

pecially from State like Kerala from where they will be exporting products like handloom crape to the Western European countries and to Japan. The importing materials like hank yarn, because it is very difficult for them as import restrictions on hank yarn under the new licensing policy, especially under the new conditions that the Government has now imposed. So, I would like to know whether the Government has any other special programme to promote the export from the country, especially from places like Kerala.

[Translation]

**SHRI ASHOK GEHLOT:** Mr. Speaker, Sir, the policy of the Government is to encourage the handloom industry and on the basis of this policy recently the Government has taken some steps. As a result thereof, some doubts have arisen in the minds of the people. I would like to say that the new steps have created favourable conditions in the handloom industry but as far as the issue of export of handloom goods is concerned, I would like to make it clear that the issue raised by the hon. Member comes under the purview of the Ministry of Commerce. I would like to assure him that the Government will do its best to protect the interests of handloom industry. Handloom industry has made great progress in the Southern States and Government will encourage the export of textiles from other States also and take steps to promote the exports of these goods.

**SHRI RATILAL VARMA:** Sir, I come from the weaver community of Gujarat. Weavers are there in a large number in Gujarat but they are not getting remunerative prices for their products. They have not been provided facilities for exporting their products. I would like to ask the hon. Minister whether Government will provide special facilities to them at the Government textile markets in Gujarat and whether Government also proposes to provide financial assistance to these weavers?

**SHRI ASHOK GEHLOT:** Mr. Speaker, Sir, they are already being given facilities and steps are being taken to provide more facilities to them. Many schemes are being formulated for the export of their products and to remove hardships they are facing.

24-3 / Sale of Gold

[English]

\*3. **SHRI K. P. UNNIKRISSH-NAN:**

**SHRI CHANDRA JEET YADAV:**

Will the Minister of FINANCE be pleased to state:

- (a) the quantity of gold sold recently by the Union Government;
- (b) the details of the terms and conditions of the sale;
- (c) the reasons for selling the gold; and
- (d) the action proposed to be taken to retrieve the gold?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR):  
(a) to (d) A statement is laid on the Table of the House.

#### STATEMENT

(a) The Union Government leased 20 metric tonnes of confiscated gold held in government account to the State Bank of India as per lease agreement.

In turn, the State Bank of India entered into a sale transaction with repurchase option with Union Bank of Switzerland.

(b) (i) As per the lease agreement dated 16th May, 1991 entered into between Govt. of India and SBI, GOI leased to SBI, 20 metric tonnes of gold to raise foreign exchange reserves expected to be of the order of \$ 200 million. The period of lease is six months; extendable by mutual agreement. The consideration for lease is

Rs. 25 lakhs. As per the agreement, the State Bank of India could move gold outside the country and could lease, pledge, sell or use it in any other manner. The financial terms and conditions of the lease were determined as per advice of the Reserve Bank of India.

(ii) State Bank of India had, in turn, entered into a sale with repurchase option with the Union Bank of Switzerland (UBS). UBS bought the gold from SBI at the London fixing price prevailing on the day after day of delivery, for each consignment, at the UBS refinery. SBI was paid 95 per cent of the value of the gold, at the prevailing market price, the balance of 5 per cent being retained for price protection to be settled at the end of six months. At the end of the six-months period, SBI can repurchase gold from UBS for a consideration equivalent to the outstanding loan plus interest at LIBOR flat (London Inter Bank Offered Rates). The procedures in regard to the above transactions were finalised, as indicated by the Government of India, through mutual consultations between SBI and RBI, as per prudent banking practices, keeping in view the need for secrecy and urgency.

(c) India has a perfect and unblemished record of meeting all international obligations. Government's strategy to manage the difficult balance of payments situation is aimed at maintaining this perfect record and protecting the foreign exchange reserves at a reasonable level. To this end, Government have taken several measures to compress imports, to accelerate receipts of export earnings, and to obtain special bilateral assistance. The dialogue with multilateral institutions is also continuing. However, when there was a serious threat of foreign exchange reserves levels falling below what may be perceived as a reasonable level by the international financial community, and as a last resort, Government had leased gold held in Government account to the State Bank of India.

(d) It is the intention of the Government of India to have the gold repurchased in accordance with the agreements, provided the balance of payments situation improves.

