

This report places the requirement between 115 billion dollars to 130 billion dollars. But then, when the expert group relegated the matter to sectoral experts, they sectorally made recommendations which indicate the total requirement to be about 175 billion dollars to 180 billion dollars. So, whether we are talking about 130 billion dollars as the report says, or 200 billion dollars as the CMP says, the requirement for infrastructure is massive. Unless we find the funds, public funds, private funds, and semi-public funds, we will not be able to make India's infrastructure anywhere near world-class.

What is the definition of infrastructure? As far as the Government is concerned, today, I mean until the Budget, we had included roads, highways, bridges, new airports' ports and rail systems as infrastructure. In the current budget I have added four other areas - irrigation, water supply, sanitation and sewerage systems. Today we have ten areas which qualify for infrastructure. We have taken a number of steps; the hon. Member referred to some. I have extended the five year tax holiday under Section 88(i) (a) to all infrastructure investments; I have given an additional exemption of Rs.10,000 under Section 88; I have made infrastructure funds pass through funds without any tax liability; we have set up the IDFC; and we have levied a special customs duty of two per cent to raise funds which will be matched with what we will invest in infrastructure.

Now, these funds will necessarily have to go into the areas where infrastructure is poor and that will take care of the backward areas, the backward States of this country. As my learned friend Shri Maran said a little while ago, in order to receive these funds, in order to absorb these funds in infrastructure, you must have proper investment and market-friendly climate in these States. Unless State Governments also gear themselves up - like Maharashtra has done, like Gujarat has done - to receive these investments, you will not get the benefit of the any kind of funds. But I will do my best through the IDFC to channelise a bulk of the investment into the backward States. If I may take the permission of my learned friend to answer the North-Eastern Members, we will see that a substantial portion goes to the North-East also.

SHRI SURESH PRABHU : What about the counter guarantees?

SHRI P. CHIDAMBARAM : It is not our intention to give any counter guarantees to any new projects.

Foreign Debt

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*324. SHRI PRAMOD MAHAJAN :
SHRI BRAJ MOHAN RAM :

Will the Minister of FINANCE be pleased to state :

(a) the total amount India owes to global and domestic creditors during each of the last three years;

(b) the amount paid to global and domestic creditors in the form of interest and principal during the above period, year-wise; and

(c) the amount of loan and interest payable to domestic creditors during the above period; and

(d) the present position in respect of global and domestic loans?

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM) : (a) to (d). A statement is laid on the Table of the House.

STATEMENT

(a) to (d). External debt and debt service of the country during the last three years are as under :-

External Debt Outstanding (End of period)

(US \$ million)

	March 94	March 95	September 95*
	92,695	9,042	93,843

* Latest available

External Debt Service

(US \$ million)

	1993-94	1994-95	1995-96@
Principal	4,475	6,825	8,166
Interest	3,818	4,130	4,476

@ Provisional

Internal debt and either liabilities of the Government of India are as under :-

Cumulative Internal Debt and other liabilities of Central Govt.

(Rs. Crores)

	March 94	March 95	March 96@
	4,30,323	4,87,382	5,52,744

@ Revised Estimates.

Debt Service on account of internal Debt and other liabilities of Central Government

(Rs. Crores)

	1993-94	1994-95	1995-96
Principal	58,482	57,562	63,963
Repayments* Interest	33,017	40,023	47,101

* Excluding discharge of 91 days Treasury Bills. Reserve Funds and Deposits not bearing interest and suspense transactions.

SHRI PRAMOD MAHAJAN : Mr. Speaker, Sir, borrowing as a concept cannot be rejected, if it is needed, if the quantum is manageable, and if it is utilised properly. It seems that the Government in the last several years has failed on all these fronts, and we are almost

at the doorsteps of a debt trap. The real worry is the use of debt. If we use it properly, it can be a boon; if we do not use it properly, it can be a curse.

In this regard, I would like to know from the hon. Finance Minister as to what is the quantum and percentage of unutilised external debt in the last three years, what are the commitment charges paid by us on it, and what steps the Government proposes to take to increase the utilisation of external debt?

SHRI P. CHIDAMBARAM : Mr. Speaker, Sir, this question was answered only three-four days ago at great length. This question which is now put to me does not relate to unutilised debts. Unutilised aid, which is concessional aid, is a completely separate question and I had answer it in great detail.

