

mentioned at (i) to (iii) above. [Placed in Library, for (iii) and (iv). Sec. No. LT-2577/78].

The Drugs and Cosmetics (First Amendment) Rules, 1978

**स्वास्थ्य और परिवार कल्याण मंत्रालय
में राज्य मंत्री (श्री जगदम्बी प्रसाद यादव) :**
श्रीमान्, मैं आपकी अनुमति से औषधि और
प्रसारण सामग्री अधिनियम 1940 के अधीन
औषधि और प्रस धन सामग्री (प्रथम संशोधन)
नियम, 1978 को प्रकाशित करने वाली स्वास्थ्य
और परिवार कल्याण मंत्रालय की अधिसूचना
सांकांनि० सं० 376(ई), दिनांक 20
जुलाई, 1978 की एक प्रति (अंग्रेजी तथा
हिन्दी में) सभा पटल पर रखता हूँ।

[Placed in Library. See No. LT-2611/78].

TWELFTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

SHRI ERA SE2HIYAN (Tamil Nadu) :
Sir, I beg to lay on the Table a copy of the
Twelfth Report of the Committee on Public
Undertakings on Jute Corporation of India
Ltd.—Back to Back Arrangement for sale of
jute to jute Mills.

CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE

Reported mounting unutilized Foreign Exchange Reserves of India

SHRI CHARANJIT CHANANA
(Delhi) : Sir, I beg to call the attention of the
Minister of Finance to the mounting
unutilized foreign exchange reserves of the
country which are reported to be misutilised
in U.S. Securities worth £770 million at a
lower interest rate and another £240 million
put in the U.S. Commercial Banks under
'Custodial Arrangement', for which India
has to pay.

[Mr. Deputy Chairman in the Chair]

THE MINISTER OF FINANCE (SHRI
H. M. PATEL): Sir, there has been rapid
increase in India's foreign exchange reserves
since 1974-75. The increase in reserves has
been particularly pronounced during 1977-
78. The best way to utilise the foreign
exchange reserves is to import raw
materials, technology, intermediate goods,
and capita] goods in accordance with the
national policies and programmes laid down
from time to time, with a
view to increasing the pace of growth of the
economy. However, there is an inevitable
time-lag between the accrual of reserves and
their utilization as above. For such
intervening periods, the foreign exchange
reserves are suitably invested by the
Reserve Bank of India.

The Reserve Bank of India has not
entered into any custodial arrangements
whereunder it is required to pay any charges
or fees to any party.

In accordance with the practices and
usages customary amongst the Central
Banks, information or deployment of
reserves is not disclosed or published by
Central Bank as such disclosures will not be in
the public interest. I would, however, like to
assure the House that policies regarding
investment of our reserves are carefully
reviewed by the Government from time to
time in consultation with the Reserve Bank
of India, keeping in view the accretion of
reserves as also the consideration of the
safety of the funds, their liquidity and yield.

SHRI CHARANJIT CHANANA : Sir,
we appreciate the hon. Finance Minister
informed us about the trend of the rising
foreign exchange reserves which actually
started in 1975-76 when it was Rs. 1,491.7
crores and today it touched the figure of
Rs.4,500 crores. Sir, ever since the new
Government came to power, they have been,
in fact, talking of the foreign exchange

[Shri Charanjit Chanana]

reserves and the food buffer stocks which they inherited. Now, I would like the hon. Finance Minister to know how the whole thing was initiated, how this escalator was built, and what the reason was for building that escalator. It was not built, only to mop up the reserves and to utilise them or to misutilise them. I will come to the utilisation part later.

Sir, in 1971, the Reserve Bank of India sponsored studies about the countries which could be the potential sources of foreign exchange reserves to flow into the country. The main reason for this at that time was that was a time when we were in a situation which could be called a foreign exchange famine situation in the country.

And the first responsibility that we had was to mobilise the savings of the Indian settlers abroad into investments back home. Now this is a very important thing, namely, mobilisation of the foreign exchange resources and their utilisation when they were received in the country. After the mobilisation the next step is their utilisation by way of investments; otherwise, the unutilised savings, I am sure the hon. Finance Minister would agree with me, is called, in economics, hoarding, and that is what we were doing. This is not a theoretical exercise to which I am drawing the kind attention of the hon. Minister and the House.

