

LOK SABHA DEBATES

LOK SABHA

 Friday, December 28, 1990/Pausa 7,
 1912, (Saka)

 The Lok Sabha met at
 Eleven of the Clock

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

[English]

Foreign Exchange Reserves

*21. SHRILOKANATH CHOUDHURY:
 Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the foreign exchange reserve has been showing a diminishing trend for the last few years;

(b) if so, the details of the yearly variation since the year 1988 and the month-wise details for the year 1990 till date;

(c) the reasons therefor; and

(d) the remedial steps being taken to improve the foreign exchange reserve position?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (d). A statement is laid on the table of the House.

STATEMENT

(a) and (b). The foreign exchange reserves position excluding Gold and SDR is as follows:-

	(Rs. crores)
1.1.88	7145.19
1.1.89	6218.14
1.1.90	5277.30
1990 month-end position	
January	4871.01
February	5559.97
March	5787.17
April	5092.87
May	5403.55
June	5356.17
July	5050.12
August	5479.82
September	4511.64
October	3820.45

(c) Despite a strong growth in exports, there was a decline in the foreign exchange reserves during financial year 1989-90 due to interalia, the rise in the import Bill and large repayments to the IMF under the Extended Fund Facility (EFF).

The reserves declined further during 1990-91 due to a number of factors which include increase in import prices of P.O.L. consequent upon the Gulf crisis and a lull in the external commercial borrowings.

(d) With regard to the decline in foreign exchange reserves the Government has initiated a number of measures to promote exports and curtail non-essential imports. Attempts are also being made to augment foreign exchange earnings through capital inflows including accelerated disbursement of external assistance.

SHRI LOKANATH CHOUDHURY: Sir, the chart given shows that in 1989-90, there was a decline due to two factors. I want to know whether our export was so planned taking all these factors for which it has come down to such a low. What are the factors that contributed to this in 1989-90 and whether it was beyond our plan? The Government has planned to improve this all time low foreign exchange position by more exports. I want to know, to promote exports, what are the areas where the Government wants to promote it and to what extent in terms of rupee? They have also said that to solve these problems, they are going to outflow the foreign capital. I want to know to what extent the foreign capital is expected and being planned and being negotiated?

SHRI YASHWANT SINHA: Actually, the hon. Member has put three, four supplementaries in one. As far as detailed question in regard to exports are concerned, I suppose, my colleague Shri Subramaniam Swamy is more competent to answer that.

SHRI ZULFIQUAR ALI KHAN: We do not think so.

SHRI YASHWANT SINHA: But as far as exports are concerned, according to the figures which I have, I would like to mention one fact. That is, if you see the figure which is given in the reply, by 1.1.1990, the foreign exchange reserves were at Rs. 5277 crores. This figure was more or less consistently maintained until September of this year when

it started declining. As far as exports are concerned, in 1989-90, it was Rs. 14,417 crores during April-October as against the figure of Rs. 19,149 crores in the current year, which records a growth of 33 per cent in the current year. During the same period in 1989-90 imports were Rs. 17,010 crores and in 1990-91 it went up to Rs. 22868 crores which represent a growth of 34 per cent in rupee terms. So, exports actually went up by 33 per cent and imports went up by 34 per cent. As a result of that, trade deficit increased from Rs. 2593 to Rs. 3719, which means a growth of about 33 per cent. So, the trade deficit has gone up in the current year also. As far as depleting reserves are concerned, the hon. Member has asked a question, what are the steps that we are taking. We are taking a series of steps which also includes an increased target for exports in the remaining period of the current year and the special emphasis is being given on the exports of all the commodities and products which represent the growth areas in our exports.

SHRI LOKANATH CHOUDHURY: They have also said in the reply that they are going to curb the unwarranted imports. I want to know which are the areas where they want to curb it? My point is, in order to improve the export position, Government feels necessary to extend the REP licence period from 18 months to 24 months. I would like to know whether the Government is considering to remove the balancing condition that has been laid down for export to USSR so that it will increase the foreign exchange position.

