

नहीं है, उसका नाम सोवियत संघ होना चाहिये।
यहां बार-बार रुस कहा जा रहा है, यह गलत
बात है।

12.03 HRS.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

Reported unilateral revolution of Rouble- Rupee exchange rate by the State Bank of USSR

SHRI SHYAMNANDAN MISHRA (Bengaluru): I call the attention of the Minister of Finance to the following matter of urgent public importance and I request that he may make a statement thereon :

'Reported unilateral revaluation of the rouble by the State Bank of USSR in relation to its rupee value and its adverse massive impact on repayment of credits to the Soviet Union.'

THE MINISTER OF FINANCE SHRI C. SUBRAMANIAM): Mr. Speaker, Sir, the Hon'ble Members are apparently referring to some press reports that have appeared in the last few days regarding the discussions now in progress between the officials of the Government of India and the USSR with regard to the exchange rate between the Indian Rupee and the Rouble.

The facts of the matter are that for some time now, and especially since March 1974, the State Bank of the USSR has been announcing periodically what it calls the "official exchange rate" between the Rupee and the Rouble. This rate differs from the exchange rate that has prevailed between the two currencies and which is determined strictly in accordance with the official gold content of the respective currencies. According to the Soviet authorities, the revised rates of exchange are arrived at by calculating the value of the Rupee by averaging the cross rates of the major currencies in the International market with the Indian Rupee. On the other hand, we have pointed out that

the statutory gold content of the Indian Rupee remains unchanged. The rates now being quoted by the State Bank of USSR apply only to non-commercial transactions within the USSR. As some Hon'ble Members have referred to the impact of this action on credit repayments, I would like to clarify that credit repayments continue to be made at the official rate of exchange as determined by the respective gold content of the two currencies.

The Soviet authorities have, however, proposed that the two sides discuss further the question of the exchange rate between the Rupee and the Rouble. As the Hon'ble Members are aware, this is a difficult and delicate issue, and currently negotiations are in progress with an official team from the USSR on this subject. Hon'ble Members will, I am sure, agree with me that it would not be appropriate to discuss here at this stage the various issues involved in the matter.

SHRI SHYAMNANDAN MISHRA : The Finance Minister said that the State Bank of USSR has been announcing periodically what they choose to call the official rate of exchange.

There is some confusion here, because of the use of the term 'official rate of exchange'. The Finance Minister has used this term later in relation to repayment of credit. He says, repayment is being done on the basis of the "official rate" of exchange. There are two concepts of official rate of exchange. One concept is one that is held by the USSR ; and another concept is what is held by our Government. If two concepts clash like this, what is the way out ? Could we accept any official rate determined by USSR and call 'official rate of exchange' ? We would like to know this.

"Then how many such changes have been made ? It appears that these changes have been occurring from month to month, particularly, after March 1974. If the frequency is so rapid, one would imagine that it may turn out to be weekly changes. After dollar-devaluation in 1971, and the Smithsonian agreement in 1971, these changes in the ex-

change rate seem to be particularly rapid. How many changes have taken place after the devaluation in 1966 and particularly after 1971? It is done unilaterally or there have been consultations between the two countries? Is it friendly relation only in respect of political and defence matters or is it also friendly relation in respect of economic matters also? There should be consultation even on economic matters; it must not be a sort of unilateral adjustment of rates. The House would like to know whether the Government had to do anything with these changes or whether they acquiesced in the changes. If they acquiesced they have not done something of which we could feel very happy. The hon'ble Minister says that credit repayments continue to be made at the official rate as determined by respective gold content of the two currencies.

Since, the hon. Finance Minister has tried to re-assure us that the re-payment is being made on the basis of the official rate of exchange, the question that would arise is whether the revaluation of the debt accumulated so far would not be according to the change in the parity rates of the two countries. I am not asking with regard to the repayment to be made now but I am asking about the revaluation of the debts that have accumulated and whether that would necessitate the mark up of the order of Rs 400 crores as has been mentioned in many newspapers. That will mean the doubling of our credit to the USSR. May I know whether this mark-up has been demanded by USSR or it seems to be the inevitable result of the change in the parity that has been brought about.