This unutilised foreign exchange balance of Rs. 4,500 can be broken up into two parts. The funds of the Indian settlers started flowing into the country from 1971 onwards for feeding the economy of this country for various reasons. One of the reasons, of course, was that our currency was coming up to a respectable level in relation to international currencies. That was one reason. The second reason was, which we

must appreciate, which was also pointed out by one of the hon Members yesterday, that the Indian settlers were interested in participating in the building up of their own national economy. Now, they are today, according to the information that I have got from various sources, sending about Rs. 150 cores every month in that account, which means about Rs. 1800 crores every year. Now, on this till the Government revised the rate of interest, we were paying interest to those people who had put the money here in the fixed deposits or time deposits at the rate of 10 per cent. If you look at that from 1975-76 onwards, these are the deposits on which we have to pay an average interest rate of 10 per cent. I am talking of interest on the repayable amount at the rate of 9 to 10 per cent. In 1975-76, this was Rs. 100 crores. In 1976-77, it was Rs. 130 crores. In 1977-78, it was Rs. 150 crores. Up to July, 1978 it is Rs. 150 crores. Now this is' ore part of converting the savings and giving interest on that. If we do not utilise that saving into investment, then what we are doing is that we are converting an asset into a liability.

Now, my second point is that we have failed to utilise these resources which have a potential, an investment potential, theoretically speaking, though this is not a theoretical proposition but a practical proposition, because we have collected this money for investments here as we were in need of foreign exchange reserves for the building up of our investment infrastructure or strengthening our infrastructure in the country. Now this was the money which could be lent out at the present rate of 15 percent. So, that potential interest on the total amount of this money in 1975-76 was Rs. 203.66 crores, in 1976-77 was Rs. 429.45 crores, in 1977-78 was Rs. 674.97 crores and till July, 1978 was Rs. 577.20 crores. This foreign exchange reserves which we

were not utilising was generating a liability from 1975-76 onwards to the extent of Rs. 327.7 crores ^1975-76, Rs. 559.5 crores in 1976-77 . . .

SHRI N.G. RANGA (Andhra Pradesh) :
Are we paying that interest ?

SHRI CHARANJIT CHANA
NA :.....Rs. 825.0 crores in 1977-78 and Rs. 723.2 crores till July, 1978. This is the potential if we are not utilising that amount.

In fact, the hon. Member has raised a good question, are we paying the interest or not. The first part of the liability, I tell you, is that we have to pay the money and we are paying and that trend is showing like this. Now, this is the total liability, which comes, during the last four years, to Rs. 2435.4 crores. So, this is what we have done about it.

Now, the hon. Finance Minister has said and he has been assuring us in this House that the Ministry of Finance, in consultation with the Reserve Bank of India has been reviewing the utilisation pattern of it. Unfortunately, till today, we have not been able to build a model for the optimum utilisation of foreign exchange reserves. We have to evolve it not only for today but for morrows to come, which is very essential, because the investments have to be for the morrows to come. We have, therefore, to build a model which should be an operational model for the optimum utilisation of foreign exchange reserves.

Now, I would give you one example, because the hon. Minister say that the foreign exchange is pouring into the country. Why is it not being utilised? That is my question here. Secondly, the hon. Minister did not mention the amount and he might say that the Central Government are not supposed to tell the amount. Sir, this was released in the *Statesman* of July, 28, 1978,

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according to which 770 million dollars of Indian reserves were utilised, in U.S. Securities and 240 million dollars were put under Custodial Arrangement. Now, first of all, the hon. Minister has not contradicted it for reasons best known to him, because the next day, the *Economic Times* confirms it. It not only confirms it, it gives a higher figure which is 1000 million dollars. Now, unless tactical reasons are there, I personally feel, the public should be informed on the non-misutilisation of the reserves. That is number one. Number two point is, the common man poses a question as to why we are investing in the U.S. Securities. I quite agree with the hon. Minister that he wants to make investments in the international field and he does not want to take money back home. First of all, Sir, the Indian Securities' return is higher than 6 per cent which we are getting according to this newspaper report, from the U.S. Securities. I am talking of the highest figure because here also it is the upper limit. We are talking of 6 per cent because unless they clarify as to what are the problems, I do not think this figure can be a secret figure of the misutilisation of the national resources. The main object of budgeting in a democracy is that it has to be a public document. This is art of that. Now, Sir, U. S. currency, as is known to everybody today and we read everyday in the newspapers also, is a falling currency. What is the justification of making investment in the U.S. Securities at rate which is lower than our own rate? That is number one. Secondly, I would request the hon. Minister also to apprise the House of the international rates prevailing at that particular time when these investments were made, because my information is that other stronger securities and stronger currencies were yielding at that time a higher rate. If I am wrong, I would like to be corrected by the hon. Minister and I would like the hon. Minister

[Shri Charanjit Chanana]

to educate the House on this particular aspect, which is a very important aspect; otherwise, anybody who reads this, would say that this is misutilisation of the reserves. They have tried to correlate both, raising the foreign exchange reserves and their utilisation or misutilisation, whatever they are doing.

Now, I come back to the question of non-utilisation or misutilisation of the resources. My submission has all along been, even during my own Government, to build a model of optimum utilisation. The Ministry of Finance continued the effort with a committee. Now, whatever committee is there, I feel that we should seriously start building a foreign exchange optimum utilisation model with a committee of experts. And while we are doing it, let us do one very important thing. While the money is coming from abroad, it is not essential that you invest it here if you have not succeeded in generating investment already in the country. We are already investing in the Middle East. I can give you the example of the Arabian investments flowing into the Latin American countries also.

