

Reddy, Shri M. Srinivasa  
 Roshan Lal, Shri  
 Sahai, Shri Ram  
 Salig Ram, Dr.  
 Sangma, Shri E. M.  
 Sardesai, Shri S. G.  
 Savnekar, Shri B. S.  
 Sher Khan, Shri  
 Shukla, Shri Chakrapani  
 Singh, Shri Dilkisore Prasad  
 Sinha, Shri Rajendra Pratap  
 Sisodia, Shri Swaisingh  
 Usha Barthakur, Shrimati  
 Yadav, Shri Shyam Lal  
 Yajee, Shri Sheel Bhadra  
 Yashoda Reddy, Shrimati

NOES—24

Anandan, Shri T. V.  
 Arora, Shri Arjun  
 Basu, Shri Chitta  
 Chandrasekharan, Shri K.  
 Chatterjee, Shri A. P.  
 Choudhury, Shri Suhrid Mullick  
 Deo, Shri Bira Kesari  
 Ganguli, Shri Salil Kumar  
 Ghosh, Shri Niren  
 Gowda, Shri U. K. Lakshmana  
 Gupta, Shri Bhupesh  
 Jain, Shri A. P.  
 Kumaran, Shri S.  
 Mahanti, Shri B. K.  
 Menon, Shri Balachandra  
 Mohta, Shri M. K.  
 Rao, Shri Katragadda Srinivas  
 Roy, Shri Kalyan  
 Roy, Shri Monoranjan  
 Sanyal, Shri Sasankasekhar  
 Shanta Vasisht, Kumari  
 Singh, Shri Sitaram  
 Suraj Prasad, Shri  
 Tohra, Sardar Gurcharan Singh

*The motion was adopted.*

MR. DEPUTY CHAIRMAN : We have a fixed hour business now and so we will take up clause by clause consideration of this Bill tomorrow.

4. P.M.

# SHORT DURATION DISCUSSION UNDER RULE 176 RE STEPS TAKEN BY GOVERNMENT ABOUT THE EXCHANGE RATE OF THE RUPEE FOLLOWING THE DEVALUATION OF DOLLAR BY THE U.S.A.

MR. DEPUTY CHAIRMAN : Mr. Bhupesh Gupta.

[THE VICE CHAIRMAN (SHRI A. D. MANI)  
 in the Chair]

SHRI BHUPESH GUPTA (West Bengal) : Sir, it is good that we are having an opportunity to discuss the statement made in this House yesterday. Sir, the occasion should be used in my view to review the situation—as briefly as possible—arising out of the crisis of the dollar, and the monetary system of the capitalist world, and to devise our course of action to meet the situation. Sir, the last word has not yet been said in the monetary crisis or in particular the crisis of the dollar.

THE VICE-CHAIRMAN (SHRI A. D. MANI) : Order, order. The hon. Member is speaking on a very important subject and all of us should hear it without making any noise.

SHRI BHUPESH GUPTA : Is the noise because we have been depending so much on PL 480 ? Sir, we seem to be living from hand to mouth. Hear at least something on economics.

Now, Sir, the Statement which was made says :

“At the present juncture it is all the more important that we determine our own action in terms of our basic objective of increasing self-reliance, that is, increasing export earnings and import substitution.”

Now this more or less was what was the situation in 1966 when the rupee was devalued. This is the stock argument which is trotted out when financial steps of this kind are taken. But by reading the Statement one would get the impression that the Government has not comprehensively examined the situation or proceeded to take comprehensive measures not only for today but also providing for tomorrow. The capitalist class ...

THE VICE-CHAIRMAN (SHRI A. D. MANI) : Order, order please.

SHRI BHUPESH GUPTA : They are alien to economics. The capitalist world, Sir, especially dominated by the International Monetary Fund—that is only a facade ....

THE VICE-CHAIRMAN (SHRI A. D. MANI) : All those who go on talking should go to the lobby and talk.

SHRI BHUPESH GUPTA : Mr. Raj Bahadur is trying to mobilise these people for day after tomorrow so that he can get the Constitution (Amendment) Bill passed.

