

(b) The reports have already been denied by the Spokesman of Reserve Bank of India and Ministry of Finance. The World Bank or its officials have not asked us formally or informally any questions concerning our policy. They only wanted to know if the change in policy would lead to changes in the structure of Bihar Agricultural Markets Projects, for which an IDA Credit was obtained in March 1972, or in the structure of Mysore Agricultural Markets Projects for which the proposal for an IDA Credit is at an advance stage of consideration. The World Bank was informed that no changes in the Project components were necessary.

**Financial Assistance to Agriculture Refinance Corporation from International Agencies**

800 SHRI VAYALAR RAVI: Will the Minister of FINANCE be pleased to state:

(a) the total amount of assistance received by the Agriculture Refinance Corporation from the World Bank and International Development Association during the last three years;

(b) what are the main conditions under which this aid has been received; and

(c) whether the Managing Director of the Agriculture Refinance Corporation has complained that these conditions are impracticable and if so, the reaction of Government thereto?

**THE MINISTER OF FINANCE (SHRI YESHWANT RAO CHAVAN):**

(a) The Agriculture Refinance Corporation has been provided with financial assistance of Rs. 7.21 crores up to the 15th February, 1973 under the IDA/IBRD projects.

(b) The main conditions under which World Bank and International Development Association's assistance for IBRD/IDA projects is received pertain to down payment, rate of interest and loan maturity in relation

to various items of investment such as minor irrigation, tractors and other agricultural machinery, land levelling, land development etc. These terms vary according to the type of the project.

The technical conditions mainly pertain to issue of loans for minor irrigation after verifying the suitability of the area for ground water development and, in case of lift irrigation programme, after obtaining clearance from the concerned Department of the State Government.

(c) The Government have not received any complaint regarding the impracticability of conditions from the Managing Director of the Agriculture Refinance Corporation.

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12 03 hrs.

**CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE**

**IMPACT ON INDIAN RUPEE OF U.S. GOVERNMENT'S DECISION TO DEVALUE DOLLAR**

**MR. SPEAKER:** Calling attention Shri Indrajit Gupta.

**SHRI INDRAJIT GUPTA (Alipore):** 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:

"U.S. Government's decision to devalue dollar and its impact on Indian Rupee and India's Trade with USA and other Western countries."

**THE MINISTER OF FINANCE (SHRI YESHWANT RAO CHAVAN):** Mr Speaker, Sir, hon. Members will recall that I had made a statement on 21st December, 1971 in this House reporting the decision of the Government in regard to alignment of currencies on the basis of the agreement reached among the Group of Ten at a meeting which took place at Washing-

[Shri Yeshwantrao Chavan]

ton. The International Monetary Fund gave approval to this realignment of currencies. The Fund also invited other Member countries to declare exchange rates for their currencies which would be described as Central Rates within a margin of 2.25 per cent. I had mentioned in my statement that the Government of India had decided to designate the Central Rate of the Indian rupee at Rs. 18.9677 per one pound sterling.

It was believed that after this realignment, the international monetary situation would be stabilised. However, the pound sterling was floated on 23rd June, 1972. Recently, on 12th February, 1973, the U.S. announced its decision to devalue the dollar by 10 per cent. The continued imbalance among the industrial countries had led once again to the recent fluid situation. After the U.S. announcement, the Yen has also been floated and a new Central Rate has been fixed for German Deutsche Mark.

The situation arising from these changes was reviewed by Government in terms of our objectives and national interest and it was decided to maintain the Central Rate of Rs. 18.9677 per one pound sterling which we had designated in December 1971. The Reserve Bank will continue to avail of the margin of 2.25 per cent around the Central Rate.

Soon after the devaluation of the dollar, the pound sterling had appreciated by 3.7 per cent in terms of the new dollar.

However, as the rupee-sterling ratio has not changed, the rupee has also correspondingly appreciated by the same percentage *vis-a-vis* the U.S. dollar. In view of the uncertainties in the international currency markets, the Reserve Bank has suspended forward purchases of pound sterling and spot and forward purchases of U.S. dollar. These purchases will be resumed as soon as conditions permit.

I must here clarify that the Indian rupee has not been devalued by 10 per cent along with the U.S. dollar. Our exchange rate is designated in terms of the pound sterling and as such the value of the rupee in relation to other currencies is derived from the exchange rate of pound sterling with other currencies. The maintenance of stability in terms of the pound sterling, which is used for the purpose of invoicing our trade to a substantial extent, will be of help to our exporters as well as importers.

In terms of these recent developments, Government is conscious of the fact that our exporters will now be realising marginally less in terms of rupees than before in respect of our exports to USA and also in respect of all exports which are invoiced in US dollars. However, I would like to mention that because of the appreciation of the Deutsche Mark and the Yen *vis-a-vis* the Indian rupee, our exporters should gain an edge over the products of these countries in the third markets. As I have already mentioned, since the sterling rupee rate has not changed, there will be no adverse effect on exports to UK markets and other exports which are invoiced in sterling. On the import side, the US goods would be cheaper to us but the German and Japanese goods would be more expensive. The effects of international currency movements on the trade will be kept under close review and Government will take such action as is necessary to ensure that the basic objective of securing self-reliance is not impaired.