Now, we do not want that the country should have multi-nationals outside. Foreign investments can be made. But I do not agree in regard to one thing. I personally feel that the country needs lot of investments. Therefore, we do not have to send money out at all. We raised money and we raised funds for accelerating the rate of growth in our own country. Here, I would like to draw the kind attention of the hon. Finance Minister to the background papers — he would come across those papers—wherein certain suggestions have been made by us at that time when we started publicising, when we started the larger communication of the Government's policy on the remittance of foreign exchange into the country from the Indian settlers

abroad. At that time, we had suggested that we should have an expanding cycle of investment. In fact, many developing countries are doing it now. I would, give you the example of Vietnam where I had been there recently. What they have done is this. Under its investment policy, Vietnam, which is a socialist country, a communist country, would allow an investment, which would be a hundred per cent investment, on one condition, that the products of those units would not be marketed inside the country; the products would be marketed abroad and the funds would come back, would be cycled back, into the same investment, so that it becomes an expanding cycle. Similarly, in regard to the Indian settlers abroad, if, you see the sources, if you see the breakup of the Indian settlers abroad who are remitting money into India, you would see one very important thing. The principle which I am going to suggest applies also to the Indian settlers in the advanced countries, from where also remittances come, besides the Middle-East countries. The point is *hat these people cannot actually promote investments. The only thing that you have to do is that you have to initial the whole thing. You have to initiate the process. Once the process starts, you can say that the investments will be linked to the marketing of the products abroad. Now, I would give you example of a few companies . One of them is in Phoenix, Sperryrand. Now, two Indian boys are directors there. They are buying a lot of ancillary products for their final products which fall into the category of comouters, from South Korea and Japan. Now, these boys are the products of our country's education and then they had gone there. My question to these boys was : "Why can't you set uo such units here also?" Now, after three years, I have been able to do something. But that is in an individual capacity. I would only suggest that we should promote an institutional efforts in this

direction so that the investments coming from out side from the Indian settlers abroad would promote an expanding cycle of investments here. In that case, there would be no problem as far as money supply and fresh investments are concerned. This would also generate additional employment. This was the condition which was put by the Govern- . ment of Vietnam.

Now, I would suggest to the hon. Minister—I had suggested this earlier also—that many projects in the country which are priority number one are lying pending for want of foreign exchange. Foreign exchange reserves do not have to be squandered away on tourism and things like that. You do promote tourism. But that should be the last item on the agenda. We were told by the Minister of Indutry that Ehey are short of foreign exchange for importing a few things. Well, this is one examole which I have given. As I said, this is a very important Thing. I would suggest that you should make a schedule of n- ioaties as far as the utilisation of foreign exchange reserves is concerned, and, for that purpose, you must have an institutional approach to the whole t hing. I would suggest to you one thing. In fact, Mr. Bhai Mahavir from the other side suggested yesterday that there should be participation of the Indian settlers abroad in th'ngs her. Indian settlers abroad can play a very imoortant vole. The only thing is that the Department of Economic Affairs in the Ministry of Finance and the M'nistry of External Affairs should elaborate on this. I would submit that you would be doing a national service if you do this. First of all , you should develop an optimum utilisation model of foreign exchange reserves. We have been hearing a lot about this, but there is no performance at all. The reserves are rising. These reserves, as I submitted, which lookto be an asset now, would ultimately become a liability if you •do not utilise them properly.

SHRI H.M. PATEL : Sir, I do not know what particular question the hon. Member has put me except to say that the reserves are not being properly utilized.

SHRI N.G. RANGA (Andhra Pradesh) : He has suggested, that there are some industries which want foreign exchange and their progress is retarded because the foreign exchange is not available.

SHRI H.M. PATEL : I would be very happy if I were told precisely which industry

SHRI N. G. RANGA: You have to mike the study.

MR. DEPUTY GH\IRM\N : Let him speak.

SHRI H.M. PATEL : There is no question of any industry which has been given licence being thwarted of which the progress is retarded for want of foreign exchange. It must be an industry which is accepted for development in the country. Then its foreign exchange needs are fully met. There is no shortage today, there is no dearth today and I should be very happy if the hon Member let me have instances in which this has happened.

Then, he has quoted some figures from the *Statesman*. I do not know where from the *Statesman* got those figures. They are not the correct figures. (*Inter nipt IT-IS*). When I make a statement, I make it with a full sense of responsibility. You have mentioned that custodian charges are being paid by th;Reserve Bank, of z\o million to lars.

Now I have alreidy stited in my original reply that not a oie is being paid. When a statement is made in such categorical tierms,

[Shri H. M. Patel]

k now how or what material you have in order to question it. Kindly accept the facts, sometimes place reliance upon what your own Government tells you. Take those figures at least when they are given on the floor of the House to be facts. There is no question of any custodian charges being paid.