SHRI K. P. UNNIKRISHNAN: Sir, it is the most disturbing and disquieting report that came a few days ago. But the responsibility of the previous Government as well as this Government has been, treating it something like the concept of Sankara's Maya. It changes according to Pandits. The first communique of the spokesman of the Government said in a cryptic manner that this sale of gold is not from reserves. Then they circulated the word "mortgage", which is an absolute figment of imagination and then later it was said—now they admitted in the Statement that this is a sale by the SBI and there has been a transaction of a kind of lease to SBI. Now, I would like to know what motivated them. In general terms they have specified in section (c) of the Statement about the difficult balance of payments position. But what specifically motivated them? I would like to know, when the price of gold was US \$ 11.7 million per tonne at that time, what motivated them to enter into this very disturbing transaction?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Speaker, Sir, this transaction which the hon. Member is referring to took place when our party was not in power. But I understand the reasons why this was done and the situation in which our country was and then it is now, is a grave situation in which there is a very great weakening of international confidence in our currency. We have almost next to no reserves and we have been borrowing short term loans to finance even essential articles of mass consumption like petroleum products, fertilisers etc., and it was in that stage that we had also to repay our loans. We are committed to honouring all our commitments. We want to keep this economy going; we do not want to hurt our people by denying to them the

essential things like petroleum products, fertilisers etc. But when we have no reserves, when exports are down, when Non-Resident Indians are no longer sending money but instead are taking their money out, there was no other option. It pained me greatly and I know it pained the then Prime Minister. But in that situation, there was no other option.

**SHRI K. P. UNNIKRISHNAN:** Sir, the distinguished Finance Minister for whom I have respect, regard and affection was also the Chief Economic Advisor at that point of time. I share his pain as well. If it is only for the petroleum products, then the supply of it was available and an agreement also has been entered into. I would also request him not to quibble around and acquire the habit of politicians and to be straight forward in this House and tell us the truth. If necessary, he can come out with a White Paper on the BoP situation and explain it properly so that the whole country, not only the Parliament, knows it. Now, it continues ever after the new Government has come. There has been another transaction. It is said that it had been taken for safe custody to Bank of England walls as though our walls are not protected. A former Reserve Bank Governor, his former colleague has called it as national humiliation. I would like to know why was the second transaction necessary.

**SHRI MANMOHAN SINGH:** Sir, now the hon. Member is raising a question which relates to a different transaction. I think it would be proper that that question should be raised separately. He has made a reference to the statement of my distinguished predecessor as the Governor of the Reserve Bank Dr. I. G. Patel. I had spoken to him this morning; he has told the RBI Governor who contacted him that he had been grossly misquoted. He had not said that what we have done is dishonourable or humiliation. What he has said is that all of us should feel very said that we have brought our country to

this pass that these transactions have to be done. I share that perception and all of us in this House and our people outside must reflect as to what has gone wrong with this country that we have to do such painful things. But about the sale of RBI gold, I do require a separate question which, I think, I will be able to answer separately.

**SHRI K. P. UNNIKRISHNAN:** Sir, the question is very clear. You must protect me; you must protect the interest of the House and the nation. The question does not refer to one particular transaction. It is a continuous habit now. So, we are certainly entitled to know from the Finance Minister as to what has been done.

**SHRI MANMOHAN SINGH:** Sir, the question reads as follows:

(a) the quantity of gold mortgaged recently by the Union Government.

I think, what the Union Government sold was from its own stock. Therefore, if you want to discuss anything else the sale by the Reserve Bank within its reserve, I do require a separate notice.

**SHRI K. P. UNNIKRISHNAN:** For RBI also, you are answerable here in this House. Obviously RBI has sold it. You cannot sell it from the bunk of the Finance Ministry.

**SHRI MANMOHAN SINGH:** Reserve Bank of India is a great national institution. It would be a sad day if anything were to be said in this House or outside which lowers the dignity and respect of the institution.

I do require a separate notice. I can assure you, I will satisfy all Members of this House as to what was done and what was unavoidable in the situation.

**SHRI CHANDRA JEET YADAV:** Actually, it is a matter of great national concern. I must say that the Government and the Finance Minister are making so many state-

ments that they seem to be creating an economic panic in the country. We admit that the situation is bad but the whole approach of the Govt. seems to be creating economic panic in the country.

I would like to know a specific thing about the sale of 20 m.t. of gold. It is said in this statement that it is expected to be of the order of \$ 200 millions. I would like to know:

- (a) What exact amount the Government has received by selling 20 m.t. of gold.
- (b) It is being said in the statement—However, when there was a serious threat of foreign exchange reserve level falling below what may be perceived as a reasonable level for international financial community...

