

that when Government can stop the take-over through the MRTP Act, why do they not re-consider their policy regarding investment when lakhs of people living abroad want to invest their money in the industrial units here and thus foreign exchange worth billions of rupees can be invested in India ?

SHRI VISHWANATH PRATAP SINGH : Sir, for that we have other schemes, such as scheme of 40 per cent, under which they can purchase equity shares upto 40 per cent, there is portfolio investment upto 5 per cent and there is yet another scheme of bank deposit. Thus, there are a number of schemes through which they can invest their money in the country.

[English]

PROF. MADHU DANDAVATE : Is it not a fact that during the discussion on the subject in this House it was pointed out to the government that there was a provision in U.K., for instance, who can actually invest in various companies in India and only those companies in U.K. in which a definite percentage of the equity of Indians is there are entitled to invest in our companies. Has this particular provision been followed more in the breach; and if you have come to that conclusion, what steps have been taken to ensure that this particular provision is strictly adhered to ? As regards 5 per cent ceiling, it is good that you have already said that there is no change. But I may remind you that before Shri Rajiv Gandhi took over as the Prime Minister, when he was an ordinary Member of this House, he had also insisted that this ceiling should be there and it should be 5 per cent. I hope that after he has become the Prime Minister he sticks to that original policy.

SHRI VISHWANATH PRATAP SINGH : Five per cent ceiling is there but the R.B.I. has a right to give special permission. And about the corporate sector, there is a certain amount of percentage. Only that percentage of NRI investment is in the corporate sector value and only those can invest in the corporate sector.

PROF. MADHU DANDAVATE : The other part of the question has not been replied.

SHRI VISHWANATH PRATAP SINGH : Sixty per cent.

PROF. MADHU DANDAVATE : Is it being effectively implemented or followed only in the breach ?

SHRI VISHWANATH PRATAP SINGH : It is being followed; no breach is there.

PROF. MADHU DANDAVATE : No. Last time I had pointed out how many breaches were these.

SHRI VISHWANATH PRATAP SINGH : If there are breaches we will try to plug them. It is not done in breach.

Trade Deficit

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*82. **SHRI JAGANNATH PATTNAIK :**
SHRI SATYAGOPAL MISRA :

Will the Minister of COMMERCE be pleased to state :

(a) the total trade deficit of the country during the first six months (from 1-4-1985 to 30-9-1985) of the financial year 1985-86;

(b) the trade deficit during the first six months in the preceding three years;

(c) the reasons for continuing trade deficit; and

(d) the proposals of Government to overcome this situation ?

THE MINISTER OF COMMERCE (SHRI ARJUN SINGH) : (a) to (d). A statement is given below.

Statement

(a) and (b). According to the latest available provisional data which is available for the first 4 months of the current financial year, India's balance of trade deficit during April July 1985 amounted to Rs. 3079.08 crores. The comparative figures of exports, imports and balance of trade for the corresponding period of the previous 3 years

are as below :

(Value Rs. crores)

| | Export | Imports | Balance of Trade |
|-----------------|---------|---------|---------------------|
| April-July 1982 | | | |
| (Provisional) | 2511.38 | 4369.08 | —1857.73 |
| April-July 1983 | | | |
| (Provisional) | 2739.36 | 4020.28 | —1280.92 |
| April-July 1984 | | | |
| (Provisional) | 2930.19 | 4634.74 | —1704.55 |
| April-July 1985 | | | |
| (Provisional) | 2942.04 | 6021.12 | —3079.08 |

Source : DGCI and S, Calcutta.

(c) Except for brief periods, merchandise deficit has been a feature of India's foreign trade. This situation is not unusual for a developing economy. As a proportion of the GNP, however, the trade deficit has come down from a peak level of around 5% in 1980-81 to about 3% in 1983-84 and is expected to have declined further in 1984-85.

(d) Policy measures are being continuously evolved for increasing India's exports. These include measures for increasing and diversifying the production, making our exports more competitive, finding new markets for our products and processing commodities for higher value realisation. Efforts would be made to gear up these measures further during the Seventh Plan period.

The Government has taken a number of policy initiatives in the sphere of trade policies, industrial policies and fiscal policies. The current import-export policy which will be have for a three year period, 1985-88, is designed to introduce an environment of continuity and stability in foreign trade planning. It aims at providing a major thrust towards increased production, both for domestic consumption and exports, and to bring about efficient import substitution. The Government have also identified sectors for export promotion which can make a substantial contribution

to growth in exports over the medium term. Public Sector undertakings are being involved for great participation in export efforts. Simultaneous efforts are also being made to step up our indigenous production of importables during the Seventh Five Year Plan period, particularly in the sphere of bulk imports.