Now, unfortunately, this is not so. The Statement still does not give an idea as to what we are going to do and how to face the situation. I am not going to convince myself with the niceties of this or that expression, or the steps that have been taken. When I got the news on December 19 about the devaluation of the American dollar, I immediately wrote to the Prime Minister and to the Finance Minister requesting them that steps should be thought over in a more comprehensive manner. Anyhow I suggested to the Finance Minister that a meeting of the Consultative Committee should be held. In fact a meeting was held on the 15th of this month when I raised the point of the likely devaluation of the dollar and the situation arising out of it. This is what I wrote to the Prime Minister and more or

less the same to the Finance Minister.

"The news of the devaluation of the US dollar has come and this is a most welcome development from India's point of view. I am rather disturbed to learn that some so-called experts in the Ministry of Finance are thinking in terms of a corresponding devaluation of the rupee. I trust no quarter will be given to any such evil proposal. What is necessary is to take full advantage of the devaluation of the dollar and to reformulate our economic policies in relation to the West, especially USA."

Now this is the starting basis of my speech. Similarly, I wrote to the Finance Minister also. Now, Sir, so far I have not got a reply to this letter. Mr. Chavan generally replies to letters, but nowadays he seems to be very busy with many other things. The Prime Minister has also not replied, but steps have been taken, when Parliament was in Session, outside Parliament which have been, in a way, a *fait accompli*. Now, Sir, what is happening? For the last two years or so the American dollar was wobbling all the time. It was heading towards a crisis as a result of heavy military spending by the United States of America in Vietnam and other countries. Mainly as a result of military spending, the crisis which has developed and which has led President Nixon to issue his so-called order of August 15, is not a sudden development at all. In this connection I must point out to you that we are tied to the International Monetary Fund and also in a big way, through our trade otherwise, to the world capitalist system, especially the United States of America, because much of our imports come from the United States of America. Much of our external payments are to be made to the United States of America on account of the debts we have incurred from them. Now, Sir, between 1946 and 1949 the US was having a favourable balance of trade. After the Korean aggression, however, by the USA

[ Shri Bhupesh Gupta ]

in 1950 the position began to change and the position became passive insofar as the US dollar was concerned. Then, Sir, between 1950 and 1957, during eight years the dollar deficit amounted to ten million. It had started already. In 1970 the deficit of the US in the balance of trade in terms of the dollar was 10,800 million dollars.

In the first six months of this year it was 11,500 million dollars. It has been calculated by economists that since 1950 the US deficit in the balance of payments has totalled the staggering sum of 62,000 million dollars. This is one aspect of the situation. Simultaneously with certain countries like West Germany and other countries in Europe and also with Japan huge accumulations of dollar were taking place and US gold reserve, which is supposed to give a backing to that, was running much behind the accumulation of dollar in West Germany and other European countries and in Japan. The crisis was developing all the time in this manner. Actually the free market price of gold rose from 35 dollars to 41 dollars. Now, that was settled under the aegis of the IMF. Before I pass on to the next point, I must make a reference to the Bretten Woods system which was worked out under the domination of the dollar and of the United States. Now, we have got ourselves tied to the Bretten Woods system and the International Monetary Fund, which is actually a cover for the domination of the dollar. The IMF is really a cover. Under the IMF charter the par value of the currencies of 117 member-countries must be fixed in co-operation with the US dollar and only via the dollar directly in gold. Therefore the dollar was in the centre of things. The currencies of the member-countries of the IMF got tied up with the dollar and they subjected themselves to the vagaries of the dollar. In the beginning and even now they are under the domination of the dollar.

Then, Sir, it has been found out that none of the targets set at the inception of the IMF has been achieved. At the same time the United States of America has taken care to see that this International Monetary Fund because of the tying up of the economies of the various capitals through dollar fully exploited to strengthen the American economy, or the capitalist or the imperialist exploitation of the American economy at the cost of other nations especially of the developing countries.

Sir, except some who are in a better position, who have created some problems for the United States of America, Japan or West Germany, many other nations have suffered. We too have suffered. Many IMF member-countries devalued on more than hundred occasions their currency in the course of 25 years of the International Monetary Fund. Now at that time things were done under the American pressure. Local currencies were being devalued on account of pressure by the United States of America, as a result of the domination of dollar to which they tied their economy.

