]

MR. CHAIRMAN : The Minister of Parliamentary Affairs to make a statement regarding Government Business for the week commencing the 24th November, 1986.

14.36 hrs.

BUSINESS OF THE HOUSE

[*English*]

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRIMATI SHEILA DIKSHIT): With your permission, Sir, I rise to announce that Government Business in this House during the week commencing 24th November, 1986, will consist of :

- (1) Consideration of any item of Government Business carried over from today's Order Paper.
- (2) Consideration and passing of :
 - (a) The Customs and Excise Revenues Appellate Tribunal Bill, 1986.
 - (b) The Customs Tariff (Amendment) Bill, 1986.
 - (c) The Bureau of Indian Standards Bill, 1986.

(d) The Indecent Representation of Women (Prohibition) Bill, 1986, as passed by Rajya Sabha.

(e) The Infant Milk Food and Feeding Bottles (Regulation of Production, Supply and Distribution) Bill, 1986, as passed by Rajya Sabha.

(f) The Central Excise Tariff (Amendment) Bill, 1986.

(3) Discussion under Rule 193 on :

(a) Drought and Floods.

(b) National Symbols need to preserve their sanctity and dignity.

[*Translation*]

SHRI HARISH RAWAT (Almora) : Mr. Chairman, Sir, the following two subjects may be included in the Business for the next week presented by the Minister of Parliamentary Affairs :

- (1) The poor performance of the Indian contingent in the Seoul Asiad is a matter of concern to the entire country. The standard of games like hockey has declined considerably. The Olympic Association of India has recommended that India should not participate in the next Olympic games. It is a disappointing situation and it must be discussed in the House.
- (2) Half an hour extension in the working hours of the Central Government employees will cause great inconvenience to the employees and the women employees would be particularly hit hard. There is great resentment among the employees against this decision. Therefore, a discussion on this subject in the House is necessary.

[*English*]

SHRI DHARAM PAL SINGH MALIK (Sonepat) : It may be stated that there are