The decision we have taken recently is in keeping with the decisions taken by us in the recent past and it will not have a detrimental effect on our trade. As the rupee-sterling rate remains unchanged and the extent of fluctuation in the exchange value of the rupee *vis-a-vis* other currencies is not large its effect

on exports, imports, budgetary receipts as well as debt service payments is likely to be of a marginal nature.

As Honourable Members are aware, the question of international monetary reform is being considered in the Ministerial Committee of the Twenty, of which India is a member. We have sought in this and other forums to ensure that the reform of the international monetary system should reflect fully the needs of the developing countries for adequate liquidity, stability of trade and exchange rates, and orderly growth of world trade with full participation by developing countries.

SHRI INDRAJIT GUPTA: Sir, this statement which has been made by the hon. Minister is, in my opinion, an attempt to lull the House and the country, if I may say so, into a false sense of optimism. The dangers which are inherent in this latest situation arising out of this devaluation of the dollar are being under-played by the Government.

I would just like to refer him to his own Economic Survey, the pre-Budget Economic Survey which has been made available to us only yesterday. In recent months and in the last year also, particularly, the Government has rightly been taking credit for the fact that our export trade has gone up considerably and imports have declined to some extent and the result has been that we have had a very favourable trade balance or trade surplus. What does the Economic Survey itself say? I will just refer to one or two observations only which show how serious the situation is just below the apparent surface.

"India's external payment position which had shown a remarkable improvement in 1971-72 has been under pressure in the current year . . ."

This is irrespective of the devaluation question.

"... during the first ten months of 1972-73, foreign exchange reserves registered a decline of Rs. 59.8 crores."

This is a very extraordinary phenomenon also. In the period when we have had an almost unprecedented trade surplus, favourable balance of trade, in the same period, India's foreign exchange reserves have declined by nearly Rs. 60 crores, according to the Government's Economic Survey.

"This happened despite an improved trade balance. There was a trade surplus of Rs. 142 crores in the first eight months of 1972-73 as against a deficit of Rs. 184 crores in the corresponding period of the preceding year. In the first eight months of 1972-73, while exports had registered an increase of 23 per cent, imports declined by eight per cent."

Then the question arises, if this was the situation already before the devaluation of the dollar, what was it due to. Will the recent devaluation not further aggravate and accentuate the position and bring much further pressure upon our trade? The reasons are also given in the Economic Survey. As stated by the Government, the three reasons are as follows:—

"Despite considerable improvement in the merchandise trade, the decline in the foreign exchange reserves in 1972-73 is largely attributable to, firstly, heavy debt service payments, secondly, delay in accrual of certain promised credits and, thirdly, larger free foreign exchange spent on imports."

So, the enormous advantage which this country could in the normal course have derived as a result of this favourable trade balance has been more than nullified, more than negated, by three factors: one is the

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crushing burden of foreign debts which we have to go on servicing from year to year and for which we are taking more and more loans in order to pay back the previous loans; second, the delay in the accrual of certain promised credits—I hope you will clarify this as to which are these credits, which countries had promised, from which countries we were expecting them and what was the delay due to in their accrual whether they have accrued now and if not, what is the trouble; and thirdly, larger free foreign exchange spent on imports. I suspect that, in the name of launching a vigorous export drive—the Government of India has resorted to a mechanism with private businessmen and big business houses they are promised import entitlements in exchange for a guarantee that they will export a considerable portion of their products—, in the name of import entitlement, allotment of a huge amount of this free foreign exchange is being made to these businessmen for imports. We do not know we do know but we did not hear from the Government to what extent these free foreign exchange imports have been misused by some of these big monopoly houses as a result of which actually our foreign exchange reserves are being depleted.

Coming to devaluation, the hon Minister says—just now he has said in the statement—that on the whole our trade is not likely to suffer much, there may be some marginal effect here and there, but it will not have a detrimental effect on our trade—he says. But even his own Economic Survey belies this. The Survey apprehends some disruption of India's exports as a result of the loss of Commonwealth preferences in the UK market and also expresses the fear that "in the absence of suitable action the enlargement of the EEC and the establishment of a free trade area in manufactures covering nearly the whole of Western Europe may

more or less neutralise any beneficial effects that India may have expected as a result of the adoption by European countries of the UNCTAD Scheme of Generalised Tariff and Preferences in favour of developing countries."

What I would like to bring to his attention is that already before this devaluation of the dollar took place a very serious reversal of the earlier favourable trend was already beginning to come into operation and is referred to in apprehensive terms by the Government's own Economic Survey, that it will not be possible in the coming years to sustain this high rate of exports and it will not be possible also in the coming year to cut down imports. Rather the import bill is likely to go up considerably because of our needs for steel, chemicals, fertilisers, foodgrains and so on.

