

(a) whether the trade deficit between India and Great Britain is widening every year;

(b) if so, the factors responsible therefor; and

(c) the efforts made by Government to reduce the gap?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE (SHRI P.R. DASMUNSI): (a) to (c). As per figures available with DGCI&S, the following are the bilateral trade figures between India and UK since 1986-87. It may be observed that the trade deficit in 1987-88 was less than that in the preceding year.

(Value: Rs. crores)

Year	Imports from	Exports to	Balance of Trade
1	2	3	4
1986-87	1622	736	(—) 886
1987-88	1804	1032	(—) 772
1988 (Apr.- Sept.)	1187	543	(—) 644
1987 (Apr. - Sept.)	897	481	(—) 416

The major items imported from UK which contribute to the bilateral trade deficit include rough diamonds, machinery and other engineering goods. These items are, however, essential for generation exports and for the development of our economy. In order to reduce the trade gap, continuous efforts are being made to increase our exports by diversifying the export basket, implementing trade promotion measures, exchange of trade delegations, buyer-seller meets, participation in trade fairs, publicity, etc.

#### Purchase Tax Arrears on Coffee

3206. SHRIMATI BASAVARAJESWARI: Will the Minister of COMMERCE be pleased to state the present position regarding clearance to arrears of purchase tax on coffee growers?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE (SHRI P.R. DASMUNSI): The Coffee Board has paid in full the arrears of purchase tax levied on coffee for the assessment years 1974-75 to 1982-83 to the State Government of Karnataka together with the interest accrued in pursuance of the Supreme Court's Orders in this regard.

#### Agreement with Japanese Government

3207. SHRIMATI BASAVARAJESWARI: Will the Minister of FINANCE be pleased to state:

(a) whether an agreement has been reached between India and Japan on the extension of Official Development Assistance;

(b) if so, the details of the contract entered;

(c) to what extent this will modernise the Burnpur works of Indian Iron and Steel Company Ltd; and

(d) from when it will be implemented?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) and (b). No general agreement has been signed on Official Development Assistance. However, the Government of Japan have extended an Engineering Services loan of Yen 5,546 million (equivalent to Rs. 67.30 crores approximately) for modernization of the Burnpur Steel Works of Indian Iron and Steel Company Ltd. The contract for consultancy engineering services has been awarded and the scope of works includes the review of the feasibility study report prepared by Japan International Cooperation Agency (JICA), preparation of basic plan, preparation of technical inquiry specification, master plan for organisation, management system, education and training of personnel; and start up operation and updating of cost estimates.

(c) The modernization of the plant will increase its production capacity to about 21.5 lakh tons of steel annually and enhance the manpower productivity per worker from the present 27 tons per year to 152 tons per year.

(d) The investment decision for the plant modernization will be taken on the basis of the detailed engineering study which is expected by December, 1989.

#### **Rate of Interest on Agricultural Loans**

3208. DR. DATTA SAMANT: Will the Minister of FINANCE be pleased to state:

(a) whether attention of Government has been drawn to the news-item regarding reduction in rate of interest on agricultural loans appearing in the Indian Post of January 9, 1989;

(b) if so, the views of Union Government in this regard;

(c) whether the Government of Maharashtra has asked of permission to reduce the interest on agricultural loans; and

(d) if so, the decision of Union Government in the matter?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) Yes, Sir.

(b) to (d). The consistent stand of Reserve Bank of India and Central Government in this regard has been that tampering with the interest rate structure through whatever modality, harms the rural credit system. Secondly crop loans are being provided by cooperative credit structure, commercial banks and Regional Rural banks and any reduction of interest rates for borrowers from the cooperative credit structure would create adverse climate for the multigency system. Thirdly, the loss in income, as a result of reduction in interest rates would further weaken cooperative credit structure.

In order to give relief to farmers, the interest rates charged for agricultural production credit we reduced in March, 1988 for loans upto Rs. 15,000/- and further reduction was made with effect from 1st March 1989 on loans between Rs. 15,000/- and Rs. 25,000/-. Under the reduced rates of interest, the rate of interest on crop loans upto Rs. 7,500/- per crop season is kept low at 10% per annum. Further, the interest rate for any investment credit availed of by small and