According to the Soviet authorities, the hon. Finance Minister has said, the revised rates of exchange are arrived at by calculating the value of the Rupee by averaging the cross rates of the major currencies in the International market with the Indian rupee. The comparison is apparently not valid because in the other case the cross rate would be arrived at by averaging the value of our currency in respect of the convertible currencies, and the two do not mix. The convertible currencies and the non-conver-

tible currencies cannot be on par. It is the contention of the Soviet authorities that it should be on the same basis as it is in regard to the convertible currencies. Then I think, our Government should have pointed it out that the comparison is not valid. The Soviet rouble is not a freely marketed currency in the world and the value of the Soviet rouble is fixed almost arbitrarily without any reference to its intrinsic value in trade.

The hon. Finance Minister has said the statutory gold content of the rupee remains unchanged. The important question to ask is why then this divergence from the rate occurred in the past. We should have stuck to the old parity rate and should not have permitted the divergence from this basis to which reference has been made by the Finance Minister.

Is it also not a fact that the present trouble arises from the fact that whereas we have clearly defined the gold content of our rupee the gold content of the currencies of the East European Countries including the Soviet Union, are not clearly defined? What is being done in that respect?

May I also know whether the value of Indian rupee in terms of gold had appreciated some time back and yet we had stuck to the exchange rate that has been established between the two currencies. This should be an additional reason why the Soviet Union should be asked to stick to the old exchange rate by way of reciprocation.

Recently there has been a long-term agreement with Poland but Poland has not insisted on any change in the rate of exchange between the two countries. If that is true of Poland then one could have expected that that should be true of Soviet Union as well. What has the Soviet Union to say in regard to this matter that whereas one country in COMECON thought it fit to stick to the existing exchange rate the Soviet Union is insisting on a new exchange rate?

The Finance Minister probably seems to think that it would only relate to non-commercial transactions. What has appeared in the newspapers gives an impression that the Soviet Union has been insisting on a contrary view. We would like to know the position in this regard also.

Finally, one problem that confronts the visitors from India in the Soviet Union is that his rupee has to be converted into the currency there. My point is if they are able to operate rupee account in Moscow then why are we not able to operate the rouble account in India?

SHRI C. SUBRAMANIAM : The hon. Member has raised many points and has also made many suggestions with regard to the matters which are currently under negotiation. Therefore, I am sure the hon. Member would not expect me to react to many of the points raised by him but I can assure him we will keep in mind some of the relevant points made by him while conducting negotiations.

Sir, I would like to put the problem in the proper perspective because an impression is being created that USSR is trying to create difficulties for us, and whereas on the political front they are professing friendship on the economic front they are creating difficulty. This is far from the truth.

Now, the question has arisen because of the International monetary situation in the world is in a fluid state. Therefore, how it gets reflected *vis-a-vis* socialist bloc is for consideration. This is currently under consideration.

As far as the present situation is concerned we are still operating on the basis of Rs. 8.33 per rouble and all our current transactions are going on that basis. Therefore, there is no question as far as commercial transactions are concerned which form the bulk of transactions. I am told 99.3 per cent of the transactions are commercial transactions and we are concerned with that only.

Only three issues would arise. What about the repayment of credits already taken? Secondly, how do we operate with the current transactions between USSR and ourselves? Third point, is with regard to the current transactions and the future re-payments. These are the three issues under discussion and certainly in these things we have to take into account the agreement which has already been in existence with regard to these transactions. It is on that basis that we have to negotiate and this negotiation is going on.

The negotiation is going on. Therefore, there is no question of anything being imposed on us. It is a question of mutual discussion with regard to the current situation which is not only in India but which has afflicted the world as a whole, including the developed world. It is in that context that the negotiations are going on. I want to give this assurance to the House that no decision will be taken which is likely to create difficulties for us on the economic front. That is the assurance that I should like to give.