On top of this, in this situation, this dollar devaluation which has taken place is a very serious matter and although the Government has decided that we should maintain our exchange rate with the pound sterling as he has mentioned in this statement, at the rate of 18.9677 rupees per one pound sterling.

SHRI JYOTIRMOY BOSU (Diamond Harbour): After devaluing it last year by 4½ per cent.

SHRI INDRAJIT GUPTA: But, because the pound itself has been allowed to float and the pound itself has appreciated in terms of the dollar, whether it is 3 per cent or 4 per cent or whatever it is to that extent a *de facto* devaluation of the rupee has already taken place.

Now, therefore, the question I would like to ask is: that in view of this loss of the Commonwealth preference markets in the UK and in view of the fact that our trade with the sterling area no longer occupies



that very important or major share which it used to at one time and is in fact dwindling and in view of the fact that the European Economic Community's new re-organisation will also have an unfavourable impact on our trade, unless some very special steps and measures can be taken for which also we are not in a position to do anything unless many other countries also co-operate and agree with us, which is a doubtful thing, I would like to know what is the thinking of the Government of India, why the rupee should continue to be kept as a sort of an appendage of the pound? The pound is not a particularly strong or stable international currency now any more because the pound's own equation with other international currencies, with the dollar, Mark and the yen is fluctuating all the time, and, therefore, I see no reason why this line must be followed for all time that the rupee's parity with the pound must be maintained, when the pound itself is fluctuating all the time against other currencies.

SHRI YESHWANTRAO CHAVAN: What is the solution?

SHRI INDRAJIT GUPTA: My solution is that for the purpose of international dealings we should utilise rupee's gold parity, not the parity with the pound, which is in fact internationally accepted as the exchange rate.

SHRI YESHWANTRAO CHAVAN: It means devaluation.

SHRI INDRAJIT GUPTA: That is a different matter. It may be devalued or revalued. I do not see why we should continue to make the rupee as an appendage of the pound sterling.

He has mentioned the question of Special Drawing Rights and that we are trying through this committee of twenty to see that the needs of the developing countries including India are met more satisfactorily. Well, all power to his elbow, but I would like to say that we cannot depend

for all the time on this committee of twenty to safeguard our interests. In view of the explanation given in the Economic Survey itself regarding the main reasons why the position is turned against us and why the foreign exchange reserves are being frittered away, will the Minister consider some solution on those issues themselves which are highlighted in the Economic Survey itself? Whenever we raised the question here in the past for moratorium on debts, he always said, I know, that is your pet thing, you always say that, we cannot do it, it is not playing cricket, it is very bad for India's prestige and so on and so forth. In view of the serious situation and his continued harping on the question of national interest I would like him to tell us, when these foreign exchange reserves are being depleted drastically due to heavy drain on account of debt service charges, why the Government of India should not consider moratorium on debts for a certain time to come.

Then on the question of diversifying exports, I would like to ask him this question. He has said in page 2 of the statement as follows:

"Because of the appreciation of the Deutsche Mark and the Yen vis-a-vis the Indian rupee our exporters should gain an edge over the products of these countries in the third markets."

As far as our traditional exports are concerned like jute manufacturers, tea and skins and hides and so on, the Germans or the Japanese are not particularly our competitors in the third market for these items. I would like to ask whether it is not a fact that if we can have an edge over the products of these countries in third markets, whether the margin of advantage in respect of price will be enough to counterbalance their superior quality and so on. As far as these traditional items are concerned, the optimism which he is trying to show will not apply certainly. So, I

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want to know: what really is their thinking about that? The imports from Germany and Japan are increasing into our country. They are becoming more costly. What are the range of products in regard to which we hope to compete in foreign markets at more favourable terms because of devaluation? The situation is quite bad and it should not be painted in such rosy terms. He is free to say, we are watching the situation carefully, we are taking further steps and so on. The general picture painted is one of general optimism. This does not exactly correspond with the analysis and the forecast given in his own Economic Survey and therefore it is that he should tell us that if necessary the rupee will not continue to be kept as an appendage of the pound or of any other foreign currency, but in terms of self-reliance, some new way should be found out by which we can diversify exports on the one hand and by declaring moratorium on debts on the other hand and by dealing with our foreign transactions on the basis of the intrinsic gold value of the rupee so that we try to save ourselves from further buffetings which are caused by recent fluctuations which are taking place in the international money markets.

**SHRI YESHWANTRAO CHAVAN:** The hon. Member has mis-described my statement. I have not painted a rosy picture. I have not also made a panicky statement. It is not my intention to create any panic or complacency, whether it is about our economic system or with regard to our own foreign exchange position. It is actually far from that. I do not want to create panic and say that uncertainties of world monetary system has come down on us and completely dislocated our situation. This is my only point. This is the purpose for which the statement is made.