SHRI JAGANNATH PATTNAIK : That are the type of products, agricultural, industrial and other, in which we should concentrate our exports so that we can achieve the best results ?

SHRI ARJUN SINGH : We have been able to identify certain thrust sectors for the exports and for agricultural products we are setting up an agricultural products export development authority. A bill will come in this session of Parliament itself and for other thrust areas, we have identified tea, process food, marine products, leather and leather manufacturing handicrafts, jewellery, capital goods, electronic goods and so on.

SHRI JAGANNATH PATTNAIK : Is there any possibility for a more trade gap ? This may be because there is no let up in the imports.

SHRI ARJUN SINGH : I have every hope that we shall be able to achieve our targets of exports for this year and the position at the moment is certainly quite difficult. I would not say that it is a very clear picture and we hope to be able to make up this.

SHRI ANAND GAJAPATHI RAJU (Bobbili) : I would like to know, because the figure of exports has decreased in terms of the total credit, therefore whether there is a strategy being followed to increase exports, whether it is an export led growth theory or whether there is any change in the Government policy regarding import substitution, whether there is going to be an increase in invisibles coming into the trade picture and whether the Government is going to adhere to the figure of 20 per cent of G.N.P. being imports, because we do not want to get into the trap.

SHRI ARJUN SINGH : The policy initiated for increasing production is

already there. They are bound to have an impact on the total exports and certain institutional mechanisms have also been instituted and I hope that everything taken together we will be able to overcome these difficulties.

SHRI INDRAJIT GUPTA : From the statement which has been laid on the Table, and the figures given it is a matter of deep concern that between last year and this year, that is for April to July 1984 as compared to April to July 1985 it is not that the value of the exports have fallen very much. In fact, they have increased slightly according to this figure, but what has happened is that the value of imports has gone up tremendously. From 4,634 crores last year it has gone up to Rs. 6,021 and odd crores this year because of the trade deficit going up by Rs. 3,021 crores. I would like to know, from the hon. Minister, firstly, whether this very sharp increase in the imports is not the direct result of this indiscriminate policy of import liberalisation which the Government is now pursuing and secondly whether this position is likely to worsen in view of the fact that as far as our exports are concerned, the protectionist barriers of some other countries are not being lowered at all but are being increased. But there is a news item which has appeared, which I would like him either to confirm or explain, that the USA has recently named India and some other countries as blocking a new round of trade liberalisation talks and, therefore, threatened some action against them which may be to strike them from the list of beneficiaries of the generalised system of preferences that allow duty free entry into the USA of raw materials and simple manufactured products from other countries. That is a sort of threat they are using. If that takes place, then the value of our exports will go further down and imbalance in the trade will become even greater. How is the Government looking at this ?

SHRI ARJUN SINGH : So far as the first part of the question is concerned, I would agree with the hon. Member that the imports have gone up. But if you look at sectors in which they have gone up, I think, it would not be correct to say that they are the direct result of the liberalisation policy

which was declared on 12 April, 1985 itself. Therefore, it could not have had such an effect that within two months everything went haywire as is being suggested. The fact is that there has been an increase in import of machinery and transport equipment and fertilisers. All these things are naturally meant for investment to increase production and which will ultimately reflect in the growth of exports.

SHRI INDRAJIT GUPTA : Not at the cost of our machinery manufacturers.

SHRI ARJUN SINGH : That is not the point. Regarding the second aspect which has been referred to, I think, that is a different matter which can be dealt with as and when it occurs. (*Interruption*)**

MR. SPEAKER : Not allowed.

DR. KRUPASINDHU BHOI : It has appeared in the press that due to import liberalisation policy our trade deficit is now more than Rs. 3000 crores. At the time of preparing the import liberalisation policy, had the Ministry taken cognisance of the recommendations of the 38th conference of the All India Institute of Research and Development which was founded by Pandit Jawaharlal Nehru ? If so, have they suggested that the Government can import machinery modernisation or expansion or not, as the scientists are in great doubt on this ?

SHRI ARJUN SINGH : So far as the question of taking into consideration the recommendations of any expert group is concerned, they must have been taken into consideration. But what is being suggested again is that all this has happened because of the liberalisation of import. That is not factually correct.

Wholesale Price Index

83. SHRI RAMASHRAY PRASAD SINGH : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the wholesale price index has come down; and

** Not recorded.