SHRI SHYAMNANDAN MISHRA : Although we want that the delicate negotiations should be allowed to go on uninterrupted and that we should not do anything in the House which might come in the way, certain factual information could be shared with the House which the Hon. Minister has not chosen to do. We should like to know whether the present change which had been announced by them or even the changes in the past had been done after mutual consultations or unilaterally. If they are unilateral, the surmise would be that all these things are done by them and we have absolutely nothing to do in that.

SHRI C. SUBRAMANIAM : I thought I had made it clear in the Statement; it had been announced by them, not in consultation with us, taking into account what they call the value of the rupee *vis-a-vis* package of the other currencies. This is applied not to any commercial transaction which is strictly on the basis of Rs. 8.33 per rouble,

but it is with reference to tourist changing a rouble here or a few roubles there. As far as commercial transactions are concerned, we are strictly following Re. 8.33.

SHRI M. RAM GOPAL REDDY (Nizamabad): The hon. Minister made a good and balanced statement and in the end he appealed to the House not to say anything that would embarrass the Government in their negotiations with the Soviet Union. It is a fact that we have pact, we have friendship with the Soviet Union, not from the day of Independence but even in the pre-independence days. The Soviet Union stood by us through thick and thin, it has used its veto in our favour in the United Nations. In that background we have to look at this exchange on rupee-rouble parity and gold reserves. The hon. Minister has categorically stated that the gold reserves have not dwindled in our country. We are maintaining the same parity with the Soviet Union also.

In this connection, I want to say that in India not only is the Government having gold; people in all the five lakh villages, are having gold and if all the gold is pooled into one place, India will be the richest country as far as gold is concerned. I want to know from the hon. Minister whether he is going to fix a ceiling for gold, just as there is a ceiling on land and other things. In some places we have quintals of gold. There was a proposal when Morarji Desai was the Deputy Prime Minister and Finance Minister. Now we have to go back to that proposal and collect all the gold so that we may have good parity with other countries. The rupee-rouble ratio was once 12 for 100 rupees; it came down to 11.39 and now it is likely to come down 8.66. It is not a good thing. In view of our friendship with the Soviet Union, the hon. Minister should press the point that there should be no going back on friendship. Let there be no ill-feeling in this country towards the Soviet Union which has been our friend for the last several decades.

SHRI C. SUBRAMANIAM: I want to give this assurance again, there is no ques-

tion of any unfriendly attitude either on the part of India or on the part of the USSR. This is being discussed in friendly atmosphere and I have no doubt in my mind that the conclusions would be for the benefit of both India and the USSR. . . (Interruptions). I do not think there is likely to be any difficulty with regard to finding acceptable solutions to this matter. Some suggestion was made with regard to gold available in the country. Already nobody can hold primary gold; it is an offence to hold primary gold.

SHRI INDRAJIT GUPTA (Alipore) : Except the royal family of Jaipur.

SHRI C. SUBRAMANIAM: That is why we have taken it over now. There are no royal families now, there only ex-royal families. But even there, as I said, we had not spared them. As for other things, when the holding is beyond a certain limit, they have to make a declaration. I do not think the time has come when we can mobilise all the gold and put it in one place. As a matter of fact in the international monetary system, we are trying to get away from gold standard to new standards on the basis SDR and that is being discussed now. We may have gold for other purposes certainly but for monetary purposes, we are trying to get away from the gold standard.

SHRI R. S. PANDEY (Rajnandgaon): The news which appeared in the Press is quite different from the statement made by the hon. Finance Minister. The headline was: USSR seeks revaluation in credit repayment—tough going on rouble rupee exchange talks. It is panicky and unfriendly headline.

SHRI C. SUBRAMANIAM : Which paper?

