

any chances of selling goods to Egypt for free foreign exchange ? That means our exports will be more than their exports to us.. Is there any such chance ?

SHRI A. C. GEORGE : In the next trade balance arrangement this is not envisaged. May be at a future time we will think about this.

SHRI A. G. KULKARNI: May I know, Sir, whether the Minister will I agree that the bilateral character of the trade with Egypt is not very happy ? To be frank, it was not very happy, and the Minister sent his Additional Secretary to sort out the difficulty. Is it also a fact? Particularly, I want to know the character of the Egyptian bilateral trade. We import Egyptian cotton from them and we export to them engineering and other goods. At one point of time, is it not a fact that the Egyptian Government was not prepared to send cotton and whatever cotton was sent was at exorbitant prices, and they withheld the money which was due to us ? In these circumstances, will the Minister assure the House that these matters will be sorted out and the flow of goods bothways will start functioning ?

SHRI A. C. GEORGE : Sir, it is precisely with this particular point of view that a technical credit is provided for. Technical credit is to the tune of Rs. 120 millions, out of which 60 millions will be interest free, and another 60 millions in instalments is provided for, so that this particular imbalance may be cushioned, and at the end of the Plan it is expected that it will be matching with each other.

SHRI A. G. KULKARNI : Sir, I asked a question which he has not at all replied. Please try to understand me. I asked him whether the intrinsic nature of the bilateral trade involves import of Egyptian cotton which is always at a high price so that they can draw more money from India and in return give less money for our engineering goods. Will the Minister assure

us and the House that these matters will be looked into and sorted out to our mutual benefit ?

MR. CHAIRMAN : He has put this question.

SHRI L. N. MISHRA : Mr. Kul-karni has in mind last year's situation..

SHRI A. G. KULKARNI : Yes...

SHRI L. N. MISHRA : We have got a technical credit with Egypt to which my colleague has referred. It is a fact that they import from us jute, engineering goods, etc., and export to us only cotton. This is what is called a bilateral balanced trade agreement.

Shri Mohta also asked about the balance of trade. That question does not arise. Suppose we export 7 lakhs of rupees worth of goods to Egypt and import of 5 lakhs of rupees worth of goods. This balance of 2 lakhs of rupees remains as a part of technical credit which is cleared at the close of the year. If there is any balance left at the close of the year, it is carried over to the next year. We have a special arrangement with the State Bank of India.

About the price of cotton, it is not a fact that we have paid a higher price to Egypt as compared to the price we have paid to Sudan, etc. For the same quality and quantity of cotton, Egypt has not been paid a higher price. It is also a fact that last year Egypt had some financial difficulties. They wanted accommodation and we have given them temporary financial accommodation.

अंतर्राष्ट्रीय मुद्रा संकट

*590. डा० माई महावीरः†

श्री ना० कृ० शेखतकः :

श्री जगदम्बी प्रसाद यादव :

श्री पोताम्बर दास

श्री प्रेम समोहर :

श्री ओम् प्रकाश त्यागी :

क्या वित्त मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि अन्तर्राष्ट्रीय मुद्रा कोष के वार्षिक प्रतिवेदन में यह कहा गया है कि 1971 के अन्तर्राष्ट्रीय मुद्रा संकट का विकासशील देशों पर विपरीत प्रभाव पड़ने की आशंका है; और

(ख) यदि हाँ, तो तत्सम्बन्धी व्यौरा क्या है और सरकार द्वारा इस संबंध में क्या निरोधक पग उठाये गये हैं?

[[INTERNATIONAL MONETARY CRISIS

590 DR. BHAI MAHAVIR:

SHRI N. K. SHEJWALKAR : SHRI J. P. YADAV : SHRI PITAMBER DAS : SHRI PREM MANOHAR : SHRI O. P. TYAGI : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that it has been reported in the Annual Report of the International Monetary Fund that the international monetary crisis of 1971 is likely to affect the developing countries adversely; and

(b) if so, what are the details in this behalf and the preventive steps taken by Government in the matter ?]

THE MINISTER OF FINANCE (SHRI Y. B. CHAVAN) : (a) and (b) The Annual Report of the International Monetary Fund for the year 1972 discusses the impact of the currency realignment of 1971 on the reserves debt position and the trade of developing countries. Taking the effect on reserves and debt position together, it concludes that the combined external balance-sheet of developing countries does not appear to have been greatly affected in real terms of the currency realignment. The Report further notes that the result of the realignment was an average effective depreciation of roughly 4.5% in the value of the currencies of developing countries as a group, and that this might eventually improve their collective trade balance.