So far as the other things are concerned, I must explain to the hon. Member as well as to this House that the foreign exchange reserves have to be held outside because they are in foreign exchange. This can be only held in certain types of currency, currency which does allow holdings of such reserves and today there is only one currency which is the dollar in which reserves can be held. The other currencies, Germany, Japin, etc. all these countries do not welcome other peoples' reserves to be held in their country. (Interruptions) I am afraid this is absolutely correct.

SHRI CHARANJIT CHANANA :
What about Swiss ?

SHRI H.M. PATEL : The Swiss have a very strong currency, but the Swiss also do not want any other people's money and if you did, they say we will give you a very low rate of interest. Therefore, the Reserve Bank and the Government of India tries to see that the reserves are as well placed in the circumstances and the restrictions and the limitations that exist and see that those investments bring in the highest return. It is for that purpose that very recently this House and the other House passed the Reserve Bank (Amendment) Bill, giving a certain amount of latitude to the Reserve Bank in the utilization, in the placing of the reserves which are at its disposal. So, that is why I gave, without any hesitation, the assurance that we are placing our reserves for such time as we need to the best advantage that we can. The other

question is, why not to utilize them. The utilisation of these reserves must be according to certain policies. As I have already stated, we do use it for importing raw materials and you know that we have liberalised our import policy, liberalised it at a time when everybody else in other countries, because of the recessionist conditions there, are becoming more and more protectionists and which is making our exports more difficult. So, we are really utilizing our foreign exchange to the maximum extent possible, permitting the imports of anything that is needed, that is required.

But it must be needed, it must be of a priority. We cannot afford to waste these reserves even if they appear large. As I had occasion to say before, they are not so large that we can safely waste them, utilize them for almost any purpose of however low priority. One unsatisfactory monsoon and we will immediately find what the consequences would be, even though now much larger acreage is under irrigation.

We are, as I have said, also for maintenance of prices. To keep the internal prices of essential commodities under control, we are forced to import sometimes commodities, as in the last year we imported a great deal of edible oil. Again, commodities which were at one time in ample supply—like cement and steel—such that we even went to the length of exporting them are now in short supply. So they have gone to be imported in order that they can be made available and the prices can be kept under reasonable control. All that means expenditure of foreign exchange. We are told today that because we have these foreign exchange reserves and they are kept there they are for use for such purposes.. You also may be aware that among the things on which we have used them recently, for instance.....

SHRI G.C. BHATTACHARYA
(Uttar Pradesh) : How much are you spending for debt servicing ?

SHRI H.M. PATEL : Whatever debt servicing amount may be due. I think last year, it was somewhere in the region of Rs. 400 crores. The hon. Member may remember that we are receiving foreign aid also and that foreign aid is very necessary because it is with that that we are able to have a certain margin for expenditure on the proper purposes for which foreign exchange can be used. I only want to give some instances. For instance, we had borrowed but we have repaid, for the year ended June, 1978, IMF loan amounting to 482.5 million dollars. We have SDRs. We have, similarly, purchased gold amounting to 147.35 million dollars from the IMF under the non-competitive bid scheme. That is gold which has been purchased under a special scheme which goes not to the Government of India but it goes as our currency reserve with the Reserve Bank which is not to be touched. These are the kind of purposes for which we use them, in addition to whatever other things may be necessary. Similarly, take, for instance, the Indian Airlines and Air India which had made certain purchases amounting to 173 million dollars through loans obtained, which we have taken over which means really again reducing the interest burden of this country. So utilisation of our foreign exchange reserves is being carried out positively, carefully and with as great a care as can be exercised.

SHRI G.C. BHATTACHARYA :
Would you assure us that you will spend more for exchange for debt servicing?

SHRI H.M. PATEL : Sir, whatever debts are there, they have to be serviced and, are being serviced.

SHRI G.C. BHATTACHARYA: Are you prepared to undertake more

expenditure of foreign exchange reserves towards debt servicing? I am only asking that.

SHRI H.M. PATEL : I suppose he means: Are we prepared to pay towards the principal of our debts ? I think the hon. Member must know that every year we are also obtaining from these developed countries and others substantial amounts of foreign exchange assistance—something about 2.4 billion dollars.

And it is one of our positions that gradually these debts must be reduced, made less onerous on the countries which are borrowing.

As you might have read in the newspapers, Great Britain has recently written off its debt. But it is a certain arrangement by which it writes off. Sweden has completely written it off. Certain other countries are modifying it. So we are certainly watching it. We service our debts wherever it is necessary. As and when it is necessary repayments are being made.

SHRI G.C. BHATTACHARYA:
My question is whether you are prepared to increase the foreign exchange expenditure on debt servicing.

SHRI H.M. PATEL : My answer is "No".

SHRI G.C. BHATTACHARYA :
Would you take further loan for this purpose ?