SHRI R. S. PANDEY: Hindustan Times and Finance Express which belong to big tycoons. The hon. Minister has made a categorical statement. That the exchange rate was determined strictly in accordance with the official gold content of the respective currencies. I read in the papers that a team had come from Russia for negotia-

ting with the Government of India and the Reserve Bank of India and I hope that good will come out of these negotiations. At this stage it is difficult for me to put a question which embarrasses the Government position and hampers the interest of the country. But suppose the negotiations fall, are you going to take up this issue with the Russian Government at a high political level so that whatever differences there are with regard to revaluing of the rouble or the rupee will be ironed out? What would be the fate of the targets set for export and import agreements, if rouble is revalued and rupee is devalued? How much will they take to iron out the differences and remove the apprehensions with regard to the question of the revaluation of the rouble and devaluation of the rupee?

SHRI C SUBRAMANIAM Current transactions already entered into are on the basis of 8.33 rupees per rouble, there is no question of any difficulty with regard to this. I have already stated this. With regard to newspaper reports, I want to say that they are not only alarming but mischievous also and I am sorry to say that when negotiations are going on our newspapers are indulging in this kind of speculative news.

SHRI SHYAMNANDAN MISHRA What is mischievous about it if the appreciation of the rouble has taken place by 29 per cent? Devaluation of our rupee would be of that order. What is the mischief in that?

SHRI C SUBRAMANIAM I do not know whether the hon. Member wants to judge by these headlines which have been read out by him. That is why I wanted to know which were these newspapers. If you look into the character of the newspapers then you can understand the headlines also. Quite apart from that, I want to say that the negotiations are going on.

PROF. MADHU DANDAVATE (Rajapur) The Allahabad episode that we all condemned we read also from the same papers.

SHRI C SUBRAMANIAM Pohey changes colour according to the news and the sources of the news. Let us not go into that. But I want to say categorically that these are all speculative reports, to put it mildly—not mischievous but speculative reports. Therefore, I am sure that even if an agreement is arrived at the official level ultimately it will be finalised only at the highest political level. Therefore, whenever there are any difficulties I am sure we will be able to reach a satisfactory solution if not at the official level, at least at the political level.

SHRI H. M. PATIL (Dhondhuka) The statement of the Finance Minister, I must say, is extremely disappointing. Undoubtedly when negotiations are going on, it would be wrong to put him questions which would be of an embarrassing nature.

SHRI INDRAJIT GUPTA Why was it admitted then?

SHRI SHYAMNANDAN MISHRA None of these questions is of such a nature.

SHRI INDRAJIT GUPTA Why was it admitted then when negotiations are going on?

SHRI SHYAMNANDAN MISHRA Negotiations can be going on all the time.

SHRI H. M. PATIL I am somewhat surprised at Shri Indrajit Gupta intervening even before I have said anything. I said it is understandable that we should avoid questions which might be embarrassing.

SHRI INDRAJIT GUPTA The question was addressed to the Chair, not to you, Mr. Patel.

SHRI H. M. PATIL I started by pointing out that I did not wish to put any embarrassing question. Nevertheless, when the Calling Attention Notice has been accepted and the Calling Attention is in respect of a price of news which has appeared in the newspapers, then I think the least the Finance Minister could have

done was to give us the maximum possible information without endangering the negotiations. One thing that can always dispel the spreading of a wrong impression and rumours is to supply correct information. Why does the Finance Minister not tell us what exact arrangement there was between this Government and the USSR Government in regard to our transactions? I think he should have given us information first of all as to the nature of our arrangement hitherto with Soviet Russia. Why is it that it has now become necessary for these negotiations to be undertaken? Was it at our instance or was it at the instance of Soviet Russia? If our previous arrangement with Russia was of a particular character and took care of the variations in the value of the rupee and the value of the rouble, then the matter would have been simple. Is there no such automatic arrangement for adjustment in our agreement? Evidently not. In 1966, when the rupee was devalued, a certain arrangement was made and it was agreed that the rupee would be valued in a particular manner. Again there has been a further devaluation because of the way in which the rupee is now linked to the sterling. As a result of that, Soviet Russia now claims that the rupee is being devalued further and a fresh arrangement should be arrived at. I would request the Finance Minister to tell us precisely at what point we stand today and what was the original arrangement. Since no automatic system exists for evaluating the fall or appreciation in the value of the rupee, what is the kind of arrangement that has been arrived at now? Is it by negotiations that such a change takes place or in some other way? If the discussions now taking place are what would ordinarily have taken place when there has been a fall in the value of one or the other of the currency; we take it that the value of the rouble never falls because it is never announced and nobody knows precisely what its value is? Will the Finance Minister tell us precisely what he means by this? He says in his statement:

"I would like to clarify that credit repayments continue to be made

at the official rate of exchange as determined by the respective gold content of the two currencies."