It will be seen that the impact of the currency crisis is a varied one. The Government of India continues its endeavour to secure a progressive

The question was actually asked on the floor of the House by Dr. Bhai Mahavir.

tl J English Translation. § Hindi Translation.

increase in the country's export earnings and to press the view in international forums that international monetary system should be so reformed that the developing countries' interests are adequately safeguarded.

§[वित्त मंत्री (श्री दाई० बा० चव्हाण) :

(क) और (ख) अन्तर्राष्ट्रीय मुद्रा निधि की 1972 की वार्षिक रिपोर्ट में यह चर्चा की गई है कि 1971 में मुद्राओं के मूल्यों का जो पुनर्निर्धारण किया गया था उसका विकासशील देशों की प्रारक्षित निधियों, ऋण सम्बन्धी स्थिति और व्यापार पर क्या प्रभाव पड़ा है। प्रारक्षित निधियों और ऋण सम्बन्धी स्थिति पर कुल मिलाकर पड़ने वाले प्रभाव का हिसाब में लेने के बाद जो निष्कर्ष निकलता है उससे ऐसा प्रतीत होता है कि मुद्राओं के मूल्यों का पुनर्निर्धारण किये जाने से विकासशील देशों के समुचे बाह्य तुलन पत्र पर वस्तुतः कोई अधिक प्रभाव नहीं पड़ा है। रिपोर्ट में यह बात भी नोट की गयी है कि मुद्राओं के मूल्य का पुनर्निर्धारण किये जाने के कारण विकासशील देशों की मुद्राओं का सामूहिक रूप से औसतन लगभग 5 प्रतिशत मूल्यह्रास हुआ है और इसके परिणामस्वरूप उनके सामूहिक व्यापार शेष में सुधार हो सकता है।

ऐसा दिखाई देता है कि मुद्रा संकट का प्रभाव अलग-अलग देशों पर अलग-अलग होगा भारत सरकार, निर्यात से होनेवाली आय में कमिक रूप से वृद्धि करने और अन्तर्राष्ट्रीय मंच पर इस बात पर जोर देने की लगातार प्रयत्न करती है कि अन्तर्राष्ट्रीय मुद्रा व्यवस्था में ऐसा सुधार किया जाय जिससे विकासशील देशों के हित पर्याप्त रूप से सुरक्षित रहें।]

DR. BHAI MAHAVIR : Sir, in the context of the last sentence of the hon. Minister's reply, I would like to know if he agrees or not that by and large the developed countries are reverting to a position where they seem to be worried more about their economies and the economies of the developed countries rather than the efforts of the developing countries. The deliberations of GATT and other international bodies

point out to this fact as also the new development of Britain's entry into the European Common Market. So, I would like to know if you have any effort in view whereby developing countries would be brought together to chart out a course of action whereby they would be able to help each other where the developed countries do not seem to be interested ?

SHRI Y. B. CHAVAN : I think I will have to give the hon. Member a series of information as to how and in what directions we are making efforts in this matter. If he had a chance to see my response in the general meeting of the I.M.F., he would know that I had myself laid emphasis on this particular aspect. The present monetary crisis is mainly due to the fact that the leading industrial countries or the developed countries, as they are called, are unable to manage their output and the demand position and their balance of payment position. There is some sort of a conflict of interest between these developed countries which is, really speaking, responsible for the present uncertainty in the monetary system in the international field. We also found from the way they arrived at this Smithsonian Agreement in December 1971 that this group of big developed countries was trying to take decisions which affect the developing countries also.

As a result of it when the Group of 77 met they decided to have a Committee of 24 to look into this problem from the point of view of the developing countries and India is represented on that Committee. I have myself attended a meeting of the Committee of 24 and put this point of view before them and as a result of this in the annual meeting of the IMF they agreed to have a Committee of 20 to consider this entire question of the international monetary system in which nine representatives of the developing countries are included for the first time. This is

a new authorised forum which goes into this question of monetary system in which India is represented. I would like to tell you that this Committee of 20 met and they have decided to appoint a Committee of Deputies to consider this question at a technical level because this is rather a technical matter which needs to be gone into very thoroughly. We are also represented on that Committee. One meeting of the Committee of Deputies has already taken place and we have formulated certain strategy to deal with this question. We are formulating our own approach as to how to deal with this problem. A series of meetings of the Deputies will take place in the course of two months and I think when the Committee at the Ministers' level would meet sometime in March or April these questions would be pursued further. As has been said it is necessary to have an understanding between the developing countries so that when the new system of monetary form emerges the interests of the developing countries will be taken care of.