SHRI YASHWANT SINHA: As far as the imports are concerned the hon. Member is aware that after this crisis hit us a number of steps have been taken to see that unnecessary or non-essential imports are restricted. One of the measures which was taken is; we have the OGL list and we have the residual list; a decision was taken earlier to even transfer the residual list to the OGL and thereby make it more freely importable; after this crisis, the residual list has been taken to the restricted list and it is no more available for unrestricted imports.

The second is that in terms of the credit availability, non-essential imports have been made more difficult to be imported and thus a structure has been created or efforts are being made to ensure that non-essential imports are reduced. At the same time it is not the intention of the Government to reduce imports which are essential for productive purposes. That is not our intention.

As far as the REP licences are concerned, I understand from my colleague Dr. Subramaniam Swamy that he is looking at the whole question of the support that we give to exports in order to make it more meaningful. This will continue to be the effort of the Government to see that exports receive all the protection and all the encouragement which they deserve so that our exporters not only continue to enjoy the share of the foreign markets that they have but also increase it.

SHRI LOKANATH CHOUDHURY: The hon. Minister has not replied to one of my questions. I wanted to know; the Government in its statement have said that they will ease this position by inflow of foreign capital. What are the concrete steps being taken by the Government for the inflow of foreign capital.

SHRI YASHWANT SINHA: It is true we have said that we are trying to look at all possibilities for the inflow of foreign capital. One possibility quite clearly is Non Resident Indian amounts which could come into this country. As the hon. member is aware, we have the FCNR deposits where we receive money from the NRIs. Then, the State Bank of India has floated a bond from 1st November, which is a seven year non-repatriable bond, where we are receiving money from the NRIs. We are also looking at the capital markets abroad to be able to get accommodation there. We are talking to various Governments where there are possibilities of various kinds of credits. So, all possible efforts are being made to ensure that we get out of the short term difficulty that we are in.

PROF. MADHU DANDAVATE: I would like to know from the hon. Minister whether it is a fact that the entire foreign exchange

problem is a cumulative effect of firstly the unfavourable imbalance between imports and exports; secondly consistently growing external debt that puts a heavy burden on foreign exchange for the servicing of the external loans; thirdly non-utilisation of certain assistance available to the country in the form of convertible foreign exchange and fourthly I must admit what he has stated that from September onwards the deepening of the Gulf crisis has raised the entire prices of imported oil from 16 to 40 dollars. If we concede that this is the cumulative effect of all this and especially from September onwards there has been a further degeneration, I would like to know concretely as to what steps are being taken to continue the measures that are already taken and what further measures are being taken to see that the crisis is overcome.

SHRI YASHWANT SINHA: I am very impressed by the knowledge with Prof. Dandavate has displayed. (*Interruptions*) It is only fractional that...(*Interruptions*)

PROF. MADHU DANDAVATE: Sir, I am seeking a reply from the Minister. I think, the reply is coming from the supporters of the Minister. They are replying as if they joined the Ministry. (*Interruptions*)

SHRI SONTOSH MOHAN DEV: It was created by you. (*Interruptions*)

PROF. MADHU DANDAVATE: You read the figures. I am very thankful to the Minister that he has correctly mentioned the entire position. Without reading the information, they are trying to make a comment. (*Interruptions*)

SHRI YASHWANT SINHA: The assumptions which the hon. Member and the former Finance Minister who demitted Office only a few days ago, has mentioned are correct. I suppose, he should know better than anybody else. As far as the steps are concerned, I would like to say that we are not merely continuing the steps which were taken by the previous Government, but we are also extending these steps in many areas be-

cause actually, the crisis of the Gulf which hit us in August, has called for immediate steps. There was not a day that this country should have lost in meeting the crisis which was created by the Gulf. I am very sorry to say this in this House that the previous Government slept over it and allowed the situation to drift. (*Interruptions*)

SHRI AJIT PANJA: In answer to question (c) about the reasons for the depleting foreign exchange reserves, the hon. Minister has stated, ".....large repayments to the IMF in the Extended Fund Facility." I find from the newspaper reports and other reports that the Government is considering to take huge amount as further loan from IMF. Has the Minister thought about it or has already finalised the modalities? May I know as to how this large repayment on the one side and huge amount of fresh loan from IMF on the other side has been worked out?