Is that the system that is in existence? It has been said, there are commercial transactions and non-commercial transactions. In respect of which transactions will this official rate apply? If the system of the official rate determined by the respective gold content of the two currencies is in existence, it is something that is automatically done. Where is the necessity for discussion or negotiation so long as the respective gold content continues to be the same? There has been no variation in it. Therefore, there should have been no necessity for any negotiations at all. So, clearly there has been some other understanding of which no mention has been made. I would request the Finance Minister to clarify that position. Earlier in his statement he says:

"The rates now being quoted by the State Bank of the USSR apply only to non-commercial transactions within the USSR."

How do you regulate the non-commercial transactions between this country and Russia and the commercial transactions between the two countries?

In the *Financial Express* it is said:

"For instance, due to an oversight by Indian authorities, earlier exports to USSR were not protected by the gold content clause. Similarly a dispute arose between India and Yugoslavia on the effect of the pound-sterling devaluation on certain contracts, but the two countries agreed, after protracted negotiations, to share the liability on a fifty-fifty basis."

This would seem to suggest that a similar arrangement is now under contemplation in your negotiations with Russia.

SHRI C. SUBRAMANIAM : I am afraid on the last question which he put, namely, what is the sort of negotiations that are going on, that is treading on delicate grounds. So, I would refrain from answering that question. But the hon. Member started by saying that my statement was disappointing; I do not know from what point of view. Perhaps, if I had said that we are in conflict with the USSR, that would have given him some satisfaction. But unfortunately, that is not a fact. I cannot say something which does not exist.

SHRI SHYAMNANDAN MISHRA : It is a very cheap reply.

SHRI C. SUBRAMANIAM : Might be cheap, but I have to answer the question.

The hon. Member wanted to know what is the basis of our agreement today. I thought I had given that information here. According to our agreement, the exchange rate between the rouble and the rupee was determined strictly in accordance with the gold content of the two currencies, and that continue to be the same even with regard to the various transactions which we are entering into even now. Therefore, there is no doubt about that.

With regard to the future, they wanted to discuss what should be done in view of the fact that we are linked to the sterling, that sterling is floating and appreciating and depreciating. Our point has been that this is purely a bilateral transaction and, therefore, we are not affected by that and so the existing agreement should prevail. These are matters which are under negotiations and we hope to come to some satisfactory arrangement with regard to these things.

Then I come to the official exchange rate on the basis of the value of the rupee when compared to a basket of foreign currencies.

SHRI SHYAMNANDAN MISHRA : But they are convertible currencies mostly.

SHRI C. SUBRAMANIAM : Still, they have some relationship with the rouble also. It is not as if they are completely isolated economies.

SHRI SHYAMNANDAN MISHRA : But rouble is not a convertible currency.

SHRI C. SUBRAMANIAM : The question is how this new exchange rate is being operated. For non-commercial purposes within the USSR, for example, a tourist goes there and he wants to convert a rouble into a rupee or a rupee into rouble, for that the new official exchange rate which has been announced was being operated. But, as I have already pointed out, that forms only less than one per cent of the total transactions between USSR and our country. As far as commercial transactions are concerned, even now we are continuing to have the same agreement and we are functioning under the same agreement. How the international monetary situation, which affects the value of the rupee also, how it gets reflected is a matter which we are currently discussing with the USSR.

PROF. MADHU DANDAVATE : Since you in your wisdom have admitted this Calling Attention Notice, Sir, I take it that it has been your assessment and judgement that this notice does not cause any embarrassment to the USSR, nor does it mean any fissures being created between the USSR and India.

SHRI N. K. P. SALVE (Betul) : It depends on the question.