DR. BHAI MAHAVIR : Nearer home I would like to know the assessment of the Government with regard to our own position projected over the coming few years regarding the repayment of debt services which we are going to be burdened with because of the debts that we take and whether the Government have any hope of getting a rephasing of the debt repayments, interest as well as annuities, so that the difficulties which we are facing in our balance of payments position will not be insoluble and so that we would be able to manage it with the means and the capacity that we have.

SHRI Y. B. CHAVAN : The hon. Member has, if I have understood him correctly, referred to two different aspects of the problem. One is the effect of the present uncertainty in the exchange rates on our reserves and secondly he has asked whether we are getting any relief about repayment of our debts. I can tell him that about

debt relief certain efforts are made and we are by and large succeeding in getting some debt relief, not to our expectations, but I think to a large extent. We are getting substantial debt relief for this year and possibly for the next year also. About the effect of the present uncertainty in the international exchange system, certainly it is a very fluid situation that we have today. We thought at one stage when the Smithsonian Agreement was reached in December 1971—when some sort of wider margins of fluctuations were agreed to—that we had finally reached a stage when for a reasonable length of time there would be some certainty ; but, as you are all aware, after that Agreement the sterling floated and that also introduced an element of uncertainty. So this is the present position. I see that there is some little stability at the present moment but one cannot say how long it will last. In this situation of uncertainty of every currency in the world we have to proceed very cautiously and act according to the circumstances of the period concerned. This is how we are proceeding in this matter. Naturally it has an effect on our reserves, sometimes favourable, sometimes unfavourable and so we have to look to the matter in a more businesslike manner because our reserves position is very complex. Some of it is in gold, some of it is SDR, some of it is in dollars, some of it is in sterling and very marginally some is in Mark and Yen and we will have to watch what effect it will have on our reserves. It is a rather complex and technical matter.

श्री ओम् प्रकाश त्यागी : महोदय जैसा प्रश्न मैं पूछा गया है कि अन्तर्राष्ट्रीय मुद्रा-कोष की स्थिति अच्छी न होने की वजह से उन्नतिशील देशों को कठिनाई उत्पन्न हो सकती है, तो मैं यह जानना चाहता हूँ कि उन्नतिशील देशों के जो ड्राइंग राइट्स वहाँ हैं क्या भारतवर्ष ने इस प्रकार का प्रयत्न किया है कि अन्तर्राष्ट्रीय मुद्राकोष से ड्राइंग राइट्स

अधिक से अधिक प्राप्त हो सके ? यदि इस प्रकार का प्रयत्न किया है, तो इस दिशा में कहां तक सफलता प्राप्त हुई है ?

श्री य० ब० चव्हाण : हमारे हमेशा यह कोशिश रहती है कि ड्राइंग राइट्स मिलते रहें। मिलते ही रहें, इतना नहीं बल्कि इसमें डेवलपमेंट एकटीविटीज लिये होने के कारण हम प्रिंसिपल के लिए लड़ रहे हैं और मुझे उम्मीद है कि हम उसमें सफल हो सकेंगे।

SHRI A. P. JAIN : The hon. Minister has tried to give some idea of the difficulties by saying that there are uncertainties, but may I enquire from him whether he can give some concrete idea as to what are the main problems facing the different countries, in particular the USA, West Germany, Japan and the UK, and what is the general thinking of the Government of India ? I know that he cannot give the whole scheme at the moment, but what is the general thinking of the Government of India and what is their approach to combating the difficulties ?

SHRI Y. B. CHAVAN : The Government of India will have to try and see what exactly are the features which are important in the monetary system, but this I can say generally.. The problems of America are not the problems of Japan. The problem of Japan is that they have got more than the necessary surpluses. This is their major difficulty today. America was certainly suffering from the problem of inflation and the balance of payments position. As far as West Germany, France and other countries are concerned, their problem is also one of surpluses. It is really speaking a question of conflict of interests among the major countries and this has created a position in which, without consulting the international monetary organisation, they took their own decisions about it. This is the main difficulty. Our effort will be—I cannot give the details because we have to work it out on specific, practical

lines—but if I can put it this way, a three-pronged one, if I may say so. We will have to try and see that international liquidity is internationally controlled. This is the basic objective that we will have to keep in mind in the monetary system. The second objective will be to see that adequate additions to the liquidity are provided for the orderly growth of international trade and economic development of the less developed countries.

SHRI A. P. JAIN : I should like to know whether the idea of one currency for the whole world is being considered.