SHRI YASHWANT SINHA: Sir, as you are aware and as the hon. Members are aware, in 1981, we have gone to the IMF for a loan of five billion dollars. That had to be repaid over the period of time and those repayments are continuing. When I said, in my reply, that this was also one of the reasons for the decline in foreign exchange reserves, this is exactly what I had meant. It is true that we have had some discussions with the IMF and we are looking at two windows which are available to us from the IMF. One is a recent window which has been created namely, the Contingency and Compensatory Financing Facility (CCFF) which has been created in the month of November, after considering the situation which has arisen internationally, as a result of the Gulf crisis. The International Monetary Fund has decided to compensate, on the basis of a formula, all the countries which have been badly hit by the Gulf crisis. We have a right, under this facility, to approach the IMF and get our share. IMF is not giving any charity. It is not giving us anything which we do not deserve. It is a fact that India is one country which has been very badly hit, much worse than other countries by the Gulf crisis.

The other window at which we are looking at it, is the window of stand-by credit, which is a short term credit, again extending to 12 to 15 months. We are looking at these two. We have held discussions at the official level with the IMF in regard to these two possibilities.

As far as the terms and conditions are concerned, the negotiations are still going on; it will not be possible for me, at this point of time, to say as to what the terms and conditions, ultimately would be. But, I would like to assure the House that there is no question of India accepting any terms and conditions which will not be consistent with our political, social and economic objectives.

SHRI AJIT PANJA: What is the amount?

SHRI YASHWANT SINHA: As far as the amount is concerned, this is also under negotiation. There is a very complicated formula for computing the facility or the amount which will become available under the CCFF. That relates to the total export performance, the prices of crude in the international market and all these other factors. So, that is being calculated at the moment.

SHRI RAM NAIK: I want to know what is the precise amount payable by us to IMF and other international agencies by way of funds during this year, next year and during the third year. What is the debt payable today and also refund to be made during the next three years? In our approach have we requested them to waive off the interest which is being charged from us?

SHRI YASHWANT SINHA: Sir, I need notice to be able to answer all the facts which the hon. Member is asking.

As far as IMF is concerned, we have been paying the IMF loans. On 31.3.90, the IMF borrowings, which were left to be paid, were Rs. 2,362 crore.

SHRI RAM NAIK: He can give the information at least about the total amount which is payable and also about the interest.

SHRI YASHWANT SINHA: The total amount outstanding is a figure of something like Rs. 79,000 odd crore. That is the total external debt of the country.

SHRI NIRMAL KANTI CHATTERJEE: Not total.

SHRI YASHWANT SINHA: You are excluding the short-term loans.

SHRI YASHWANT SINHA: As the hon. Member knows, there is a separate accounting for the short-term loans. If there are exporters credit, and there are suppliers' credit, they are balanced at the end of the year and there is no way in which any country can take these short-term loans into account.

If somebody is giving, say, for three months, how do you take that into account because it will be liquidated? So, the short-term loans are never taken into account in computing the overall external loan outstanding for any country. We do not do it.

The other is that we have a certain repayment obligation which varies from year to year depending on what the amounts of principal and interest are due. That is why I have said that for the facts which the Hon. Member has asked, I need a separate notice.

As far as IMF is concerned, we have already covered. There is the interest burden. I will not be able to give you the exact figure.

MR. SPEAKER: He can give you the figure later.