SHRI H.M. PATEL : My answer is "No". And the reason for "No" is this. The aid assistance which we are getting is on terms which are lighter than what it would cost us to repay.

SHRI CHARANJIT CHANANA :
One supplementary.

MR. DEPUTY CHAIRMAN :
No.

SHRI CHARANJIT CHANANA : Just one supplementary.

MR. DEPUTY CHAIRMAN : No, you cannot have a dialogue like this.

SHRI CHARANJIT CHANANA: Just one, please. Thank you. I have just to point out because I want to be properly informed by the honourable Minister. I had called his particular attention to this motion for that reason. First of all, the hon'ble Minister had talked in a laissez-faire manner that the foreign exchange reserves are being utilised on any application that comes for the import of raw material. I think the hon'ble Minister should know it better than I that in a developing economy like India it is a promotional role that the Government has to play. The investment centres were initiated all over the country for the simple reason that they were proposed. But, unfortunately, they have not been functioning like that. They were proposed to promote investment in the country. What I have suggested to you in my motion was to apprise us as to whether you have a schedule of priorities, whether you have a model of the optimum foreign exchange reserves or not. This is no simple exercise. Over one year you have indulged in this exercise and done nothing.

Secondly, you have talked about 240 million dollars lying under custodian arrangement with the U.S. commercial banks. You have Indian banks also in the United States. Why did you not put them there?

Secondly, you have talked about U.S. securities. I beg to differ from you. We shall appreciate if the Minister informs the House on comparative rates of returns avail-

able on all foreign securities at the time when you made this investment and then contradict whatever I have, said.

As far as the custodian arrangements are concerned, the money gap-in the custodian arrangement does not give you any return even if you do not pay anything for them. That way also the money should remain with the State Bank of India or any other nationalised banks of India in the United States of America and not the U.S. Commercial banks. The reasons may be best known to you. But the reasons must be known to the country also for that sort of misutilization.

SHRI H.M. PATEL : I think he has repeated the same points. First of all, he mentioned about the foreign exchange model. I do not know what exactly he wants to say.

SHRI CHARANJIT CHANANA : You must utilise that. That is what I am saying.

SHRI H.M. PATEL : We utilise our money in investment enterprises in the country which require money for whatever plans there are. It means foreign investment needed for equipment.

SHRI CHARANJIT CHANANA: This is what I am saying. You do not have just to say that whatever comes your way you will do . .

MR. DEPUTY CHAIRMAN : No, no. Order, please.

SHRI H.M.PATEL: The public enterprises do their expansion. These are the only directions through which the Government may invest; otherwise it is the private enterprise which must come forward, and when-ever they come forward no difficulties are placed in their way. Far from difficulties being placed in their way, we encourage them.

SHRI N. G. RANGA : But we must utilise our foreign exchange properly.

SHRI H. M. PATEL : So far as these investments are concerned, these are quite different.

SHRIM. ANANDAM (Andh-ra Pradesh) : Mr. Deputy Chairman, Sir, while answering the Calling Attention Motion, the hon. Minister has said that mainly the foreign exchange is used for import of raw materials and capital goods to keep pace with the growth of our economy. And he also said that during the intervening period when there is no possibility of investment this is left to the disadvantage of India by putting it in certain securities which yield a certain interest. He says that normally it is very secret how the resources are deployed. My submission to the hon. Minister is that in a case like this where the foreign exchange reserves have been mounting day by day nearly by Rs. two crores a month, it is not necessary for us to decide our own investment policy quite well ahead. We are not just like a pensioner who has surplus money and tries to get a small interest on the amount of the pension and fund that he has got and kept in the bank. It is necessary that for the next five years we must think of what exactly should be done. We know for certain that these foreign exchange reserves are going to mount up; even though it is at a slow pace now, if you see the trend, you will find that every year we add Rs. 1000 to Rs. 2000 crores of foreign exchange. My submission is that it is necessary for the Minister to think of having a Development Reserve Fund composed of the foreign exchange, i.e. for the next five years, let it be that out of Rs. 12,000 crores, a cushion is kept for any eventuality, say, of Rs. 500 crores or something, and the balance is kept in a Development Reserve Fund which could be utilized for the purposes of investment.

The second thing is that the hon. Minister has been thinking only of having investment in the country. With the foreign exchange reserves mounting up, it is necessary that we must think of investment outside the country so that not only will we be able to utilise our Reserve Fund but also generate further foreign exchange funds. That is another thing which I want the Minister to kindly note.

The third thing is that there must be a study of the correlation between the domestic savings and capital formation and the foreign exchange savings and capital formation which must be generating another high rate of interest. This is another thing I want him to note.

There is also another thing. I will say that it is a misnomer to say that the foreign exchange should be utilized for the purpose of import of goods. As I said earlier, it is not necessary that we should utilize it only for this purpose. We can as well utilize it for investment outside the country. That is another thing I want him to note.

