

the trade gap which is increasing day by day ?

MR. DEPUTY SPEAKER : He has given all the details.

SHRI SHIVRAJ V. PATIL : Sir, it is a very important question and so, I shall try to answer him a little elaborately. The trade gap is not increasing but it has decreased. It has come down. The imports have gone up but the trade gaps have been reduced. So, that fact has to be borne in mind. There are so many steps which have been taken by this Government to see that the exports go up and imports are reduced.

It would not be necessary for me to enumerate the steps which are taken because, when the discussion on the Demands for Grants of the Commerce Ministry took place on the floor of the House, they were all enumerated one after the other and, if anybody wants to know as to what is actually being done by the Government, he would be able to see there as to what is being done. So, this is not the question put here. We are all serious. The production has gone up. If we are not serious, the production would not have gone up. Simply by saying that we are serious, the problem is not solved or simply by asking me to be serious, the problem is not solved. We are at the heart of the problem and we are trying to solve it. The House can remain assured that all that is necessary is being done and will be done.

MR. DEPUTY SPEAKER : Next Question by Shri Bapusaheb Parulekar.

SHRI A. K. ROY : *rose.*

MR. DEPUTY SPEAKER : No, please. For these two questions, we have taken 34 minutes. Next Question by Shri Parulekar.

WORLD BANK BORROWING AND LENDING POLICY FOR DEVELOPING COUNTRIES

*309. SHRI BAPUSAHEB PARULEKAR :

PROF. MADHU DANDAVATE :

Will the Minister of FINANCE be pleased to state :

(a) whether the World Bank has recently made drastic changes in its borrowings

and lending money to the developing countries;

(b) if so, what is the likely impact on the loans India has obtained from the IMF/World Bank;

(c) how much burden in respect of interest will increase; and

(d) the details thereof ?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : (a) to (d) A Statement is laid on the Table of the House.

STATEMENT

The Executive Directors of the International Bank for Reconstruction and Development (IBRD) have approved, with effect from July 1982, a policy which permits it to borrow funds from the international capital markets through short term variable interest rate borrowing instruments. It is understood that priority would continue to be given to its traditional medium and long term borrowing practices.

A change in the lending rate policy has also been approved by which the lending rate will, in respect of all loans approved from July 1982, be a spread over the total weighted cost of a pool of borrowings starting in fiscal year 1982. The rate will be adjusted every six months.

The terms and conditions for drawal from the various facilities of the International Monetary Fund (IMF) are in no way linked, with those of the World Bank. Therefore, the above changes will have no effect upon the extended arrangement with the IMF. So far as the loans from the World Bank are concerned, it is not possible at this stage to quantify the impact of these changes on our debt service liabilities as the interest rate will vary every six months over the entire life of a loan.

SHRI BAPUSAHEB PARULEKAR : Mr. Deputy-Speaker, Sir, let the hon. Minister tell and explain to the august House that if the interest rates in the capital markets remain high as they are to-day, the World Bank's decision to switch over to the variable rate of interest can impose

a heavier burden on India because it is being gradually eased out of its present position in I.D.A. borrowing and, if so, this will completely upset our debt scheduling and budgeting.

SHRI PRANAB MUKHERJEE : So, from the position as it stands to-day, we can say that we need not overreact unnecessarily, but when you find that the flow from the concessional window like IDA is reduced and, if you were to depend on IDRD, naturally, the difference of rate of interest would affect it. I shall give just one instance. In 1981 our share from IDA was 1300 million and from IBRD it was just 430 million. Therefore 1300 million could be got at a nominal service charge of 0.7% and 430 million at the interest rate of 11.6%; but just within one year the picture changed.

In the year 1982, our flow from the IDA was reduced from 1300 million to 900 million. On the other hand, from IBRD, from 430 million, it has increased to 1200 million. That is, 1.2 billion dollars. Therefore, we shall have to be careful. But, as I indicated in the statement, as it is today, up to the year 1981,—I mean not the calendar year, but the financial year of the Bank,—our share was more than 80% from the 'concessional window' and 20% from IBRD.

