

12.39 hrs.

STATEMENT RE. INTERNATIONAL FINANCIAL SITUATION

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI DESAI) : Hon. Members have been concerned about the sharp increase in the private demand for gold in the London and other markets which led the British authorities to close the London gold market pending discussions at a meeting of Governors of Central Banks of active members of the gold pool held in Washington over the week-end. Hon. Members will have heard on the radio of the conclusions reached at the meeting. It has been announced that these Central Banks will not supply gold to the gold markets in which private parties can trade in gold. The effect of this measure is that gold will be available to private parties in London and elsewhere at prices determined by supply and demand in these markets. This does not in any way alter the par value of the United States dollar or of any other currency. The United States authorities have reiterated that they will continue to deal in gold with monetary authorities at the price of \$35 per ounce.

It is a matter for satisfaction that the crisis in international financial arrangements has been resolved. The maintenance of orderly international trading and financial arrangements is essential for the smooth flow of trade and payments of India, the developing countries and the world as a whole. It is my hope that these arrangements will be strengthened by a speedy adoption of the scheme for creation of international liquidity under the aegis of the International Monetary Fund. Some progress was made in this regard at the last Annual Meeting of the Governors of the Fund, and the Executive Directors of the Fund are at present engaged on the tasks of working out the details of the Scheme for Special Drawing Rights. It is our hope that this Scheme will be fully worked out, adopted and activated without undue delay.

The establishment of dual markets for gold will not disturb India's trading and payments arrangements in any way. There may be some effect on the smuggling of gold into India. To the extent that prices of gold rise in private world markets, the profitability of smuggling gold will be reduced, at any given level of Indian prices. This will reduce the incentive for smuggling gold into India.

SHRI HEM BARUA : May I seek a clarification?

MR. SPEAKER: The Demands are coming; then you can raise it.

12.40½ hrs.

DEMANDS FOR SUPPLEMENTARY* GRANTS (GENERAL), 1967-68

MR. SPEAKER: The House will now take up discussion and voting on the Supplementary Demands for Grants in respect of the Budget (General) for 1967-68.

DEMAND No. 1—MINISTRY OF COMMERCE.

MR. SPEAKER : Motion moved :

"That a supplementary sum not exceeding Rs. 5,11,000 be granted to the President to defray the charges which will come in course of payment during the year ending the 31st day of March, 1968 in respect of 'Ministry of Commerce'."

DEMAND No. 2—FOREIGN TRADE.

MR. SPEAKER : Motion moved :

"That a supplementary sum not exceeding Rs. 5,02,50,000 be granted to the President to defray the charges which will come in course of payment during the year ending the 31st day of March, 1968 in respect of 'Foreign Trade'."

DEMAND No. 3—OTHER REVENUE EXPENDITURE OF THE MINISTRY OF COMMERCE.

MR. SPEAKER : Motion moved :

*Moved with the Recommendation of the President.