

LOK SABHA DEBATES

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LOK SABHA

Friday, February 22, 1974/Phalgun 3,
1895 (Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

रोम में हुई अन्तर्राष्ट्रीय मुद्रा कोष की बैठक में किये गये निर्णय

*41. श्री मूलचन्द डागा : क्या वित्त मंत्री यह बताने की कृपा करेंगे कि जनवरी, 1974 में रोम में हुई अन्तर्राष्ट्रीय मुद्रा कोष की बैठक में क्या निर्णय किये गये और उन निर्णयों का भारत की आर्थिक स्थिति पर क्या प्रभाव पड़ेगा ?

THE MINISTER OF STATE IN THE
MINISTRY OF FINANCE (SHRI K. R.
GANESH) : A statement is laid on the
Table of the House.

Statement

The decisions taken by the Committee of 20 at its meeting in Rome on January 17-18, 1974 are reflected in the Press Communiqué issued at the end of the meeting. A copy of this communiqué is laid on the Table of the House. [Placed in Library. See No. LT-8185/74]

The Committee has recognised that the steep increase in oil prices has created serious difficulties for many developing countries whose needs for financial resources will be greatly increased. The Committee has asked the IMF and IBRD to cooperate in finding an early solution

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to the many financial problems that have arisen in the wake of the oil crisis particularly in relation to the difficult problem facing non-oil producing developing countries. However, as of now it is difficult to predict the practical outcome of studies that are under way in these two organisations on this matter.

The Committee also discussed a proposal designed to impart a greater measure of certainty and stability to the transaction value of SDR. It was agreed that in the interim period, and without prejudice to the method of valuation of SDR to be adopted in the reformed monetary system, it would be desirable to base the value of SDR on a basket of currencies. However, there are still many unsettled issues such as those relating to the composition of the basket and the effective interest rate which will have to be resolved before the proposal can be voted upon by members of the IMF. The Committee of 20 invited the Executive Board of the IMF to work urgently on all these outstanding issues. India is in favour of fixing the value of SDR in terms of a basket of currencies provided the interest rate is kept low.

The Committee also agreed that in the reformed system it would be desirable to have a permanent council of 20 Governors with decision-making powers to manage and adapt the monetary system, to oversee the continuing operation of the adjustment process and to deal with sudden disturbances which might threaten the world monetary system. It was also agreed that as an interim step, pending the establishment of the Council, a Committee of the Board of Governors should be created, with an advisory role in the

same areas as the Council and with the same composition and procedures. This Committee will come into being when the present Committee of 20 has completed its work. These decisions of the Committee are in line with India's thinking about the further structure of the IMF.

श्री मूल शब्द भागा : अध्यक्ष जी, तेल की कीमतों में भारी वृद्धि हुई है उस के कारण विकासशील देशों के सामने गम्भीर समस्याएँ पैदा हो गई हैं। इन समस्याओं का सर्वेक्षण और समाधान करने के लिये उस बैठक में क्या कार्यवाही की गई और भारत सरकार ने अपनी ओर से क्या विचार रखे और उन विचारों को किस रूप से अमली रूप दिया गया ?

SHRI K. R. GANESH : In the recent meeting of the Committee of 20 which was held in Rome, the oil crisis naturally dominated and took most of the time. One of the suggestions made there was to have a new lending facility in the IMF to help those countries which will face a difficult balance of payment situation as a result of the hike in oil prices. It was also suggested that assistance from the facility would be available at rates of interest on commercial terms. No agreement could be reached on this, and it was decided to study this question more in depth. The position of India has been that India welcomes the proposal for a special lending facility but we are opposed to the rates of interest being on commercial terms, because it will involve various difficulties. Already we are facing debt service difficulties, and therefore we wanted this on concessional terms.

श्री मूल शब्द भागा : क्या अध्यक्ष जी, वहाँ पर 20 गवर्नरों की परिषद् बनाने के अलावा कोई अंतरिम परिषद् का निर्माण हुआ था और क्या उसने अपनी कार्यवाही शुरू कर दी है इस काम की जांच करने के लिये कि मुद्रास्फीति में इस प्रकार से संशोधन किया जाय ताकि जो तेल की कीमतें बढ़ी हैं उससे विकासशील देश प्रभावित न हों ?