Therefore, my reaction to the question would be this : We shall have to be extremely careful in choosing the projects which we can pose before the Bank and to implement those projects, so that we are in a position to pay back and meet our debt obligations, so that the debts do not become heavy on our part.

MR. DEPUTY SPEAKER : Mr. Parulekar, please put your second supplementary.

SHRI BAPUSAHEB PARULEKAR : My second supplementary is this : May I know whether this new policy has been approved unanimously by the World Bank Executive, which is composed of directors representing both the borrowing and the lending country members? May I know whether any misgivings were expressed by any Board Member while changing

this policy? If so, what were those misgivings?

Secondly, may I know whether the post-disbursement period of the borrowing loans would stick with the old fixed rate system or would be governed by the new rates?

SHRI PRANAB MUKHERJEE : So far as the Board's commitments are concerned, it is known that it was fixed at the time of the commencement of the loan. So we are paying it at that rate of interest. And the rate came from 1st September, that is, 11.6 per cent.—the date is 1st September, 1981. Now, in regard to differences of opinion at the Board meetings, perhaps, it would not be fair for me to go into them,—while certainly we have got our representation and we are also there,—whether there is any misgiving or anything like that; but one point I can share with the House and that is, we tried to impress upon not merely the IBRD but all multilateral agencies that they have, apart from commercial viability, also to take care of their promotional and developmental role. Today the Banks have difficulties. There is no doubt. If you just look at the Borrowing Profile of IBRD you will find that in 1978 it was 3.63 billion dollars. In 1982 it is going to be 8.2 billion Dollars. Therefore their commitment is also increasing. If they were to expand their commitment naturally they have to depend more and more on capital market. And the situation of the capital market as it is today is that we cannot simply confine the operation to one capital market, but we will have to diversify the market as money is required to meet various commitments. And if they borrow money at a higher rate of interest, you cannot expect them to lend you money at much lower rate of interest. There should be a balance. But, at the same time, we do not expect that IBRD should merely be a commercial bank. It has got a promotional and a developmental role to play. And that aspect of the Bank's role should not be lost sight of.

PROF. MADHU DANDVATE : Sir, firstly, I must say that there is some solace in the reply given by the hon.

Minister because all the fears that we had about the I.M.F. had been, I think, completely allayed. He had specifically stated that the terms and conditions for the drawal from the various facilities of the International Monetary Fund are in no way linked with those of the World Bank and therefore, the above changes will have no effect upon the extended arrangement with the I.M.F. I think there is some relief that this burden will not increase. But then I am not satisfied about the reply that the hon. Minister has given to one of the questions that my hon. colleague Shri Parulekar has already posed, and that is regarding the new decision of the International Bank of Reconstruction and Development announcing a new policy. Will it not completely upset the debt-scheduling and also the budgeting? I would spell out my question. For instance, if we had taken a loan for 20 years for a particular project and we find that the loan imbursement for the loan money and also the project are completed in five years. Then for the rest of the 15 years, we will have to meet the repayment, not on the basis of the earlier agreed rate, that is the fixed rate, but on the basis of a new rate that will be coming up after every six months and as a result of that, will not such projects cost more than what we had actually expected earlier? Now, how will it be possible for you to have further talks with the Bank and try to see that such difficulties are completely obviated

SHRI PRANAB MUKHERJEE : As I explained in reply to the earlier question, firstly you will have to take the Bank's financial year, that is, 1981. Upto that, I projected the figure that our share from IBRD is not of a very high order. I gave the figure also. It is 1300 million from IDA and 430 million from IBRD—80% from the concessional window of IDA and 20% from the IBRD. Now, what would be the actual impact just at this moment? I indicated to the hon. Member in reply to his earlier question that it is 11.6% from the 1st of September. So far as the old commitments are concerned, that is, the commencement of the loan, the terms are determined at that point of time. But when we are

going and posing the new projects before the IBRD, we shall have to take note of the fact of the variable interest rates, what would be the repercussion on it because at the interval of six months, there would be the variation. So, before projecting the projects, we must be careful so that our projects are absolutely viable and on sound economic basis which would enable us to meet the day-to-day obligations.