PROF. MADHU DANDAVATE : We accept your assessment and judgement and, respecting your judgment, we would like to ask some specific questions.

It is very clear that all the changes that have been introduced so far in the exchange rates have been unilateral. I can understand a situation that under the pressing and compulsive situation occasionally, if there is an announcement of a change in the exchange rates between the

rouble and the rupee by USSR; one can understand it. But I would like to know from the Finance Minister whether it is not a fact that the USSR has been altering the exchange rates between the rouble and the rupee quite frequently? Following the devaluation of the rupee in 1966, is it not a fact that the exchange rate was fixed by USSR at 12 roubles for Rs 100? Again, after the Smithsonian Agreement of December 1971, is it not a fact that when the dollar was devalued the USSR again changed the exchange rate to 11.39 roubles for 100 rupees? Again, in March 1974, is it not a fact that there was a further depreciation of the rupee to 9.5 roubles for 100 rupees? A very interesting fact is further fluctuations and unilateral changes from month to month.

We have been told on the floor of the Lok Sabha that the changes in the rate of exchange monthwise were as follows —

| | Rs | Roubles |
|---------|-----|---------|
| 1-3-74 | 100 | 9.51 |
| 1-4-74 | " | 9.61 |
| 1-5-74 | " | 9.50 |
| 1-6-74 | " | 9.55 |
| 1-9-74 | " | 9.47 |
| 1-11-74 | " | 9.44 |
| 1-12-74 | " | 9.27 |

With this periodic depreciation since then, at present, the exchange rate is 8.66 Roubles per Rs 100. It means, if we compare to 1971, there has been 38.9 per cent or about 39 per cent rise in the case of Rouble in relation to Rupee.

As far as India's payment liability is concerned, it has almost been doubled. Is it not a serious situation? It has gone upto Rs. 400 . . .

SHRI C. SUBRAMANIAM: We are not paying on that basis. We are paying only on 8.33 basis.

PROF. MADHU DANDAVATE: Again, a very interesting fact is this. This is the Russian version, that is, the version of the USSR, as you may like it. As far as the USSR's interpretation is concerned, their claim is that in the last 4 months, these changes and variations in the exchange rate have been introduced because of the fact that 1975-76 is the convertible currencies, the value of Indian Rupee has also undergone a change. I am fully confident—even you will feel—that there is no intelligent logic behind this argument. I do not know, just as the USSR has abolished private property, whether they have also abolished intelligent logic also. There is no intelligent logic behind it. The Russian claim is unwarranted because the changes in the exchange parity of the rupee in relation to convertible currencies have nothing to do with the rouble. The rouble is not a freely convertible currency and its exchange rate is known to be pegged at an artificially high level. It has no relevance to its intrinsic value in foreign trade and currency transactions. It is on this basis, the interpretation given by the USSR that these changes have been introduced 1975-76 convertible currencies and probably the value of the rupee has gone down.

Then, I would like to point out one other thing and I seek the explanation from the Finance Minister about it. The exchange of goods and services between Indian and USSR on credit or on current account is governed by barter arrangements on rupee-payment basis. The prices are fixed separately for each transaction by negotiation. The reference point in these transactions is the international prices of comparable commodities. There can be no question under these arrangements for the USSR to seek and for India to accept additional price advantage by exchange rate manipulations.

At the time of 1966 devaluation of the rupee, is it not a fact that the Soviet Union and other Communist countries of Eastern Europe managed to boost the prices of their deliveries and scaled up the rupee value of their outstanding credits. If the gold clause in the contracts at that time provided some justification for adjustment of this kind there is nothing new in the prevailing conditions of floating exchange rates. India must take a firm stand in the current negotiations on this issue and should not permit distortion in the price parities of the goods and services which enter into exchanges between India and the USSR.

SHRI BHOGENDRA JHA (Jainagar)
What is he reading from?

PROF MADHU DANDAVATE: I am in the bad habit of writing notes when I table a Call Attention. Therefore, I always read from my notes. If he has been listening to the debate, in order to save the time of the House, I always follow this procedure. Of course I can not assure him the understanding power.