The hon. Member has said two things, and these are two different things. Certainly, we have given the picture as it emerges out of the eco-

nomic situation in 1972-73 in our economic survey, and, there we have certainly admitted and we have certainly indicated also that there was pressure on the foreign exchange balance position in 1972-73 and we have also indicated that this pressure is going to continue even in the next year.

**SHRI INDRAJIT GUPTA:** Despite a favourable trade balance,

**SHRI YESHWANTRAO CHAVAN:** At the same time, the hon. Member himself quoted from the Economic Survey itself the reasons for these things. He wanted some explanation about one item or one article, and that was primarily in regard to delays in the arrivals of the receipts. That was one point to which he made a reference. I would like to tell him that the delay was primarily in the debt relief scheme, which amounted to nearly 148 million dollars. Only a small portion of this was received during April—November.

**SHRI INDRAJIT GUPTA:** Why? What was the delay due to? Was it due to a matter of policy or other reasons?

**SHRI YESHWANTRAO CHAVAN:** There were certainly policy matters but there was also the question of the approval by their own Governments and their own legislatures, and naturally consultations and negotiations were going on. Possibly, the U.S.A. was delaying because of its own tactics . . .

**SHRI INDRAJIT GUPTA:** Trying to pressurise us.

**SHRI YESHWANTRAO CHAVAN:** But we did not allow us to be pressurised by anybody. What others do is a different matter. But really speaking, it is our determination not to get pressurised by anybody, which is the only thing that I can guarantee. But the situation after November had changed, and most of the debt relief has materialised. That has certainly helped us to improve our foreign exchange situation.

The question of devaluation is a completely different thing. The present devaluation has arisen out of certain economic situation in the world as such. Really speaking, in order to understand this problem of the present monetary system, it is much better to understand some of the basic facts and the basic realities of the monetary system, whether one likes it or not. The basic fact is that the world trade is expanding and has to expand. It is in our interest, particularly, in the interest of the developing countries that the world trade should expand, not only should it expand, but our share in it also should expand.

**SHRI SHYAMNANDAN MISHRA** (Begusarai): Our share in the world trade is diminishing

**SHRI YESHWANTRAO CHAVAN**  
I am talking about the objectives. But unfortunately the point is that along with the expanding trade, the necessary liquidity for the expanding trade is not equally expanding. The whole problem has arisen because of this. The deficit trade balance of America is really speaking mainly responsible for it.

In another way, if I may use the phraseology of my hon. friend, the economic interests of the three bi-industrialised countries' group, namely Western Europe, the USA and Japan are coming into conflict, and this is bringing about this sort of war of exchange rates. So, it is not of our creation. If our country has to function in the international market or the trade market, we have to accept certain intervention or reserve currencies, which are those intervention currencies which are accepted not only by us but even by the so-called big countries in Western Europe? There are only two currencies which allow themselves to be used as intervention currencies; one is the dollar and the other is the sterling. These are the facts. When we saw that the dollar was under such a pressure, and we were aware of that for a long time, when we saw and we got the indications sometimes in April,

1971 even before America took steps some time in August, 1971, when we saw that the dollar was getting under more and more pressure, we thought that it was much better that we tried to take the pound. The phraseology that is used or that was being used that our currency was the appendage of some other currency is not at all correct. What we are really doing is this. We have to fix up certain central rates for the purpose of foreign trade, and that central rate is designated in terms of the pound. We are not an appendage. We are not fixed and we are not bound. Tomorrow, if it is found that it is in our national interest to delink ourselves, we can certainly delink ourselves from sterling.

The suggestion made by the hon. Member only shows that he has not gone into the depth of it, because he is quite intelligent enough to see the reasoning of it. He asked why we did not link ourselves with gold. The main difficulty of the whole trouble has started because gold itself is in trouble.

Therefore, we have to see what is in our interest. In this troubled, conflicting, intriguing and cruel world, we have to save ourselves and our interests and act accordingly. My idea is not to give a rosy picture because we ourselves are in a basic difficulty here. We must not add to our difficulty by taking some brave positions.

**SHRI INDRAJIT GUPTA** What about the moratorium point?

**SHRI YESHWANTRAO CHAVAN**  
It is very easy to talk about the moratorium point.

**SHRI INDRAJIT GUPTA** The Survey refers to it as one of the most critical things.

**SHRI YESHWANTRAO CHAVAN:** That is true. As he very rightly said, the answer is in the diversification of

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our exports, it is in import substitution, it is in self-reliance. If at all we want to have to have more imports because we have to have more imports if we want to keep our industry going—naturally we require raw materials, some spares and other things for which we are spending, if at all we want to cut down on other imports, we will have to resort to import substitution . . .

SHRI JYOTIRMOY BOSU: This is because of your suicidal policy.

SHRI YESHWANTRAO CHAVAN: Unfortunately, we had to spend a large part of our foreign exchange on import of foodgrains which we never expected. This is also a fact of life that we have to contend with.