Lastly, I would like to say that I have not understood the implication behind the devaluation of the rupee. For whose purpose has it been done? People have been suspecting or doubting the very intention of the Janata Government in devaluation of the rupee. I would like to have an answer to this also.

SHRI K. K. MADHAVAN (Kerala) : Sir, the very next day after the report was available, regarding the devaluation of the rupee, so many Members sent a Calling Attention Notice, but that was disallowed. On a very important subject like this, it was disallowed.

AN HON. MEMBER : That is the question for the Chair.

SHRI H. M. PATEL : Sir, the hon. Member suggested that we

[Shri H.M.Patel] should use the foreign exchange reserves we have for investment outside. I do not know what he meant by investment outside. If he meant investment in industrial ventures, that is what we are certainly doing today. We are encouraging the joint ventures wherever our entrepreneurs are coming forward with scheme^ which they wish to start in foreign countries in collaboration with the people of those countries. To them, the foreign exchange is readily made available. But if he means investment of the funds in securities etc., that is, of course, precisely what we are doing. But we can do this only in certain types of securities etc. That is essentially to be done because, what is more, these reserves may have to be drawn upon any moment. Therefore, this can be done only for limited and short periods and not long terms. *(Interruptions)*

The hon. Member further asked I think, this question. I am sorry, I forgot. It is regarding devaluation. There again there is really no question of devaluation. When we moved away from link-up with the sterling or any other currency, we decided upon a basket of currencies, with reference to which our currency rates were fixed. Now, therefore, such changes have to be made. When other currencies change, go up or go down beyond certain limits, we have to make changes with reference to those currencies only. But, there is no question now, once we have adopted this system of foreign exchange, that there is any devaluation or upward revaluation because it is merely revaluation rather than any of those terms. So long as the movements of the currencies in the basket remain within the limit, we do not make any change at all.

SHRI K. K. MADHAVAN : On a special subject like this we were seeking a clarification.

MR. DEPUTY CHAIRMAN : You have made that point, hon. Member. *(Interruptions)*

SHRI K. K. MADHAVAN : All the newspapers reported under very big caption, "Rupee devaluation". That caption was never denied by the Finance Minister.

(Interruptions).

SHRI INDRADEEP SINHA (Bihar): Mr. Deputy Chairman, Sir, I was listening to the replies given by the Hon. Finance Minister, and I must confess that I am rather disappointed. It is true that our foreign exchange reserves are not very big, and if our country again has the misfortune of having one or two bad years from the point of food grains and imports are necessary, then these foreign exchange reserves will not prove to be very large. I quite agree with him.

Now the question is this. I remember, in the beginning of this year, the Hon. Finance Minister, addressing a seminar of the economic journalists, had promised that the Government would come forward with a comprehensive policy statement on the proper utilisation of these foreign exchange reserves. Unfortunately, the Government has not so far come forward with any such statement. Nor has the Hon. Finance Minister made any such statement today in this House when his attention has been specifically drawn to this problem.

Now I am unable to understand one thing, Sir. In our country, the foreign private capital investment probably now amounts to nearly Rs. 2,000 crores, and on this investment the companies are legally and illegally pumping out money every year in terms of foreign exchange. If we have this foreign exchange in our hands, why is it not possible for the Government to take over these foreign companies

which are producing some very essential consumer goods and making huge profits ? Now the Government says, it applying the FERA Regulations.

I. 00 P.M.

And they are trying to bring down the equity share of the foreign multi-nationals in these companies. Instead of applying only the FERA regulations, when we have the resources, when have got foreign exchange, why can't the Government take over all these foreign-owned companies so that this annual drain of our resources from our country in the form of profits, dividends and commissions and visible and invisible exports of our money is put an end to, and we are better able to preserve our own resources in the country ?

Secondly, Sir, I do not know what the Finance Minister means when he says that we are investing our foreign exchange reserves judiciously. Are we doing that ? I would like to have an assurance in this House. We have invested mostly in the USA, in dollars. He cannot give the figures but the bulk of our investment of our surplus foreign exchange is in dollars. Now, the value of dollar is falling every month. Has our foreign exchange investment also not depreciated because of a fall in the value of dollar? And if it has suffered a depreciation, what is the loss that our country has suffered ? I believe the loss may be almost as big as the interest we are supposed to have earned. Actually, Sir, this is a very very unfortunate situation. India is a poor country, a developing country, in need of resources. We are taking loans from foreign countries. And the little foreign exchange that we have got, we are investing in the richest countries of the world. There is not only a brain drain from our country—our

engineers and scientists and doctors going to the advanced capitalist countries—but there is also now a money-drain from our country. Our money is also going to the advanced capitalist countries and there it is getting depreciated because the value of these currencies is falling. So, what is the wisdom in investing our money in currencies whose value is constantly falling ? And will the hon. Finance Minister assure the House that in future, no investment of our foreign exchange will be made in dollar or any such currencies whose value is falling ? if at all any investment is made, it should be made in currencies which are stable. (*Interruptions*) What-ever the currencies may be I am not suggesting any. Let the Government choose, but let them at least not invest in currencies whose values are falling. Now, the values of most of these currencies are falling.