SHRI K. R. GANESH : The question of reform or restructuring of the International Monetary Fund was also discussed

there. One suggestion which had been agreed to is that there is to be an intermediate committee between the Board of Governors and the Executive Directors. This has been agreed to in principle; in the transitional period an advisory council will be formed which will look into the problems that would come up.

SHRI RANABAHADUR SINGH : In the context of the agreement reached between the Shah of Iran and the International Monetary Fund, I should like to know how far our problem concerning the oil crisis will be helped ?

SHRI K. R. GANESH : The position that emerged after the discussions that took place at Rome is that as far as our problems are concerned, we will have to enter into bilateral discussions and bilateral agreement with the oil producing countries.

SHRI B. V. NAIK : I hope that this is also relevant to the Ministry of Finance since we find in the course of our energy crisis they are dubbing the problem of fuel with the problem of naphtha whether with reference to SDR or any other measure. Would it not be possible to dissociate these two problems and give first priority for naphtha because if we suffer in fertilisers we will suffer in food production which will have a disastrous consequence ?

MR. SPEAKER : Where have you gone from the question ?

SHRI B. V. NAIK : It is a question of Finance and priority should be accorded to naphtha and no other Ministry will answer this question.

MR. SPEAKER : Please sit down. Priority is for relevancy of the question.

SHRI BHAGWAT JHA AZAD : In view of the recent devaluation and the cross talk about a strong pound and strong dollar and floating of yen and franc in the market, did the IMF discuss

restructuring of the monetary system on a long term as well as a short term basis? How do they propose to meet the crisis which is thrown so often at the face of the world?

SHRI K. R. GANESH : This question as well as the SDR came up there. Because of two factors, fluctuation in the currencies and also because of the delinking of dollar from gold by the United States a suggestion was made that there should be a basket of currencies for the valuation of SDR. It was decided that the Fund Executive directors should study this proposal in depth because there are certain questions such as the composition of the currencies in this basket and what will be the rate of interest, etc. These problems have got to be discussed.

PROF. MADHU DANDAVATE : It is true that in the recent meeting of twenty at Rome they could not agree even on a new definition of Special Drawing Right, let alone the wider issue concerning the international monetary system? Is it also true that there is no sign that poor developing countries like India will get long-term financial concession or low rate of interest from the International Monetary Fund through a mechanism like Special Drawing Right?

SHRI K. R. GANESH : As I have already indicated in the reply to the hon. Member's question, the issue of Special Drawing Rights was discussed. Since it has come up against various difficulties as a result of the floating of the currencies and also as a result of the delinking of the dollar from gold, it was decided that there should be a basket of currencies for the valuation of the Special Drawing Rights. This would be further looked into by the Fund Executive Director and then a decision taken, because there are many problems connected with it which have to be thrashed out.

As far as countries like India, the Committee of Twenty has recognised that they will face quite a lot of difficul-

ties as a result of the oil crisis and that efforts will have to be made to meet their requirements.

PROF. MADHU DANDAVATE : I asked a categorical question whether long-term finance would be available through the International Monetary Fund through the mechanism of Special Drawing Rights.

SHRI K. R. GANESH : The question of Special Drawing Rights is there. By July 1974 the Committee of 20 have to finalize their report. This will be discussed when these reports are finalized.

Visit by U. S. Textile Trade Mission in India

*42. **SHRI BIREN DUTTA :**

SHRI VIRBHADRA SINGH :

Will the Minister of COMMERCE be pleased to state :

(a) whether U.S. Trade Mission, specialised in the field of textiles, had come to India on the 28th January, 1974; and

(b) if so, the outcome of discussions with that Mission?

THE MINISTER OF COMMERCE (PROF. D. P. CHATTOPADHYAYA) : (a) and (b). A statement is laid on the Table of the House.

Statement

(a) Yes, Sir. An exploratory U.S. Textile Machinery Delegation led by Mr. Carroll F. Hopkins, Director, U.S. Department of Commerce and consisting of Senior Executives of the U.S. Textile Machinery Industry visited India between the 28th January and 10th February, 1974.

(b) The main purpose of the delegation was to assess the market possibility for sale of U. S. Textile Machinery to India in the context of our Fifth Plan requirements. It was indicated to the Mission that while a firm assessment was yet to be made about