But, talking from my memory again, the commitment charges in the last three years have been a shade under Rs.60 crore per year. We do not pay interest charges until we actually draw the amount. We have to pay only a commitment charge.

Again talking from memory, the unutilised external aid, the concessional aid - what is called concessional aid is really borrowing - is about Rs.50,000 crore. Sir, this question deals with the internal and external debt to the country and the amount actually drawn.

SHRI PRAMOD MAHAJAN : No, naturally it will involve. How are you using it?

SHRI P. CHIDAMBARAM : I am not hesitating to answer. That is a separate question for which I have to get some tables. I do not have those tables with me I would send them to you. I answered it either in this House or in the Rajya Sabha two days ago ...*(Interruptions)* Only two days ago I answered all this. I am not...*(Interruptions)*

SHRI PRAMOD MAHAJAN : Sir, the second important query is about the external debt and the debt service ratio.

SHRI P. CHIDAMBARAM : That is a relevant question.

SHRI PRAMOD MAHAJAN : Subject to correction, at the present stage, our debt service ratio is to the tune of 25 per cent to 26 per cent. Now, what we see today is that in order to manage this debt service ratio we must increase the exports and our invisible receipts should also increase. Now the last two successive economic surveys show concern about the increase in exports and invisible receipts also. In this situation how the hon. Minister of Finance would like to decrease the debt service ratio? What steps would he like to take in this respect?

SHRI P. CHIDAMBARAM : Sir, the debt service ratio has indeed declined from 1994-95 to 1995-96, although marginally. The debt service ratio is defined as debt service payment as a percentage of current receipts. In 1994-95, the debt service ratio was 26.63 per cent; in

1995-96, it was 25.64 per cent, a decline of one per cent largely because exports grew by about 21 per cent last year. In the last three years, exports have grown by about 20 per cent in dollar terms.

But, there is also another ratio which is also relevant, that too, the debt to GDP ratio, where there has been a sharp decline. In 1991-92, that too the GDP ratio was 41 per cent; next year, it came down to 39.80 per cent; the year after, it was 36.26 per cent; In 1994-95, 32.97 per cent; and in 1995-96 29.13 per cent. So, the debt to GDP ratio is declining very sharply and has declined by varying percentage points. I do not think we are anywhere near a debt trap. Although, I would be the first to say, as we have said in the External Debt Survey Report, that it is a matter of concern and I share the hon. Member's concern that we must ensure that the current receipts continue to be high, exports grow at a very fast rate and our GDP growth is also maintained at over seven per cent If the GDP growth is over seven per cent and exports continued to grow at over 20 percent and if all of us together make sensible economic policies to receive...*(Interruptions)* If all of us together make sensible economic policies to receive invisible receipts, to receive tourists to the country, I do not think there is any problem about managing it...*(Interruptions)*

SHRI PRAMOD MAHAJAN : Just half a minute, Sir.

Mr. Finance Minister, at any time has the Government made any study between the external debt and the exports? Has the rise in external debt co-related to the rise in exports and what is the impact on it?

SHRI P. CHIDAMBARAM : Actually, if you look at the figures in the answer, in March, 1995, the external debt was 99 billion dollars; in September, 1995, it declined to 93.8 billion dollars. But I would straightaway say, of decline of about 5.2 billion dollars - 66 percent - two-thirds is accounted by the appreciation of the dollar and one-third is by repayment. While I will not take credit for the entire decline of 5.2 - I am entitled to take credit, the Government is entitled to take credit - it has repaid a debt of 1.7 billion dollars. So, we are confident that our growth in exports and our growth in GDP will give us enough revenues to repay the debt. This debt will not come down to zero in a short time. We are confident that the debt is completely manageable. You know as well as I do, the proportion of short term debt in this total debt is less than five per cent ...*(Interruptions)*

[Translation]

SHRI BRAJ MOHAN RAM : Mr. Speaker, Sir, I would like to know when will country be free from the debt scourage? Have the Government chalked out any plan to rid the country of the curse of debt?

[English]

SHRI P. CHIDAMBARAM : Sir, I do not think it is a good idea to be completely debt free. It is not good

economics. What is a debt? Debt means we are using the savings of another country. If the savings of another country can be used in our country that is good. What is important is what the hon. Member Shri Mahajan mentioned and that is, are we in a position to service that debt without detriment to our macro-economic stability?

