

and recovered and seized the above mentioned goods.

Three persons namely: S/Shri Anil Anand, Rajesh Gupta and M. L. Gupta were arrested in this case.

SHRI SAIFUDDIN CHOWDHARY: Smuggling is on the increase in the country and this is not only harming many areas of our indigenous industry but also undermining the economy as a whole. May I know from the hon. Minister whether it is a fact that despite many laws and efforts to curb smuggling it is not proving successful due to the nexus of the smugglers and politicians. Do you agree with me or not?

SHRI A. K. PANJA: So far as this case is concerned, I do not think it is correct to say that. So far as other cases are concerned, I have no knowledge.

SHRI SAIFUDDIN CHOWDHARY: In this case, he has to agree. There is a news item in 'The Times of India' dated 3rd January, 1988 with the heading 'MP's brother held for smuggling. Anybody's brother can be a smuggler. But in this case, he intervened to secure the release of his brother who was the culprit in this case. What is he to say about it?

SHRI A. K. PANJA: This report which has come to our notice is wholly concocted and untrue. Not a single Member of this House or of Rajya Sabha is involved nor the persons who were arrested, are anywhere related to any of the Members. The difficulty is that by these concocted reports, causes so much damages to apprehend the real culprits, we also face so many difficulties. So far as this case is concerned, the newspaper report has been referred to. It is not true that anybody interfered with the prosecution nor at the time of search and seizure nor involvement of any MP ever arose.

There is another point written here that the reporter quotes that in the arguments of the prosecution counsel, it was stated that political influence is coming. We have got a letter from the advocate himself. He wrote it down on the next day, after finding

this report, that no one ever made any such request to him, not even an M. P., nor did he ever argue before this Judge that there will be political pressure. Therefore, Sir, it is not correct.

SHRI D. N. REDDY: Sir, may I know from the hon. Minister whether he is aware that articles, including gold, seized by the Customs authorities are not disposed of in public, either by auction or by giving wide publicity, leading to many irregularities by the Customs? Will the Minister ensure that the goods are disposed of in a proper way in full public view?

SHRI A. K. PANJA: Sir, unless the hon. Member points out to any particular case, it is very difficult to answer. But so far as disposal is concerned, proper public notice is given. It is usually done by public auction. The various confiscated goods are sold only in accordance with departmental instructions on the subject.

Loan from Japan

*66. **SHRI S. B. SIDNAL:**
SHRI MAHENDRA SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether India has recently signed a 29 billion yen loan agreement with Japan;

(b) if so, the details of the agreement; and

(c) the commodities that would be imported and Scheme/Projects proposed to be implemented therewith?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO) (a) to (c). A statement is given below

STATEMENT

(a) India has signed a loan agreement with the Overseas Economic Cooperation Fund (OECF) of Japan for loan of Yen 29.5 billion on 21st December, 1987.

(b) The loan is repayable over a period of 25 years including a grace period of 7 years and carries interest at the rate of 2.75% per annum.

(c) The loan is available for financing the import of the following commodities:--

- (i) Dried Leguminous Vegetables shell not skinned or split.
- (ii) Oil seeds and oleaginous fruit, whole or broken.
- (iii) Fixed vegetable oils, fluid or solid, crude or purified.
- (iv) Cotton, not carded or combed.
- (v) Man-made fibres (discontinuous), not carded, rumbed or otherwise prepared for spinning.

SHRI S. B. SIDNAL: Sir, in the last part of my question I have asked whether any proposal is there to implement the Scheme/Projects. But information has been given only about commodities, avoiding the Scheme. I would like to know whether this loan is related to some productive purpose or consumptive purpose.

SHRI EDUARDO FALEIRO: Mr. Deputy Speaker, Sir, this is in addition. This loan, the approximate figure of which I have given at the end as Rs. 170 crores, is meant specifically to meet the drought situation in this country. This is in addition to the annual contribution which has been made by Japan at the Aid India Consortium's meeting held in Paris in June last year. They have made an annual contribution of about Rs. 627 crores for 1987-88. The loan I have mentioned in the answer is for commodities and precisely to meet the drought situation.

SHRI S. B. SIDNAL: Sir, I would like to know whether it is directed or demarcated for some of the States which are recently suffering from drought, that is, Rajasthan, Madhya Pradesh and Karnataka.

SHRI EDUARDO FALEIRO: Obviously, Sir, it is not for other countries to

determine which particular areas should be benefited by the assistance they give, and surely, Japan has not imposed any such conditions. We will allocate the resources according to our priorities.