(Interruptions)

MR SPEAKER: Instead of arguing with each other, you address the Chair.

PROF MADHU DANDAVATE: I address the Chair. But, unfortunately somebody interrupts. You may direct him to maintain silence. I had to quote figures and quotations.

SHRI BHOGENDRA JHA: It is neither quotation nor notes.

PROF MADHU DANDAVATE: For instance, this is the statement made by the Finance Minister. It is said:

"The rates now being quoted by the State Bank of the USSR apply only to non-commercial transactions with the USSR."

Here, I would like to know concretely what exactly is the concept of 'non-commercial transactions' within the USSR because various newspapers and even newspapers which have sympathies towards the Socialist countries have also expressed the fear as to what exactly is meant by 'non-commercial transactions'. I would like to ask a specific question whether the non-commercial transactions would also include the purchase of arms made by India from USSR and whether they would be considered commercial or non-commercial transactions.

Then Sir, I would like to ask a specific question regarding discrimination. Unfortunately, under the present arrangement, what is happening is that if any Indian visits USSR, in that case, as far as the discrimination is concerned he has to change his rupee currency into roubles at the exchange rate that has been newly introduced that is at the reduced rate announced by USSR. But at the same time, when any Russian visitor visits India, there is actually no reciprocal obligation at all and therefore, he can avail of the rupees lying at the disposal of the USSR in the trade account. Then you will find that there is a discriminating attitude as far as Indians visiting Russia and Russians visiting India are concerned. I think this discrimination must also be eliminated. In this case I find that the attitude taken by Soviet Russia has some resemblance with the attitude that has been taken by the capitalist countries and the capitalist economies towards the developing economies like India. Before I raise that question I would like to ask a specific question which impatiently may appear to be irrelevant but it has got all the relevance to the question before us. Since the Russians are making the plea that because of the fluctuations in the value of the rupee, they were forced to make the changes, I personally feel and I had expressed the view a number of times whether it is not time for us that we should take a decision to change our attitude to our traditional link with the sterling and to insulate the rupee

from the fluctuations in relation to other currencies. I would like to know this. Since the USSR, a friendly country, is also putting that interpretation in defence of their changing the exchange rate, shall we not take a firm attitude that the time has come when we should take the attitude that our traditional link with the sterling will go. I want to know whether that attitude will be adopted in times to come.

AN HON. MEMBER: Float the rupee.

PROF. MADHU DANDAVATE: Yes. It has been stated that "for commercial transactions the trade plans have specified the old gold parity rate of exchange." However, in reality, what is happening? In reality the export prices of Soviet products are seldom quoted in roubles whereas India's exports are almost invariably quoted in rupees. The Indian Government does not very often know what rate of exchange the Soviet Union is using in quoting its prices which for internally traded commodities are international prices converted into rupees at the rupee-dollar rate of exchange. This dualism in exchange rate only resembles the dualism the capitalist economies and the capitalist countries are showing to the developing countries like India. I am very sorry that even a socialist country like the Soviet Russia is taking an attitude which really resembles the attitude taken by the capitalist countries and the capitalist economies.

Sir, I had asked specific questions. If there are some questions which are embarrassing to the negotiations that are taking place, I myself will suggest that I do not want to answer those questions. But there are other questions which are not embarrassing to the present negotiations. Therefore, I earnestly request the Finance Minister to give us specific and categorical answers to those questions.

SHRI C. SUBRAMANIAM: Of course, the hon. Member has made a long statement and questions. But round and round,

it comes to this. What are the areas in which the accepted exchange rate of Rs. 8.33 per rouble is applicable and where it is not applicable? There is the other idea that they have inflated the price, etc. and, therefore, we are paying more than what is justified. These are some of the points he has raised. As I have already stated, e.g. he put a specific question, whether the many equipments we are purchasing are within the commercial or non-commercial transaction. It is a transaction covered by our agreement. Therefore, this Rs. 8.33 rate is applicable. When a tourist goes to USSR he can convert the rouble only at the exchange rate this is announced there as the official exchange rate. When a Russian comes here if he gives rouble for the purpose of exchange he will get Rs. 8.33. So, there is no question of our losing anything.