SHRI JYOTIRMOY BOSU: Because you neglected that vital centre.

SHRI YESHWANTRAO CHAVAN: He said we must diversify our exports. It is a very important thing. We have to do it. These are the things which, really speaking, will see us out of our present difficulty. But if you merely talk of the slogan of moratorium, it will unnecessarily create unfavourable conditions of us. This is my own assessment.

SHRI JYOTIRMOY BOSU: Capitalist path of development.

SHRI P. VENKATASUBBAIAH (Nandyal): I am glad the hon. Minister has said that we do not want to be an appendage of any other monetary system. He knew that the dollar was under constant pressure and was floating. That was why we switched on to the pound sterling. Even the pound sterling has been under constant pressure for the last four or five years. When he says that we do not want to be an appendage of any other monetary system. I would ask him, if that is so and if there are no inhibitions or motions about having any sort of link with the pound sterling or dollar which is adverse to our inter-

ests, when in the last four or five years the pound sterling has been under constant pressure either on its own or by the adverse effect it had as a result of the devaluation of the dollar, why should he not switch on to a relationship with other currencies, for instance, the Deutschmark, the Swiss Franc or the Japanese Yen? Why should he not ponder over that matter so that we may gain since we do not have any sort of inhibitions in regard to linking with any other monetary system?

SHRI YESHWANTRAO CHAVAN: The hon. member does not realise one thing. It is not a question of our choice in this matter. The Deutsche-mark, Yen or even the French Franc—they do not allow themselves to be used as intervention currencies. That is one thing. It is not something you can sit down and make a choice. Those countries have got their own economic policies, national policies. (*Interruptions*).

The point is that it is not one currency which is in trouble. You will find that the entire currency and monetary system is in trouble. There is some sort of uncertainty and instability. Therefore, the solution is not just to jump from one currency to the other. If at all we have to make an effort, we will have to see that we create a monetary system whereby there is some sort of stability. We have certainly been approaching this problem independently trying to see that we evolve a sort of consensus among developing countries which sometimes are apt to differ. This is our major difficulty. As always happens, the exploited are more divided sometimes.

So our major effort in this matter will be to see that evolve a certain consensus among these countries and try to create a monetary system which will be somewhat based on the fixed parties, because that is going to be in the interest of the developing countries.

If there is no certainty on that matter, we have no opportunity of taking

our proper share in the expanding world trade. If we do not do that, there is no possibility for us of making resources available for development of the developing countries.

So it is not just a simple question of jumping from this to the other, from dollar to gold or gold to rupee. It is not so simple as that. We have to see the world as it is, functioning as it is and then try to carve out a situation and work out a policy which will be in our interest.

MR. SPEAKER: Shri Bhagwat Jha  
Azad—absent. Prof. Dandavate.

**PROF. MADHU DANDAVATE** (Rajapur): Mr. Speaker, Sir, the present currency crisis is not an isolated event. I feel that it is a continuing process. That is the reason why I did not table an adjournment motion but simply a calling attention notice.

Sir, after the Smithsonian agreement of December, 1971, three disturbing events have taken place, and they are not again just a malady but they are really the symptoms of a disease. At the first stage there was the floating of the pound; at the second stage, there came the 10 per cent devaluation of the dollar and, as a consequence of it, certain steps have taken place for the floating of the Yen, the Japanese currency. These have certain impacts on the economy of our country, and on our trade relation with other countries also indirectly.

I am not in agreement with our friend Shri Indrajit Gupta when he painted the statement of the Finance Minister as a rosy picture. I think he himself has not painted a rosy picture, but I would say he has put in an overcautious picture, and that is why the Reserve Bank has already issued instructions that the forward dealing in sterling and dollars should be suspended. The attitude is that we want to watch the situation; only watch in a manner by which you would lose the initiative from your hands and you are not able to control the situation. That is our contention.

At the very outset, I would like to point out that we must try to understand why this development has taken place and why there has been a devaluation of the dollar by 10 per cent. It was the imperative need for the United States of America, for they went building a certain economy taking up a certain political orientation. They had involved themselves in Viet Nam by a huge defence budget, and their entire balance of payment position was completely disturbed. But it was described as a continuing process and as was said, actually a *de facto* devaluation had already taken place. There was no way out, and therefore they had to devalue the dollar by 10 per cent.

As soon as that was done, a new problem came before us. So, if it is true that  $w_2$  are now directly involved, because our rupee is linked up—whether you may like it or not—with the pound-sterling, and though a 10 per cent devaluation of the dollar has been affected a three and a half per cent appreciation in terms of the new dollar has already been introduced. In your statement, you have correctly stated that this is the only change that has been introduced and because of this appreciation up to an extent of three and a half per cent, a corresponding appreciation has taken place in our currency also. You have said that this is very marginal, but we would like to know from you, even with this marginal change of three and a half per cent, what is the impact on our trade and what are the impacts on our export and on our import. We would like to analyse that problem.

