

IMF authorities say, that the Government of India will also take into consideration the policies of the IMF and you have exposed the whole Indian economy to IMF scrutiny.

My question is, does it not infringe upon the economic sovereignty of a nation.

SHRI R. VENKATARAMAN: The Hon. Member's interpretation is totally incorrect. We will consult with the IMF in respect of all policies. But we will adopt only those policies which are approved by Parliament and this is the wording and this is what it stands for. You can read it. I have put it in the library. You can get copies. There is nothing about it.

*(Interruptions)***

MR. SPEAKER: Nothing is going on record.

SHRI SATISH AGARWAL: In view of the fact that we are going to have a debate on this issue on the 2nd December, I would not like to interfere or to enter into any controversial matters at this stage. But I would like to seek one clarification from the Hon. Finance Minister and that is this:

Whether, apart from the documents that he has placed in the library, there is any other Memorandum of Understanding, orally, with the IMF. If so, is the Finance Minister prepared to disclose the points of understanding which have not been reduced to writing?

SHRI R. VENKATARAMAN: I will explain the procedure. The Finance Minister of the country which applies for an extended facility, makes an application, a letter.

It is followed by a Statement of Policies and Programmes which the country intends to follow in order to

overcome its balance of payments difficulties and problems.

Thirdly, the IMF makes an internal assessment with which we are not concerned. They make an internal assessment with their expert staff and that assessment is submitted to the Executive Board and the Executive Board sanctions the loan. This is the procedure.

I have placed in the library the letter of my request and the policy statement with regard to programmes and policies.

I have not placed the bank's assessment in the library because it is not my document.

I have placed in the library the clarificatory letter also. Every one of the pieces of paper dealing with the IMF has been placed in the library.

There is nothing in the IMF procedure like oral understanding and written understanding. There is only one understanding.

AN HON. MEMBER: That creates misunderstanding.

MR. SPEAKER: There are two words: one is 'understanding' and the other is 'misunderstanding'.

SHRIMATI GEETA MUKHERJEE: There is also another—'secret understanding'.

MR. SPEAKER: That is conspiracy.

**Next Question Mr. Balanandan.
Trade Deficit**

*85. **SHRI E. BALANANDAN:** Will the Minister of COMMERCE be pleased to state:

(a) whether it is a fact that the trade deficit is now expected to widen to Rs. 6,000 crores in the current year as against Rs 5628 crores

during 1980-81, Rs. 2563 crores in 1979-80 and Rs. 1088 crores in 1978-79; and

(b) if so, the reaction of Government thereto?

THE MINISTER OF COMMERCE AND STEEL AND MINES (SHRI PRANAB MUKHERJEE): (a) and (b). According to the provisional data, the deficit of India's foreign trade during the first half of 1981-82 amounted to Rs. 2280 crores, which is lower than the revised deficit of Rs. 3035 crores in the corresponding period of previous year. With step up in exports and efforts to increase the domestic production of essential imports like POL, fertilizers, steel, non-ferrous metals, etc., it is expected that the trade deficit during 1981-82 may be lower than that of the last year.

SHRI E. BALANANDAN: From the Minister's reply it is seen that, in 1981-82, compared to the first six months of the last year, the deficit will be less. But the *Economic Times* dated 30-9-1981 says:

"The trade deficit is now expected to widen to Rs. 6,000 crores in the current year as against Rs. 5,620 crores during 1980-81."

The Minister has also said that the figures are provisional. Therefore, his statement cannot be taken as final. Considering the general trend everybody can assume that our trade deficit is going to increase. The prescriptions or the steps the Government intend to take are to step up exports and to increase internal production of goods which are being imported into India. On the face of it this is the line with which everybody will agree. But the facts are otherwise in the country. I can cite some examples. I am not quoting much. In his letter to the IMF, the Finance Minister has cited one small thing:

"...weak market demand and restricted access for our exports due

to increased protectionism in the international market."

In the world market, they are restricting imports, they are imposing protectionism. That is the position in the international market. Therefore, we can only limp into the international market to increase our exports. What can we do here? This is not in our hands. The other countries have to agree. The only thing that we can do is, we can have more protectionism in our country; our imports have to be restricted. In this case also I would like to quote from the statement that the Finance Minister himself has given to the IMF. He has said in that:

"It is our intention to carry forward the progress achieved over recent years towards liberalisation of imports of raw materials, intermediate and capital goods."

He has also said:

"...selective import policy steps to reduce levels of protection of domestic industry will be considered."

Therefore, it amounts to liberalisation of imports into our country. The point is this. The Minister has stated that they are going to restrict imports. But the policy that is envisaged here is otherwise...

MR. SPEAKER: Ask your question.

SHRI E. BALANANDAN: The Minister has stated in his reply that they are going to restrict imports. But the fact is the other way. Therefore, may I ask him whether this policy will help in reducing our trade balance?

SHRI PRANAB MUKHERJEE: In fact the hon. Member tried to point out as if whatever the Finance Minister has mentioned to IMF is standing in the way of having an import policy in a particular line. When I placed the import-export policy in early May this year, I explained that I

would term it as neither liberal nor rigid. I defined the export-import policy as flexible and necessary to our Government.