SHRI SHYAMNANDAN MISHRA: How will you operate the rouble account here?

SHRI C. SUBRAMANIAM: Experts have gone into it and this is what is being done but if the hon. Member feels that we should go back upon it, it is a matter to be gone into. I am prepared to look into it. But I may point out that this matters has been gone into and everybody has come to the conclusion that this is the best under the circumstances to operate. If there is a different view, it is a different thing. But so far as this matter is concerned, enough investigations have already been done. We are doing our exports and purchases on this basis. Also, I may say, we try to find out what is the price in the international market for the corresponding commodity. When we find it advantageous, we purchase; otherwise not. When we find it advantageous to purchase in our dealings with Russia, we purchase and we have derived great deal of advantages from this agreement. Various other points were suggested to be kept in mind when negotiations are conducted. We shall take notice of it.

PROF. MADHU DANDAVATE : Are we going to change our traditional attitude and linkage with sterling? That is what I asked.

SHRI C. SUBRAMANIAM : This question has been gone into fully and we have been advised that the present system is the best under the circumstances, namely, to have link with sterling. Of course, there could be different views with regard to this. The question is whether we can operate in an independent manner, without having link with any other currency, with Sterling, or Dollar or German Mark, etc. We are continuously assessing the international monetary system and if at any particular juncture a different decision has got to be taken, we will not hesitate to do it. But we have been advised by the exports that under the present circumstances this is the best that we can do and this is going on all right.

12.58 hrs.

JOINT COMMITTEE ON OFFICES OF PROFIT

TWELFTH REPORT

SHRI PATTABHI RAMA RAO (Rajamundry) : I beg to present the Twelfth Report of the Joint Committee on Offices of Profit.

TAXATION LAWS (AMENDMENT) BILL

(i) Report of Select Committee

SHRI N. K. P. SALVE (Betul) : I beg to present the Report of the Select Committee on the Bill further to amend the Income-tax Act, 1961, the Wealth-Tax Act, 1957, the Gift-tax Act, 1958 and the Companies (Profits) Surtax Act, 1964.

(ii) EVIDENCE

SHRI N. K. P. SALVE : I beg to lay on the Table the record of the evidence

tendered before the Select Committee on the Bill further to amend the Income-tax Act, 1961, the Wealth tax Act, 1957, the Gift-tax Act, 1958 and the Companies (Profits) Surtax Act, 1964.

13 hrs.

CODE OF CIVIL PROCEDURE (AMENDMENT) BILL

APPOINTMENT OF MEMBER TO JOINT COMMITTEE

SHRI LILADHAR KOTOKI (Nowgong) : I beg to move the following:

"That this House do appoint Shri C. M. Stephen to the Joint Committee on the Bill further to amend the Code of Civil Procedure, 1908, and the Limitation Act, 1963, in the vacancy caused by the death of Shri Debendra Nath Mahata."

MR. SPEAKER : The question is:

"That this House do appoint Shri C. M. Stephen to the Joint Committee on the Bill further to amend the Code of Civil Procedure, 1908, and the Limitation Act, 1963, in the vacancy caused by the death of Shri Debendra Nath Mahata."

The motion was adopted.

MATTER UNDER RULE 377

PAYMENT OF EX-GRATIA COMPENSATION FOR PROPERTIES OF INDIANS IN PAKISTAN AND FORMER EAST PAKISTAN.

SHRI SAMAR GUHA (Contai.) : Sir, through you I want to draw the attention of the Minister of Commerce to an urgent problem in regard to the ex-gratia compensation about the enemy properties of the Indians citizens in West Pakistan and former East Pakistan. If the issue is not cleared by 31st March rupees three crores will go to the Consolidated Fund. Since 1971-1974 about Rs. 12 crores were allocated in each year's budget for payment of ex-gratia compensation to the claimants of their properties