SHRI M. RAM GOPAL REDDY : Sir, a lot of foreign exchange reserve was wasted from 1977 to 1980. Of course, there was a need for taking loan from outside countries. Now, I want to know from the hon. Minister by what time he will make this country self-sufficient so that we may not depend upon any foreign country.

MR. DEPUTY-SPEAKER : He must be a very good astrologer.

SHRI M. RAM GOPAL REDDY : No, Sir, the hon. Minister is ready to reply to my question.

SHRI PRANAB MUKHERJEE : Just now, my colleague, the Commerce Minister, indicated the trade gap which is in the neighbourhood of 5700 and odd crores of rupees and it is known that it is mainly because practically 65% of our export earning is being spent on importing petroleum products, fertilizers, non-ferrous metal, etc. The hon. Members know that our petroleum import is not of a very high order in absolute terms. It is about 14 to 15 million tonnes per year. More or less we are keeping it at the same level. We are meeting our market demands by increasing our domestic production. Keeping in mind the need of the economy, we shall try to reduce our dependence on imports, try to narrow down the gap which exists between import and export and the whole exercise which my distinguished colleague made was only to overcome the temporary crisis which we are facing. So far as the balance commitment is concerned, the entire exercise of I.M.F. was made because otherwise we did not have anything left in foreign exchange, even to enable us to import the bare necessity.

So, this is our effort. But I am afraid that it is not possible for me to indicate by what time we will be able to do away completely our dependence on foreign exchange.

SHRI NIREN GHOSH : Since the new World Bank President, Mr. Clausen took over, he has been wielding a big stick over the Third World developing countries, has been lecturing and hectoring them.

PROF. MADHU DANDAVATE : Big stick, not lipstick.

SHRI M. RAM GOPAL REDDY : CPM is afraid of stick.

SHRI NIREN GHOSH : Not only that, the USA has cut down its allocation. This is precisely the reason that they are resorting to market borrowings at a higher rate. It is not their purpose that the entire Third World economy be further thrown open to the international multinationals at a higher charge? Does not the Minister know that whatever is pumped in the Third World in terms of billions, far more billions go out because of unequal trade, foreign exchange strain etc.? That is why. North-South dialogue is coming no where. Should not the Government of India and the entire Third World take up this matter of the World Bank wielding a big stick? If the Third World countries have to pay interest at a higher rate, they will have to take more loans in order to pay back the interest. That will be the position. In view of this, would the Third World and the Government of India make efforts to take up the matter with the World Bank in a united way? Should not the Prime Minister who is now visiting United States take up this matter with them? They are dominating this and creating a crisis for the Third World countries.

SHRI PRANAB MUKHERJEE : The only question which I could figure out from the observations of the hon. Member is whether India is going to take some initiative in regard to the availability of money from the concessional window. In fact, I can inform the hon. Members—they are obviously aware of it—it is mainly because of India's initia-

tive that the New Delhi consultations took place. The Prime Minister took it up with the British Prime Minister and certain other statesmen like the French President and the Japanese Prime Minister, that even if because of certain reasons best known to them, the United States reduced their contribution to IDA, there is no reason why other donor countries should resort to proportionate reduction towards IDA. And in response to that—the initiative was taken by the Prime Minister, the British Prime Minister agreed to restore the cut and to come back to their original commitment, which they made, and the response from certain other donor countries was also favourable. Therefore, some more money would be available so far as IDA is concerned.

As a developing country, we are not merely concerned with our own interest, we are concerned with the interest of other countries, and this is the point we are trying to emphasise on all international forums that the role of the multi-lateral agencies—in reply to Shri Parulekar's supplementary I said that—should not be viewed merely from commercial angle, but their promotional and developmental angles should not be lost sight of. And this is the point which we are trying to impress upon others to the maximum ability of ours.