Finally, Sir, I am unable to understand why, when we have such foreign exchange reserves in our hands, we are not able to accelerate the pace of construction of new industrial projects. Many valuable industrial projects are being delayed, their construction is being postponed and projects are being rescheduled because we lack resources. Here we have resources, and these resources are not being properly utilised. I would suggest that the House should have a special debate on how to utilise our foreign exchange reserves. We have a feeling, the country has a feeling, that the present Government has no policy of utilising these reserves and these reserves are being wasted. And we are reminded of the days of 1948-49—when perhaps Shri Patel was also an officer there—when the huge accumulations of sterling balances were wasted through liberalisation of imports. This Government has the same policy; liberalise import, and encourage grant of

[Shri H. M. Patel] foreign exchange to tourists going outside; and in this way, waste the foreign exchange reserves and do not utilise them for building our own industries, for construction of vital projects.

SHRI H. M. PATEL : The honourable Member's first point was that we should buy up the foreign industries which are established here. I am sure we are all agreed that we are not just going to live by ourselves. This is an interdependent world in which we also have interests abroad. We have also occasion to establish industries abroad. We have industries abroad and we do not want them to be bought up. (Interprison) Will you kindly let me finish my answer.

Then about the other point, he knows it himself, under the Foreign Exchange Regulation Act the foreign companies whose investment exceeds a certain percentage as fixed Under the said Act, have to disinvest their holdings so as to come down to that level. That does mean utilisation of our foreign exchange in order to repay them, because they take away the money to their own countries. Therefore, to that extent we are using the money in the correct way. The honourable Member's point is that we should buy up the companies and there should be no foreign investment in this country. That raises a very major question. I do not subscribe to it, the Government would not subscribe to it, and I do not think even this House would subscribe to that radical policy.

Secondly, he said that we should not invest in dollars. I am sorry I cannot give him that assurance, because—I have explained the position; I am sorry that the honourable Member has not taken note of it—it is only in those currencies which allow themselves to be

utilised as international reserve-currencies that we can invest, we can keep, our money. Formerly, its use to be the sterling, but now the sterling has ceased to be so. Now it is only the dollar. Foreign currencies like the strong currencies

SHRI K. K. MADHAVAN :
We have delinked from the sterling.

SHRI H. M. PATEL : For goodness' sake, will you kindly listen ? Only if you listen to me that you can understand the answer. If you do not want to listen, you will never understand the question.

Even if we want to, we cannot invest our reserves in certain of the strong currencies, and where we are allowed, to the extent that we are allowed, we certainly take advantage of that. And, when I said, that we are utilising our reserves in such a manner as to produce a satisfactory return on the reserves that we have, it takes account of all these factors, including such depreciation as takes place owing to the devaluation of currency. In the net result our return is quite reasonable...

SHRI CHARANJIT CHANANA But is it an economical return ?

SHRI H. M. PATEL : Win not ? Certainly it is an economical return. By world standards it is a very reasonable return

I had said earlier, in this House or in the other House, that we were, by and large obtaining an average of return of 6% per cent. Today the return is perhaps a certain percentage higher but not lower.

As regards the question that we should encourage new projects, who says no ? There must be people with new projects to come forward. He also said that there are projects having to be rescheduled that their completion is delayed for want of funds. That is quite incorrect, I can say without any hesitation. So far as any public sector

project is concerned, it is not held up for want of funds, whether internal funds or foreign exchange requirements. So far as private enterprise is concerned, it must come forward and wherever it comes forward with any projects which are approved by Government, there is no withholding of foreign exchange.

DR. BHAI MAHAVIR

(Madhya Pradesh) : Sir, I want just one little clarification. The hon. Minister in the course of his reply has mentioned that we welcome aid from other countries. Is he also aware that this fact of our not having been able to utilise our foreign exchange resources sufficiently fast is one reason which is quoted by journalists and others in other countries against our being a suitable case for the grant of foreign aid? In other words, if we happen to have a substantial amount of foreign balances with us and if we ourselves admit that we are not able to utilise them for want of new applicants or new ventures, then the thing goes against us or is at least used against us when we try to plead our case for the grant of more funds from other countries. In view of this, I wish to ask the hon. Minister for Finance if he is satisfied with the rate of utilisation of foreign exchange in our country. Does he agree with me that one reason why we have not been able to use them at a rate we would like to use them is the tardy or sluggish manner in which our system functions? For instance, there is a lot of delay that occurs in the matter of taking decisions. I would put it to him in this way. If a small project or a small venture applies for foreign exchange for the sake of its capital requirement, how much time it takes on an average for proper sanction to be given to it? Have any steps been taken or are any steps being taken for the purpose of cutting out this delay so that prospective ventures or prospective units wishing to set up industrial enterprises within the

country are allotted foreign exchange expeditiously reducing the delay to the minimum?