Another problem that I would like to pose and seek clarification from the Finance Minister is this. Is it not the time, has not the time come when we have to given up our rigid attitude to link up our rupee with the sterling? There is another aspect here. There is a school of thought that has been propounding the point of view

[Prof. Madhu Dandavate]

that one third of our trade is involved with the socialist countries or, to put it correctly, the communist countries. If the United Kingdom, United States of America and Soviet Russia, why should we take a rigid posture of linking our currency only with them?

Here, I would like to pose a new problem. Probably the suggestion has not come over here, but I would like to place a new, constructive proposal. Now, the USA and the United Kingdom account for a considerable share of India's export to which he has made a reference. They do not offer an expanding market for Indian goods particularly the new traditional products. Should we not work out a new trade relationship and a new agreement with countries like those in the South East, the Middle East and the African countries, so that we can insulate our economy from the turmoil of currency that is taking place? We are now getting completely mixed up with the mess that is taking place. We are only thinking in terms of what happens in the United States of America and what happens in the United Kingdom. In order that we should be able to insulate ourselves from the currency turmoil, will it not be possible for us—I would like to know from the Finance Minister—to enter into a new type of trade relationship and agreement with the African countries and with the South East Asian countries?

There is another factor to which I would refer, namely, the European Community. We are pinning our faith in the United Kingdom, and linking our currency with Pound-Sterling. Britain is part and parcel of the European community and they are now more susceptible to pressures from the European community and they will be more concerned with their own interests. So they will not give much attention to the interest of our economy. Is it not necessary now that the linking of the rupee to Sterling should be given up; that is the pro-

blem that we should consider.

To improve our balance of payments position and to secure more foreign exchange, especially after the present currency crisis does our Government propose to give more export concessions and levy more import surcharges. When alternatives are being suggested. I should like to point out to the Finance Minister that even small countries like Malaysia and Singapore can ignore dollar devaluation and keep the gold parity of their currencies unchanged. Should India with more diversified trade relations take a more firm attitude in facing the challenges from Washington and London?

In the end, you have already stated at the end of your statement that you will be sitting in the Twenty Member Committee on monetary reforms and contributing your own share in the discussions. Is it possible for you to spell out some outlines of the policy that you would like to put forward there to secure arrangements which would reflect our needs of stability of trade and exchange rates and orderly growth of the world trade. If you are able to indicate what steps you are likely to take, probably the country will feel that you are not merely taking an attitude of 'watch and wait' but you are taking certain concrete measures to see that the situation improves.

**SHRI YESHWANTRAO CHAVAN:** The first part is merely on exposition as he understood the problem. He put me an important question at the end of his speech, which I shall try to answer. He asked: why is it that we do not develop our trade relations with the South East Asian countries or the Middle Eastern countries? I have no objection to that; that is in fact what we shall have to do and we are making efforts in that direction. But he forgets that those parts also are part of the entire uncertainty; they are even more closely linked with the trouble than we are; hon. Members are intelligent enough to see the whole thing and say how the

present trouble has affected everybody; I should say that it has affected marginally even the East European countries and they have to take note of it; they have to keep their world trade relations.

He asked: what line we were going to take in C-20. It will take much time if I explain all the details and so I shall indicate the major lines. We aim at this. We see that the so-called intervention currencies are getting into trouble. He wanted to know the reason for the dollar getting into trouble. Dollar has come into trouble because of the deficit trade balance with Japan on the one side; they think that discriminatory practices are resorted by the West European countries. This is the case of the United States. The case of the other two parties is that there is lack of action to control their own inflationary conditions in America. Therefore they are not responding. This is the basic cause of the trouble. Our objective must be to find out some third neutralised unit which could be used as intervention currency; that is likely to be the special drawing rights, SDR as they are called. Our effort will be to see that there is increase in the international liquidity and that international liquidity is controlled internationally. This will be our first effort. At the present moment there is no increase in international liquidity and there is no international control because there is a sort of competitive devaluation. We want a situation where there will be increased international liquidity to be controlled internationally of which we should be also a part. We want the S.D.Rs. to play more and more effective role.

At the same time, we would like to see that the developing countries will have an increasing and effective voice in the structure of the monetary organisation, monetary forums, like, the International Monetary Fund. At the present moment, a large number of countries have got about 28 per

cent quota in the voting rights there. Possibly, we will have to see that we get a better voice there. We will have to see that the Special Drawing Rights will also have something to do with the development of finance of those countries.

So, these are the four major planks on which we are going to make an effort. But those efforts will depend upon the unity and the consensus among the developing countries. As it is, the developing countries are in the minority in the Committee of Twenty. It depends upon the efforts, the patience and the wisdom with which we go ahead with this matter.

PROF. MADHU DANDAVATE: As far as Japan is concerned, for instance, after the floating of Yen, since we want for our fertiliser projects certain equipment from Japan—you have given an indication that there will be no impact at all—will there not be an impact on it?