श्री राम विलास पासवान : उपाध्यक्ष महोदय, अभी हमारे माननीय सदस्य श्री राम गोपाल, जी रेड्डी ने बहुत बढ़िया प्रश्न किया था कि जब अंग्रेज इस देश में जा रहे थे तो उस समय आपके यहां सिर्फ 300 करोड़ रुपये का विदेशी कर्जा था जो अब बढ़कर 18,000 करोड़ रुपये हो गया है। (श्रवधान)

एक माननीय सदस्य : गांव में मड़कें बन रही हैं।

श्री राम विलास पासवान : मड़कें विदेशों में भी बन रही हैं और दूसरी जगहों पर भी बन रही हैं। अंग्रेज जब इस देश में जा रहे थे तो आपके इकनामिक सर्वे के मुताबिक 312 करोड़ रुपये का कर्जा था और आज विदेशी कर्जा बढ़कर 18,000 करोड़ रुपये हो गया है। 5,000 करोड़ रुपये का इन्टरनेशनल मानिटरी फंड का कर्जा अलग है। देश में विभिन्न बैंकों का 40,000 करोड़ रुपये का कर्जा हो गया है। देश आर्थिक दृष्टि

से खोखला होता जा रहा है। क्या सरकार बताएगी कि आज तक विदेशी ऋज के व्याज के रूप में उसने कितनी रकम चुकाई है? क्या वह यह आश्वासन देगी कि यह कर्जा घटेगा और भविष्य में इसी रफतार से बढ़ता नहीं जाएगा।

SHRI PRANAB MUKHERJEE : Sir, there is no relevance to the analogy about what happened when the Britishers left and what is the situation today, because, after all, we have built up a huge industrial base in this country over the period of these years. That contribution is also there. These are the facts and you cannot ignore them.

As I mentioned on earlier occasion—not merely during the present Question Hour—that as on today our debt servicing is not posing a serious problem, but a time has come when we shall have to be extremely careful while exposing ourselves to external borrowing. We must be extremely selective and choosy in regard to the projects and speedy implementation thereof, so that it does not pose a serious problem.

Sir, I cannot reply to the debt service which we are having in respect of the entire amount, but so far as the IBRD is concerned—I anticipated in the Supplementaries a question may come up, that is why I have this figure—the repayment of principal to IBRD in 1981-82 was Rs. 23.38 crores and in 1982-83 it is Rs. 30.56 crores. So far as the interest is concerned, it was Rs. 36.19 crores in 1981-82 and Rs. 55.61 crores in 1982-83.

DISTRESS SALE OF TEA ESTATES IN KERALA

*311. **SHRI K. RAMAMURTHY :** Will the Minister of COMMERCE be pleased to state :

(a) the reasons for the "panic sale" of several tea estates in Kerala by the multinational owner-companies; and

(b) the steps being taken to avert such distress sale of tea estates?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE (SHRI SHIVRAJ V. PATIL) : (a) and (b) Govt. have no information regarding "panic sale" of tea estates in Kerala.

MR. DEPUTY-SPEAKER : From seriousness it has come to panic.

SHRI K. RAMAMURTHY : Sir, I never expected such a policy of conservatism the Hon. Minister will practise while replying to my question.

In the previous question the Minister has replied that due to financial difficulties the tea industry is facing some crisis or the other. Now, the Shoure Committee has submitted its report. They have recommended that the financing by the broker firms should be curbed. At the same time they have not suggested any alternative financial assistance to this tea industry. The Banks are also practising the credit squeeze. Apart from that, due to the international unfavourable situation which the tea industry is facing, there is another vital point that should be taken care of. So far, we have not even clinched our export quota in the meetings held in Geneva under the auspices of the UNCTAD, which was chaired by U.K. and our country, Kenya and Ceylon also participated. Not only that, we have not also been able to clinch an international fair price for tea.

In this connection I would like to ask the Hon. Minister whether it is not a fact that some of the tea industries, particularly those in the South, are facing some sort of recession? The Hon. Minister may comment over my question that it is not a panic sale, but it is a fact that they are selling it. In view of this, I would ask the Hon. Minister if he would form a tea corporation like the NTC and take-over sick tea units in the South?

SHRI SHIVRAJ V. PATIL : I answered very elaborately about the financial assistance given to tea industry. I do not know whether the panic is in the industry, or somewhere else.

As far as the export of tea is concerned, in terms of volume it has gone up; and in terms of value, it has come down because the unit value of tea has come down in the world market.

Hon. Member wanted to know as to what is being done in respect of the quota which is to be exported by different countries. Meetings were held in India and