SHRI S. BANGARAPPA : Sir, keeping in view the position prevailing in Mexico and keeping in view the strength of production and export in our country, are you in a position to say that our country's financial situation is well enough or to say that we have not yet reached an alarming stage as far as raising of these loans - domestic or global - is concerned? People are meeting those demands to clear off the debts.

SHRI P. CHIDAMBARAM : Sir, I am not an expert on Mexico but I have read some papers on the Mexican crisis which led to a collapse. The real reason was that Mexico had a very high Proportions of short-term debt and their management of the currency was very poor. But anyway, I am not drawing any comfort from that fact. All I am saying is that our export growth is high. Our GDP is growing between six per cent and seven per cent a year. If we continue to pursue the policies which will attract foreign investment. The NRI deposits as well as earnings through tourism, it will be good. As long as foreign inflows in the country are good, there is no danger of a debt trap. The External Debt Report says: "It is a matter of concern." But I will not use any harsher or stronger word like "alarming". We must be very careful and prudent in managing the debt. But we are confident that we can manage our debt.

SHRI NIRMAL KANTI CHATTERJEE : Firstly, I am intrigued by the figure. In terms of his Budget statement, our debt servicing in the current year would be Rs. 60,000 crore. Last year, it was Rs. 52,000. But as I add up, the figures do not exist. For instance, at the end of September, 1995 the interest payment for external debt was 4476 million dollars and the internal interest payment was Rs. 47,000 crore. These two together would come to Rs. 60,000 crore. While his statement says, at the end of the current year, it is Rs. 52,000 crore.

MR. SPEAKER : I you want an answer, put your question quickly.

SHRI NIRMAL KANTI CHATTERJEE : It is very easy to manage the debt service ratio. It is because we have a growth rate of seven per cent and inflation rate of 10 percent. So, you take into account this 17 percent as an addition.

SHRI P. CHIDAMBARAM : I am very grateful for the second part. It is very supportive. But the first question is indeed very perceptive. The external debt service of 4.4 billion dollars is the debt servicing not only on Government account but also on private, and commercial account. That debt servicing includes commercial borrowings. The figures add up to the last rupee. The

domestic debt servicing is Rs. 47,101 crore. The external debt servicing on Government account is Rs. 4899 crore. The total comes to Rs. 52,000 crore. This 4.4 billion dollars includes, not only Government debt servicing but it also includes debts contracted by private or commercial companies, the exports etc. Those figures are not addable.

WRITTEN ANSWERS TO QUESTIONS

Market for Textile Industry

*325. **SHRI KRISHAN LAL SHARMA :** Will the Minister of TEXTILES be pleased to state :

(a) whether the Indian textiles and garment industry is losing its market abroad because of not enforcing quality control and delay in delivery schedules; and

(b) if so, the steps taken by the Government in this regard?

THE MINISTER OF TEXTILES (SHRI R.L. JALAPPA):
(a) There are no reports of our textiles and garment industry as a whole losing their market abroad because of not enforcing quality control and delays in adhering to delivery schedules. However, it may be true for some individual exporters.

(b) Does not arise.

Delay in Export Proceeds by MMTC

*326. **SHRI AMAR PAL SINGH :** Will the Minister of COMMERCE be pleased to state :

(a) whether the attention of the Government has been drawn to the news item appearing in the Economic Times dated June 27, 1996 under captioned "MMTC blacklisted for export proceeds delay";

(b) if so, the reasons for delay in realisation of the export proceeds; and

(c) the steps taken by the Government in this regard?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE (SHRI BOLLABULLI RAMAIAH) : (a) to (c). The news item has come to Government's attention. It may be clarified that MMTC had not been "blacklisted" for delay in realisation of export proceeds. The Reserve Bank of India had issued certain directions on the subject of MMTC in January, 1996. These directions were withdrawn as soon as MMTC represented the matter with RBI in February, 1996. It may be pointed out that as against total exports by MMTC of Rs. 1,320 crores in 1995-96, the outstandings as on 31st December '95 were only Rs. 50.11 crores, i.e. less than 5%. The reasons for delay in the realisation of export proceeds include non-payment for wheat exports by a