SHRI YESHWANTRAO CHAVAN: I am talking about the present foreign exchange reserves, the present trend of debts, etc. Certainly, there will be a marginal effect. If we want to increase more trade with Japan, possibly which we will have to do, certainly, there will be some effect.

श्री जयशंकर राव जोशी (नाजापूर) :  
प्रधनमन्त्री महोदय प्रभुतर्फीय पैसे के व्यवहार में जो स्थिरता आई है यह कुछ दिनों से चालू है । डॉलर की जो सार्व-  
भौमता थी दूसरे वृद्ध के उपरान्त उसको भी अभी तक दो बार बढ़ाकर लग गया है ।  
जगत बिल्कुल नवदीन जाने की वजह से  
कहीं भी कुछ बढ़ाई हो उसका अच्छा या  
बुरा परिणाम हमारे ऊपर होना बिल्कुल  
स्वाभाविक है । जैसे अपनी प्रान्तरिक  
स्थिति की वजह से एक बार 1966 में हमने  
अपने रुपए का अवमूल्यन किया था । यह मैं  
इसलिए कह रहा हूँ कि अभी जो अवमूल्यन



[श्री जगन्नाथ राव जोशी]

मन्त्री महोदय ने दिया है उसमे राष्ट्रीय हित की बात कही गई है कि राष्ट्रीय हित को ध्यान से रख कर कोई बात करेंगे। उस समय यही कहा गया था कि इसकी वजह से अपना जो निर्यात है उसमें वृद्धि होगी और उस दृष्टि से अपने देश की लाभ होगा परन्तु आने वाले कई सालों से पता चला है कि जितनी मात्रा में लाभ होना चाहिए था उसनी मात्रा में लाभ नहीं हुआ। दूसरे एक ऐतिहासिक कारण की वजह से हम इंग्लैंड के साथ जुड़े हुए थे कामनवेल्थ कन्ट्री के रूप में पाउण्ड के साथ हमारे सारे नाते रिश्ते थे किन्तु पिछले कई दिनों से इस बात का पता चला है कि इंग्लैंड को भी जब पता चला कि बाहर का साम्राज्य गया हुआ है तो वह भी धीरे धीरे यूरोप की ओर देखने लगा और कामन मार्केट का मेम्बर होने के नाते जो लाभ हम को मिलता है वह कम हुआ। उसका भी हमारे व्यापार पर जरूर परिणाम पड़ेगा। अमरीका ने भी स्वयं कुछ दिन पहले वहां जो भी चीज आये उस पर दस प्रतिशत इम्पोर्ट ड्यूटी लगा दी थी उसका भी अपने व्यापार पर परिणाम होने वाला है। अब तो डालर का भी अवमूल्यन हो गया। जहां डालर और पाउण्ड का सम्बन्ध है और पाउण्ड और हमारा सम्बन्ध है, डालर का अवमूल्यन होते ही पाउण्ड उन्होंने फ्लोट किया लेकिन पाउण्ड केवल चार प्रतिशत नीचे आया। आखिर मतलब यह है कि वह पूरा 10 प्रतिशत तो नीचे नहीं गया तो उसनी मात्रा में हम भी नीचे जायेंगे क्योंकि उन के साथ हमारा सम्बन्ध है। तो इसलिए जो अन्तर्राष्ट्रीय घटना होती है उस के साथ जब हम जुड़े हुए हैं तो हमारे मन में जो बुद्धि पैदा होती है उसको आगे चलकर कैसे ठीक करने वाले हैं। इसलिए इस साल की जो बजट के पहले की आर्थिक समीक्षा है इसमें इस बात का हवाला दिया है कि हम निर्यात बरों में वृद्धि करना चाहते