Hon. Members would appreciate the policy is being pursued from 1977-78 and I have not changed it basically. I am continuing the same policy. Therefore, if you say, 'The liberalised policy which you initiated in 1977-78 continued in 1978-79 and 1979-80', I am following more or less the same policy. You may call it rigid or liberal—whatever you may like. In regard to the position as to what is the flexibility, this year I have taken a large number of items from OGL and placed them on the restricted list when I found it necessary to meet the requirements of the economy. When I am talking of reducing imports, the hon. Members know that in certain areas we did not depend on imports earlier, but because of the domestic demand and supply constraints and lack of production in certain sectors like cement, aluminium, steel and sugar ...

AN HON. MEMBER: Wheat also.

SHRI PRANAB MUKHERJEE: ... we had to import. But this year we can reduce the import of steel. Last year we imported 1.6 million tonnes. This year the import of steel is expected to be lower. Nobody is going to prevent it. Similarly in cement last year we had to import 2 million tonnes. But this year we may reduce it because production is picking up from 18.5 million tonnes to 21 million tonnes. Then, India is a traditional exporter of sugar, but, for the last two years we had to import sugar. This year instead of importing sugar we are exporting it. Therefore, this policy is permissible. IMF or anybody does not stand in the way of it.

SHRI E. BALANANDAN: I have one more question to ask. Sir, in to-day's international context every country in the world is tightening or imposing restrictions on imports and

improving self-reliance. Self-reliance has to be developed and for that, if you have an open door policy—even to import outmoded machinery from other countries, how can we develop self-reliance? Therefore, I request the Government to see that to protect itself, self-reliance has to be improved and to that extent, liberalisation has to be stopped.

SHRI PRANAB MUKHERJEE: This is a matter of approach. When I mentioned that I have taken a large number of items out of the OGL and placed them on the restricted list or banned them, if the hon. member has not taken the hint, I cannot help it.

SHRI BHERAVADAN K. GADHAVI: So far as this adverse balance of trade is concerned, may I ask whether it is a fact that the capitalist countries with a design and motive are trying to scuttle India's imports? (2) In that case I want to know whether the Indian Government is going to explore the possibilities of exporting more commodities to the Latin American countries and other smaller countries.

SHRI PRANAB MUKHERJEE: It is true that some of the industrialised countries are resorting to protectionism and we have taken it up in various international forums. At the same time we are exploring the possibilities of diversifying our market in new areas.

SHRIMATI GEETA MUKHERJEE: Is it not a fact that the number of collaborations that are being signed has very much increased? In that, actually the Government has gone in for a much larger scope of imports which is creating hindrance instead of helping the idea of import substitution.

SHRI PRANAB MUKHERJEE: This is not correct. We permit imports only in areas where we require either the technology or the machinery and

not at the cost of indigenous availability or indigenous capability.

SHRI A. NEELALOHITHADASAN NADAR: Sir, the Minister, in his reply, has stated that Government is liberal in the import of articles which are not produced in abundance in our country. But may I ask him why articles such as coconut oil and other edible oils, cocoa and rubber which are produced in abundance in our country are also allowed to be imported by Government? Because of that the agricultural economy of the State of Kerala particularly suffers. Why is Government allowing such imports and why is the Government trying again to come to some agreement with other countries for such imports?

SHRI PRANAB MUKHERJEE: Sir, this is too general a question. As I mentioned it depends on each item—it depends on the availability and demand. As regards rubber, I can say that the availability is 1,50,000 tonnes. If the demand is 1,70,000 tonnes, there is a gap which has to be bridged by the import. Otherwise the small units will have to be closed down. They won't get raw materials. It has actually happened in a large number of small scale units. Rubber units are shifting to other countries.

Coming to edible oil the hon. Member knows that the total demand as projected by the Ministry of Agriculture is roughly about 39 lakh tonnes whereas the total production is about 26 lakh tonnes. There is a gap of 13 lakh tonnes. Over and above this, there is need to meet the demands of the vanaspati industry. How are we going to bridge this gap? You will have to accept this position that there will be a tremendous gap in regard to edible oil which will have to be bridged by importing from outside. You cannot have it bothways. In regard to Cocoa, I do not know why the hon. Members are agitated. Last year it was under O. G. L. I have put it under the restricted list and I have informed the hon. Member that

I have permitted the import of 75 tonnes of cocoa. Against that I had permitted export of it also, I do not have the exact figure of cocoa export with me. I do not recollect it. But, it would be more than 200 tonnes. Therefore, it is not going to affect the economy of Kerala. There is a gap between demand and supply and we shall have to take the decision on each individual item.

SHRIMATI SUSEELA GOPALAN: What about import of edible oil?

(Interruptions)

MR. SPEAKER: Dr. Bhoi.

DR. KRUPASINDHDU BHOI: Mr. Speaker, Sir, in the light of mounting deficit, Government further liberalised the policy in respect of export-oriented industries. Will the Minister be pleased to state how many proposals have been received by Government and how many have been sanctioned and whether the same facilities will be extended to non-resident Indians who want to come back to set up industries here?

SHRI PRANAB MUKHERJEE: So far as the exact figure as to how many proposals under the export-oriented scheme have been received and have been approved, is concerned I do not have them. But I shall pass on the figures to the hon. Member later on. But, in regard to facilities given to non-resident Indians, apart from the facilities which they can avail of under this scheme, there are certain other facilities which the Ministry of Finance extends to them from time to time they are entitled to bring their goods here.

MR. SPEAKER: Next question. Mr. Kodyian.

SHRIMATI SUSEELA GOPALAN: Sir, this is a misleading answer.

MR. SPEAKER: There is rule 115. You come under that rule. Mr. Kodyian.