SHRI SYED SHAHABUDDIN: Mr Deputy Speaker, while we welcome such bilateral agreements, we must bear in mind their repayment pattern. I am particularly concerned because, as you know, Yen is one of the strongest currencies in the world and has been consistently rising very sharply in its international value, and therefore, when the time comes for repayment, the actual number of rupees that will be required for repaying this loan, shall, I presume, be much higher than what it is today. What I would like to know from the hon. Minister is whether against such a contingency, there is any clause in the agreement which would restrict the repayment value, when it comes to repayment in a particular year, to the present Rupee-Yen exchange rate.

SHRI EDUARDO FALEIRO: Sir, there is no reason for the apprehensions of the hon. Member because if the hon. Member cares to look at the statement, it will be seen that it is very softer. It is repayable over a period of 25 years, including the grace period of seven years, and at the rate of 2.75 per cent per annum, which is extremely low. Sir, I may add here that in view of the terms of interest, particularly the general terms of credit of the Japanese loan, Prime Minister Nakasone, just before he left office, reduced the terms of interest, so as to make them more comparable to the loans and assistance given by other countries.

SHRI SYED SHAHABUDDIN: Sir, the hon. Minister has not got my question. I did not ask about the soft or the hard terms of the assistance. I am talking about the value when it comes to repayment. At least we shall be repaying the principal amount along with whatever margin of interest that might be. But that in terms of rupees, in terms of the purchasing power, shall be much higher than what it is today. What are you doing about that?

SHRI EDUARDO FALEIRO: There is not much base for the speculation of the hon. Member.

SHRI MURLI DEORA: Sir, one reason why so many loans and credits are not utilised and are allowed to lapse is what my friend earlier said, the risk due to exchange fluctuation, whatever it is yen or dollar or deutsche mark or Swiss franc, whatever it is, when the repayment is made, the amount of rupees paid is much much more and I am sorry I tend to disagree with the hon. Minister when he replied just now--when you say that it is a soft loan only with 2 per cent or 2.75 per cent rate of interest, by the time it is paid after 20 years or 25 years, the beneficiaries are not ready to take the loan because they will be paying much much more than what they are paying otherwise and in express terms the rate of interest they will be paying is more than 12-15 per cent. I would request Mr. Tiwari to intervene in this question. Those who borrowed 1 million dollars 5 years back, were supposed to pay Rs. 1 crore at that time, but today they are paying Rs. 1.30 crores. Loans through ICICI, IDBI and other institutions in Bombay and all over the countries, the beneficiaries are not ready to take advantage of them. There are several complaints on that. I would request you to see what they do in other countries like Mexico and Brazil. There is a scheme of exchange cover. What they do is to cover the exchange risk. So, in future, if they pay after 10 years or 12 years or so, they will pay the same equivalent amount. I would ask the hon. Minister whether the Government proposes to introduce such a system so that the beneficiary who receives the loan or the credit or the grant does not have to pay more than what he is really expected to pay.

THE MINISTER OF FINANCE AND MINISTER OF COMMERCE (SHRI NARAYAN DATT TIWARI): Sir, the point made by the hon. Member is well taken. We do not want to overload ourselves with debt burden even in the long term which it would be difficult to repay in the future. And therefore, in this particular transaction also we have taken pains to see that the loan

that we get--because of balance of payments situation we have to arrange for foreign exchange, because already the balance of payments situation is such that we have to look at the whole foreign exchange budget very carefully and therefore, when Foreign Minister Korelare of Japan came here, the discussions were held with him and then when our Prime Minister visited Japan, he had also held discussions with the then Prime Minister Nakasone of Japan and then the Finance Secretary himself was sent to Japan to discuss this loan agreement, and it has been our endeavour in such transactions to have a safeguard...

SHRI MURLI DEORA: Why don't you cover this exchange risk?

(Interruptions)

SHRI NARAYAN DATT TIWARI: Well, my hon. Member will agree that our friends, namely, Mexico and Brazil, are not just very illuminating examples of debt management.

SHRI MURLI DEORA: Only exchange coverage.

(Interruptions)

SHRI NARAYAN DATT TIWARI: Of course, I would like to go through that scheme. Since you have given that suggestion, I would go through that scheme. Of course, we are very cautious about it and we shall keep note of what you have said and what the hon. Member has said earlier in view, in future also.

[Translation]

Balance of Trade

*68. SHRI HARISH RAWAT: Will the Minister of COMMERCE be pleased to state:

(a) whether there has been considerable decline in the balance of foreign trade during the last six months; and