[*Translation*]

SHRI YASHWANT SINHA: I shall do that. (*Interruptions*)

[*English*]

SHRI RAM NAIK: My question still remains. Have we asked for waiver of the interest during the discussions? That much information can come from the Minister.

MR. SPEAKER: Let us see. (*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE: The Hon. Finance Minister in his reply has said that efforts are being made to induct capital from abroad. Does it mean that we are also opening all our doors to multinational parties? Does it imply that we are envisaging a change in the FERA?

In terms of exports, it is well known that our MRTP companies are very poor in export performances. Is he contemplating any further concession to these MRTP companies in the name of further export drive?

And has he or has he not got from the Commerce Ministry a list of the unnecessary luxury imports that he continued to make in the country?

SHRI YASHWANT SINHA: As far as the first part of the Hon. Member's question is concerned, I would like to assure him that we have always shown much greater concern about the entry and the role of multinational companies than the Hon. Member and his party. (*Interruptions*)

SHRI NIRMAL KANTI CHATTERJEE: Are you sure about this fact also?

(*Interruptions*)

SHRI YASHWANT SINHA: So, the question of permitting multi-nationals in an unrestricted manner, because of the temporary difficulties in which we are, does not arise. I may also point out that foreign investment does not necessarily increase the liquidity because it comes in the long term. So, there is no question of opening our doors to multi-nationals as a result of the short term difficulties that we are in. As far as the imports are concerned, the hon. Member has said about luxury items. I have already explained that we have restricted imports and in the restricted categories are all the luxury items which the hon. Member has referred to. (*Interruptions*)

SHRI CHITTA BASU: Sir, the hon. Minister has kindly referred to the large repayments to the IMF under Extended Fund Facility. Now, I think the hon. Minister knows that debt service ratios have exceeded the normal proportion. It has reached up to 30 per cent in terms of the present exports of our country. In view of this situation, will the Government take additional precaution to see that no loans are asked for from commercial sources as the interest charges are made higher? If IMF accommodation is not available and if accommodation from other sources is also not available, what other means is the Government thinking of regarding commercial loans? What is the Government going to do about it?

SHRI YASHWANT SINHA: The hon. Member is quite right in saying that the loan repayment liability has increased and it is standing at 30 per cent of the total exports of the country. Now, I am not in a position to say that we will not take commercial loans. Commercial loans are available in the market place internationally and often, not only the Government and the public sector but a large number of private sector companies also go to the international market place, to the international money markets and make

Shri Subramaniam Swamy

The Minister of Commerce and Minister of Law and Justice

Shri Ashoke Kumar Sen

The Minister of Steel and Mines

11.24 hrs.

ORAL ANSWERS TO QUESTIONS —
CONTD.

[*English*]

Modernisation of IISCO

*22. SHRI HARADHAN ROY: +
SHRI PURNA CHANDRA
MALIK:

Will the Minister of STEEL AND MINES be pleased to state:

borrowings. It all depends on what terms and conditions we get the loan. They do add to our burden but in this difficult situation, I am not at all in a position to assure the hon. Member and this House that India will not look at the possibility of taking commercial loans.

11.23 hrs.

INTRODUCTION OF MINISTERS

[*English*]

MR. SPEAKER: Before I take up the next Question, I may call upon Mr. Devi Lal to introduce two of the hon. Ministers.

[*Translation*]

THE DEPUTY PRIME MINISTER AND MINISTER OF AGRICULTURE AND MINISTER OF TOURISM (SHRI DEVI LAL): Mr. Speaker, Sir, though it is not necessary yet I would like to introduce two important members who have been inducted into the cabinet, to the hon. Members of this House;

(a) whether the Union Government have made any progress in the matter of modernisation of Indian Iron and Steel Company Limited (IISCO) at Burnpur;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STEEL AND MINES (SHRI ASHOKE KUMAR SEN): (a) and (b). Yes, Sir. The Government is in the process of finalising the Modernisation Scheme of IISCO. The details will be intimated to the House after the Government's decision is finalised.