हैं, हालांकि 1971-72 में वह सिरुं साढ़े तीन प्रतिशत हुई है, किन्तु पांचवीं पंचवर्षीय योजना के काल खंड में हम इस को 7 प्रतिशत तक ले जाना चाहते हैं। और इसमें वह बताया गया है कि हमारे ट्रेडीशनल एक्सपोर्ट घटते जा रहे हैं। और वित्त मंत्री महोदय ने जर्मनी और जापान के साथ जिनका व्यापार था, उसके बारे में, जो बात कही, जो आप ने सुझाव दिया, वह आपका अच्छा सुझाव है, तो वैसे ही सात प्रतिशत यदि दर बढ़ानी है निर्यात की आगे चल कर तो आज की परिस्थितियों में मैं यह जानना चाहता हूं कि कौन से ऐसे ठोस कदम हैं जिन से आप उस दर को बढ़ा सकेंगे ऐसा नहीं कि सब अन्तर्राष्ट्रीय परिस्थिति में हर मिक्के को धक्का लगा हो, युद्ध के उपरान्त जापान और जर्मनी ने, जिन्होंने अपनी आर्थिक स्थिति ऐसी मजबूत की है कि डालर ने जब उन को दबाने की कोशिश की तो वह दबे नहीं बल्कि उन्होंने कहा कि हम मार्क और येन को फ्लोट करेंगे और फ्लोट करने के बाद जब माना नहीं तो ओवर वैल्यू किया उन्होंने यानी ऐसा नहीं कि हर एक का सिक्का ड्रिडिल होता चला जाये। यदि आज दूसरे महायुद्ध के बाद जो देश ज्ञात विक्षत हो गये थे हमारी तरह वह यदि अच्छी स्थिति में आ गये तो मैं मंत्री महोदय से जानना चाहूंगा कि आगे चल कर हमका कुछ अध्ययन कर के, जैसे डाइवर्सिफाइंग आफ दी ट्रेड, क्या और दूसरे क्षेत्र में जाने का विचार है? क्योंकि एक, एक तिहाई उन्होंने बताया कि जुड़ा हुआ है, एक तिहाई पाउण्ड के साथ जुड़ा हुआ है, एक तिहाई डालर एरिया के साथ जुड़ा हुआ है, एक तिहाई रुपी एरिया के साथ जुड़ा हुआ है, तो जैसा अभी दबावते जी ने कहा एक स्वतंत्र क्षेत्र में आगे चलकर जैसे जर्मनी का सुझाव आप ने लिया है, वैसा कौन सा सुझाव आप के सामने है और 7 प्रतिशत की दर उपलब्ध होने की दृष्टि से कौन सा ठोस कदम है? यदि येन और मार्क दोनों

ही मज्जे खासे तगड़े रह सकते हैं तो घागे चल कर इम्लैड पर जितने भारोसे में रहेंगे उतने न रहते हुए हम को भी कुछ भ्रमण भस्तिस्व के रूप में डीलक करने के बाद झोल्ड पैरिटी में मान ली किन्तु घागे चल कर हम को भी दुनिया के साथ सीधे सम्बन्ध स्थापित करने चाहियें। यह जो रुपी ट्रेड के साथ पूरे ईस्टर्न यूरपियन कन्टीज को जोड़ दिया है, वहाँ तो स्विस ट्रेड हो कर हम फिर बाटे में रहते चले आ रहे हैं तो डायरेक्टली उन्ही देशों के साथ सम्बन्ध रख कर अपना निर्यात बृद्धि करने के हेतु, और प्राज कल की 7 प्रतिशत निर्यात की दर कैसे होगी, इस दृष्टि से कोई ठोस उपाय हों तो बतलाने की कोशिश करें।

**SHRI YESHWANTRAO CHAVAN:**  
 Most of the points that the hon. Member has raised on this, I have tried to deal with them in my reply. The only new point that he has raised, if I have understood him correctly, is how we are going to achieve the indication that we have given about expansion of export trade. That naturally will have to be in the non-conventional items. That also we will have to see to which countries we go. Naturally, competition is not merely in terms of rates, but it is also in terms of quality—the point to which hon. Member, Shri Indrajit Gupta made a reference. Ultimately it will depend not merely on the rate but also on the quality of the product and the commodities that we supply. Certainly we have got an edge over the currency in some of the third countries. That only shows the objective situation. In what way we will be able to do that, it is certainly a question of going into the details of it. I do not think that strategy can be explained openly in detail, if it is going to be competitive like this. But we wish that we will certainly do that.

His main point was that the currencies, Deutsch Mark and Yen, are strong today. Really speaking, Dollar has made this attack to make them

more weak. Let us not consider that they are strong and they will remain permanently strong. It is a very shifting ground and in the shifting ground we will have to be very careful.

**MR. SPEAKER:** Now, I will call the members at the proper time.

**SHRI SHYAMNANDAN MISHRA:**  
 The question of privilege should receive precedence, according to the Rules of Procedure, over other matters. This is my only submission.

**MR. SPEAKER:** I shall be calling the members at the proper time.

**SHRI JYOTIRMOY BOSU:** After you have called him, Sir, please allow me to make a mention about burning of the Harijan bastis at Raniganj.

**MR. SPEAKER:** I will come to that later on.

**SHRI JYOTIRMOY BOSU:** My complete obedience to the Chair.

**MR. SPEAKER:** What a change overnight!

12.55 hrs.

**MATTER UNDER RULE 377**

**ALLEGED WRONG STATEMENTS BY  
 MINISTERS**

**MR. SPEAKER:** Shri Shyamnandan Mishra.

**SHRI SHYAMNANDAN MISHRA** (Bogusarai): It is with a great sense of responsibility and in no lighthearted spirit that I have to raise a question of privilege under Rule 222 of the Rules of Procedure and Conduct of Business, which has got very serious implications and dimensions, against the hon. Minister of industrial Development, Shri C. Subramaniam and the hon. Minister of State in the Ministry of Defence, Shri Vidya Charan Shukla, for having deliberately made wrong and misleading statements before this House on the 22nd December 1972, while intervening in