I would like to know what the international financial community thinks is a reasonable level that the foreign exchange we should have?

Otherwise, the Finance Minister is refusing to reveal. What we have gathered from the newspapers is that already 25 tonnes of gold have been pledged to the Bank of England. They are also negotiating with the Bank of Japan to put in security more gold. We have 332 tonnes of gold in our reserve. If you do not have information, I have it.

May I know how much gold you are going to keep as security with different banks in different countries? Is it the situation of the country?

**SHRI MANMOHAN SINGH:** Mr. Speaker, Sir, the hon. Member wanted to know the precise value of the gold that was sold out of Government stock. I have that figure with me. I am very pleased to give that figure. It is \$ 200.4 millions. That was the value of the gold sold.

3—9 LSS/ND/91

Now the hon. Member has raised several other issues about safe level of reserves. I would say that I would like to work to a system where this country's level of reserves is not less than two to three months input.

Now why are we here? Our Party was in Opposition. In January, 1990, there was a change of Government. In January, 1990 there was no lack of confidence about our country. Our country was considered credit worthy. There was a positive net inflow on account of non-resident Indians remittances. There was positive net inflow on account of foreign commercial loans. Our economy was considered highly credit worthy. But then, something happened.

**AN HON. MEMBER:** What has happened?

**SHRI MANMOHAN SINGH:** Well, the type of Budget that was presented, the loan waiver scheme that was launched which eroded India's credit worthiness, which destroyed India's banking system.....

**SHRI SRIKANTA JENA:** Is that the only cause? You should clearly say what exactly is the reason. By all these things, we can show that India's credit-worthiness is destroyed. *(Interruptions)*.

*[Translation]*

**SHRI VILAS MUTTEMWAR:** There should be Half-an-Hour discussion on this.

*[English]*

**SHRI BASUDEB ACHARIA:** We want to have a full discussion on this.

**SHRI NIRMAL KANTI CHATTERJEE (Dum Dum):** What exactly does it relate to? *(Interruptions)*.

**SHRI MANMOHAN SINGH:** Mr. Speaker, Sir, I seek your protection. I have something to say. We are being accused of going to the IMF. But,

this House should know that the Government in power from January-December went to the IMF twice and they took large amounts of money from the IMF. In spite of that, the things they have done weakened our credit-worthiness abroad. Now, it is our responsibility.

WRITTEN ANSWERS TO QUESTIONS

[Translation]

*Election*

**Countermanding of Elections due to certain Irregularities**

\*4. SHRI SANTOSH KUMAR GANGWAR: Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) The number of Lok Sabha constituencies where elections were countermanded due to irregularities committed in the elections; and

(b) the steps proposed to be taken to prevent such occurrences in future?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI VIJAYA BHASKARA REDDY): (a) Five.

(b) Election Commission takes all possible steps to prevent electoral malpractices and irregularities. It is, however, for the concerned State Government to make arrangement for law and order and to ensure that incidents of booth capturing etc., do not take place. The Representation of the People (Amendment) Bill, 1990 introduced in Rajya Sabha in May, 1990 by the previous government seeks to make the offence of booth capturing a cognizable one and to enhance the punishment for the offence where such offence is committed by a person in the service of Government. The Bill also provides for strengthening of section 58A of the Representation of the People Act, 1951 so that Election Commission

could take a decision to countermand the poll on a Report from the Returning Officer or otherwise. However, in view of the incidents in the last General Elections, the Government, being committed to bringing in electoral reforms, feels that the matter requires further indepth study before any concrete steps are proposed.

[English] 32

*Textile*

**Reduction in prices of Cotton Sarees and Dhotis**

\*5. SHRI GEORGE FERNANDES: Will the Minister of TEXTILES be pleased to state:

(a) Whether the Government have fixed any time limit for reducing the prices of cotton sarees and dhotis of 40s count or below to those obtaining in July 1990;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI ASHOK GEHLOT): (a) to (c) In an economy like ours, the price levels are determined by a number of factors. The price level of any single commodity cannot be viewed in isolation. Government are constantly reviewing the price levels of sarees and dhotis of 40s counts and below. Government will take appropriate measures in this regard keeping in view the overall economic policies of the Government and also the critical economic situation the country is facing

*Indian Econ*  
32 **Economic Situation**

\*6. SHRI PAWAN KUMAR BANSAL:

SHRI V. SREENIVASA PRASAD:

Will the Minister of FINANCE be pleased to state:

(a) whether the Indian economy has suffered badly during the last one and a half years;