

Newsitem "Steep Fall in Exchange Reserves"

230. SHRI SUBHASH YADAV: Will the Minister of FINANCE be pleased to state:

(a) whether Government have seen the press reports appearing in the "Hindustan Times" dated the 2nd June, 1982 under the heading "Steep fall in exchange reserves";

(b) if so, what are the reasons thereof;

(c) how far foreign exchange reserves have fallen as compared to during the last five years; and

(d) what steps have been taken or proposed to be taken to improve the Foreign Exchange Reserves?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): (a) Yes, Sir.

(b) The decline in foreign exchange reserves (excluding Gold and Special Drawing Rights) during the past three years is due mainly to the following reasons:

(i) The doubling of the price of imported oil between December, 1978 to January, 1981 has added enormously to the oil imports; prices of many other imports have also risen sharply;

(ii) increase in exports, both in value and volume terms have not kept pace with the rate of increase in imports in value and volume terms. This has however to be viewed in the context of the continued recessionary conditions abroad, intensification of restrictive trade practices in the industrial countries and the continuing global inflation affecting our import prices; and

(iii) the net invisibles which showed arapid growth rate in the 70's have reached a plateau stage.

(c) The variation in the foreign exchange reserves (excluding gold and Special Draw-

ing Rights) during the last five years was as under:

End of Fiscal year	Foreign Exchange Reserves (Rs. crores)	Variation over the previous period (Rs. crores)
1977-78.	4499.75	
1978-79.	5219.86	+720.11
1979-80.	5163.66	-56.20
1980-81.	4822.12	-341.54
1981-82.	3354.47	-1467.65
1982-83.	3384.26	+29.79
25-6-82		

(d) The Government has been taking a number of steps to improve the foreign exchange reserves position and to maintain them at a comfortable level so as to be able to meet the country's import bill. These include:

(i) Increasing domestic exploration and production of oil and natural gas, development of alternative energy sources and reducing demand for petroleum products.

(ii) Import substitution in major areas like cement, fertilizers, non-ferrous metals, steel etc. by improving capacity utilisation and by creating additional capacity.

(iii) Achievement of better export performance through removal of infrastructure constraints, especially those in power, transport and ports, generation of larger export surpluses through increased production, improvement in the growth of competitiveness and efficiency in Indian industry combined with a system of incentives which would make exports profitable and encourage export growth in areas of dynamic comparative advantage, etc.

(iv) Adoption of measures which offer incentives for larger remittances from Indian nationals abroad.

(v) Adoption of an external financing strategy which ensures that essential imports needed by the economy, especially those for development are not constrained, cost of borrowed funds from abroad is minimised and debt servicing obligations are kept within prudent limits.

In order to meet the requirement of foreign exchange, Government of India has been utilising to the maximum extent possible bilateral and multilateral sources of external assistance. Government entered into an extended arrangement with the International Monetary Fund in 1981 for SDR 5 billion which would become available over a period of three years. An amount of SDRs 900 million has already been drawn under this extended arrangement. This has been further supplemented by resorting to export credits and in suitable cases to commercial borrowings.

Setting up of Inter-Governmental Committee on Nepal and Indian Governments

231. SHRI R. N. RAKESH: Will the Minister of COMMERCE be pleased to state:

(a) whether it is a fact that an inter-Governmental Committee of Nepal and Indian Governments has been set up under the trade and transit treaties and the agreement on unauthorised trade;

(b) if so, details of the terms of reference of the Committee; and

(c) what achievement has so far been made by this Committee?

THE DEPUTY MINISTER IN THE MINISTRY OF COMMERCE (SHRI P. A. SANGMA): (a) Yes, Sir.

(b) The function of this Committee is to promote trade, facilitate transit, and control unauthorised trade between the two countries, as envisaged in the treaties and the agreement. The Committee is to meet alternatively in Kathmandu and New Delhi.

(c) Some of the salient achievements of this Committee are:—

(i) Procedure for the import of Nepalese industrial products into India has been simplified.

(ii) Procedure for the insurance of Nepalese cargo in transit from Calcutta to the Nepalese border check posts has been evolved, resulting in the easing of congestion at Calcutta Port.

(iii) Contact points have been designated on both sides for greater cooperation in the matter of exchange of information and investigations etc. to central unauthorised trade.

Increase in Consumer Price Index

232. SHRIMATI PRAMILA DANDAVATE: Will the Minister of FINANCE be pleased to state;

(a) whether it is a fact that the Consumer Price Index has increased from January 1982 till May 1982;

(b) if so, the details thereof;

(c) whether the corresponding figure of inflation has also increased; and

(d) if not, the trend of inflation during the same period i.e. from January to May, 1982?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): (a) to (d). The All-India Consumer Price Index for Industrial Workers (Base: 1960—100) for the period January 1982 to May 1982 (latest available) is indicated below:

1982	Consumer price Index for Industrial Workers (1960-100)
January	459
February	458
March	457
April	459
May	462