SHRI H.M. LATEL: I would say without any hesitation that the foreign exchange requirement of any enterprise, small or large, once the project comes within the sphere of accepted enterprise, is not delayed at all. It is dealt with extremely speedily and expeditiously. If there is any case of delay that has occurred more than a few weeks I shall be glad to go into it. Today the situation is that there is no delay. Of course, it has got to be approved, in the first place.

So far as the second point is concerned, the proof of the pudding lies in its eating. This year, for instance, the aid allotment by the India Consortium is larger than last year. So, whatever may be the newspaper criticisms or comments, may be here or abroad, when we go before the experts and point out how we are exactly making full and purposive use of the resources, they appreciate it. . . . (Interruptions). I think the aid that we are getting is at a rate very much advantageous to us. A large portion of it comes under the terms of 40 to 50 years for repayment and for the first ten years no payment of any service charge, etc. This is to our advantage. That is why we go in for this aid. At least it must be realised how we wasted the sterling reserves in the earlier years of our independence. In the earlier years we may have wasted by importing consumption goods. Today we are using foreign exchange by liberalising imports for constructive purposes.

Previously, it was only consumption goods which used to be imported. (Interruptions) I would be very happy if the honorable Members who want to go abroad come to us, when they come to us, for foreign exchange and at that time they are quite ready to say,

[Shri H. M. Patel] "give us more". In fact, I consider this to be a very good thing that tourists go abroad ...

SHRIMATI SAROJ KHAPARDE (Maharashtra) : I would like to know what was happening earlier ... {Interruptions} and what is happening when you are the Minister.

SHRI H. M. PATEL : ... and they are given every assistance. I want to say and I am willing to say that foreign exchange should be liberally made available to those who wish to go abroad. It is very useful. But they must go. After all, life is very expensive abroad and what we do is only to give permission. Money is their own and if they are sufficiently well-to-do, to spend the money, it is all right. We encourage tourism. People are coming to this country in large numbers. In fact, tourism is one of the major earners of foreign exchange for our country and I see no reason why we should completely say 'No' and put a ban on travelling. But merely making things easy for people to go abroad does not mean that the Government gives them the money. The Government has provided liberal foreign exchange also, liberal compared to what it was before. It is not so liberal compared to foreign standards. Sir, I think I have answered all the points that have been raised.

श्री श्यामलाल यादव (उत्तर प्रदेश) : मैं माननीय मंत्री महोदय से यह जानना चाहता हूँ कि फारेन बैंकों में इतना कुशन रखने की क्या जरूरत है ? दूसरी बात मैं यह कहना चाहता हूँ कि आपने जो कस्टोडियन एरेन्जमेंट फारेन बैंकों के साथ किया है, क्या आप यह प्रबन्ध हमारे जो इंडियन बैंक जैसे स्टेट बैंक, या बड़ीदा बैंक है, उनमें नहीं कर सकते हैं ? तीसरी बात मैं यह जानना

चाहता हूँ कि आप जो गोल्ड दूसरे देशों से परचेज कर रहे हैं उसका क्या फायदा है ? आप अनावश्यक रूप से इस पर रुपया क्यों खर्च कर रहे हैं ? आप लोग देश में यह दिखाते हैं कि हमारे देश में डेफिसिट फाइनेंस नहीं है, लेकिन इस डेफिसिट को पूरा करने के लिए आप लोग कभी तो 90 करोड़ और कभी कभी 200 करोड़ तक फारेन एक्सचेंज बिदड़ करते हैं। मैं जानना चाहता हूँ कि इसका क्या कारण है ?

SHRI H. M. PATEL : I do not know what answers I can give which would satisfy the honourable Members, my honourable friends. The answers which I have already given should have, to my mind, satisfied the House.

SHRIMATI SAROJ KHAPARDE : It is not satisfactory.

SHRI H. M. PATEL : I have said that the foreign exchange reserves are being used very positively, are being looked after in the most prudent manner possible. The suggestion that we should put our money in our Indian banks' branches abroad is there which has been made. Actually, you are wanting me to tell you precisely where and how we should invest it. We cannot tell you about it. I would rather ask you not ask me these questions.

MR. DEPUTY CHAIRMAN :
Now, motion for election to the Indian Nursing Council.

MOTION FOR ELECTION TO INDIAN NURSING COUNCIL

स्वास्थ्य और परिवार कल्याण मंत्रालय में राज्य मंत्री (श्री जगदम्बी प्रसाद यादव) : श्रीमन्, मैं प्रस्ताव करता हूँ कि भारतीय नर्सिंग परिषद् अधिनियम, 1947 (1947 का 48) की धारा 3 की उप-धारा (1)