SHRI Y. B. CHAVAN: This is rather too ideal a sort of thing. I hope it comes about. As a matter of fact, gold was supposed to be the common thing. Now the SDRs are becoming fashionable, but whether it will be accepted -by all the countries is a question to be tried,. Ultimately what should be our objective I am telling you about the objectives towards which we must work. The third important objective that we will have to keep in mind is to see that acceptable, objective criteria are laid down for the exchange rate changes to facilitate the adjustment processes. We know that countries naturally act in their own interests and take certain decision? about their exchange rates. We want to have certain objective criteria for that and when the adjustment process takes place there must be a certain objective method by which these things will be done. The developing countries are not so sophisticated in their mechanism to make these adjustments. So, it is a problem where there will have to be some objective criteria. I hope I have made it clear to you and I do not know whether I have confused you.

SHRI A. P. JAIN : I am where I am.

DR. K. MATHEW KURIAN : It is amply clear that the international monetary system is in a serious crisis and there is no point in taking a heroic

posture that it has not affected the Indian economy. Sir, there are unconfirmed reports that, taking advantage of the crisis in the international monetary system, the World Bank and the International Monetary Fund are trying to bully us and pressurise us even to have another dose of devaluation of the Indian rupee. In this connection, I would like to know from the hon. Minister whether it is a fact that instead of taking a firm stand against this type of bullying tactics of the imperialist world and the World Bank and the International Monetary Fund, the Government is increasingly trying to succumb to their pressure as evidenced by the visit of Mr. B. K. Nehru to the USA and the secret visit also of the Food Secretary there presumably for begging for more aid.

SHRI Y. B. CHAVAN : The hon. Member has not understood anything that I have said, and there is no question that he has asked that I should answer.

DR. K. MATHEW KURIAN : It is a very convenient way of escape. I asked very specifically whether it is a fact that, in view of the international monetary crisis and the situation to which India is facing, there is pressure from them for devaluing the Indian rupee and whether the Government has succumbed to that as evidenced by the secret visit of the Food Secretary and so on. The Minister should say 'yes*' or 'no'.

SHRI Y. B. CHAVAN : As a matter of fact, as I told him, it is nobody's pressure to which India is going to succumb. But the international situation is such that they themselves sometimes revalue and devalue. Therefore you must understand what is the international position as far as the monetary system is concerned. It is not India's rupee which is in trouble, it is the international monetary system itself which is in trouble. And I have said

that although the conclusion of the IMF is that there is not much of an effect of that on the developing countries, our view is not that. Our view is that it has certainly affected the developing countries' world trade. It has created rather a difficult position. Therefore, we have to be cautious. As Mahavirji said—not Bhai Mahavir ; one is Maha-vir Tyagi and the other is only Mahavir — that is the difficulty... वह

डा० भाई नहावीर : यह त्याग है, ऐसा नहीं है ।

एक माननीय सदस्य : वह भोगो है ।

SHRI Y. B. CHAVAN : So, it is right there that we have to take care of the present international situation and work in the interests of the developing countries unitedly.. That is his main suggestion which is very correct.

SHRI HARSH DEO MALAVIYA : In view of the fact that the debt burdens of the developing countries have reached very high proportions so much so that sometimes the debt repayments every year are more than the actual loans and debts received and in view of the fact that the international monetary system will find a stable position which will take time, there has been recently a move at many international conferences of the developing countries to demand a moratorium on payment of debts for a period of five or ten years pending a decision about the scaling down of the debts. So, I would like to know from the hon. Minister whether (he Government of India propose to join any such move by the developing countries to ask for a moratorium on payment of debts for a period of five or ten years. There may be a scaling down during the intermediate period.

MR. CHAIRMAN : Your question is very clear.

SHRI Y. B. CHAVAN : I am not aware of any particular organised move for asking for a moratorium as such.

SHRI HARSH DEO MALAVIYA : At unofficial conferences.

SHRI Y. B. CHAVAN : Unofficial conferences, I do not take notice of them.

CEILING ON WEALTH

"591. SHRI CHANDRASHEKHAR

SHRI J. S. TILAK :

SHRI KRISHAN KANT : t

SHRI BRAHMANANDA

PANDA: SHRI V. B.

RAIU :

SHRI GURUMUKH SINGH
MUSAFIR :

Will the Minister of FINANCE be pleased to state :

(a) whether Government propose to impose a ceiling on wealth ; and

(b) if so, the details of the proposal ?

THE MINISTER OF FINANCE (SHRI Y. B. CHAVAN) : (a) and (b) The totality of various measures taken by the Government in recent years, such as the progressive increase in the rates of personal taxation, step-up in the rates of wealth-tax and additional wealth tax on urban land and buildings, and extension of wealth tax to agricultural property, impose a virtual ceiling on incomes and an effective curb on excessive accumulation of wealth. It is also proposed to introduce a Bill in the Parliament imposing a ceiling on urban lands and buildings.

SHRI KRISHAN KANT : May I know whether he is really sure that these measures are really going to put

fThe question was actually asked on the floor of the House by Shri Krishan Kant.