Sir, our Rupee was devalued in 1966 as a result of the downright American pressure. We submitted to it. And at that time also it was said that it would help our export promotion and help our import substitution, that it would improve national economy. But exactly the opposite results were achieved. And yet the Government has not learnt any real lessons from the experience of all these years in order to meet a situation of this kind. Therefore, Sir, I think the Government should proceed with this matter in a different way than it has done.

Sir, our total deficit in 1969-70 was of the order of 436.7 million in terms of dollar. We ran into heavy deficit in relation to our trade with the United States of America and West Germany. This is a well known fact and I need not

go into the figures. I have calculated that over the last five years or so our trade deficit with the United States of America has been of the order of nearly Rs. 400 crores. It was much higher a little before. Now it is less taking the annual average. We are indebted to the United States of America today by nearly Rs. 4,000 crores or over Rs. 3,000 crores. Much of it is payable in foreign currency, in dollars. That is the position. Now on what basis the Government is making the statement I cannot understand. Because we have shown a slight appreciation of the Rupee in terms of dollar, does it follow from this that our export trade with the United States of America and similar other countries is going to show upward trend? There is no reason to think like that. It is just a wrong way of putting things because India's trade with the United States of America is not conditioned merely by the fact of equation between the dollar and the rupee. At the moment such variation is also determined by various other factors, political factors, for example. If the non-project aid is stopped, as indeed it is going to, obviously the area of operation in the U. S. would be much restricted whatever you may say. Therefore, let us not take it as if just because you have done this thing our exports will go up. Our exports will not go up even to the extent you think they are likely to go up because other factors will be at work preventing an export rise envisaged here. What happened to our imports is very important. I think as a result of this arrangement we will not gain anything. On the contrary, we shall be subject to their pressure all the time. The Government said that they are prepared, that they have got the margin. The International Monetary Fund has a certain margin and they will make variations later on. What is the Government going to do in this matter?

With regard to Britain, they have said that the pound has appreciated. But it is the other way round, perhaps, everywhere. Now, as far as this is concerned

what should be our approach in a situation of this kind? The Third World has been badly let down by the United States of America. We should take full advantage of the crisis in the American economy in order to achieve self-reliance and overcome our dependence on them, and force them to do certain things which in other situations they would never do; I have in mind especially the United States of America. If Japan and West Germany could take certain bold steps and have had their way—they could float their currencies and so on—why can't we do something, not of that type, but in terms of our economic policies in relation to the West, especially the United States of America, in order to achieve our objective of self-reliance? We are not Japan. We cannot think of fighting the United States of America or meet the situation as Japan or West Germany would do. We are highly dependent still even for our Plan aid and other things on the United States of America. Therefore, we have to think of what we should do. The first conclusion the Government should arrive at is, delink as far as possible from the octopus grip of the world capitalist economy, especially that sector of economy which is dominated by the United States of America. You cannot run with the hare and hunt with the hound. You cannot, on the one hand, keep yourself tied, as in the past, with the Western economy, with the imperialist economy, and on the other, meet a situation of this type. You cannot just do so. You will be overtaken in this competition all the time because they are still in a very dominant position. Therefore, this is very important. Self-reliance today cannot be achieved like that at all. In fact, our liabilities in some respects will go up. Our imports from certain countries will perhaps be costlier. When Nixon declared his package deal — import surcharge, 90 days' wage freeze, etc. — on August 15, at that time they were not thinking of devaluation of the dollar. The Americans were thinking at that time that they would get the other countries to revalue their currencies so that they do not have a better

[Shri Bhupesh Gupta]

chance for their export goods in the world market. That was a roundabout way of meeting the situation. But now they have been forced to devalue the dollar and we welcome the step, not because they have done it out of generosity, but they have been driven to that position which indicates the crisis not only in the American monetary system but in their economy as well. There is actually a slump there. Unemployment is growing. The American economy is by no means in good shape today. This is well known and the American papers are writing about the state of their economy. Now when we get them in such a situation, I think we should take courage in both hands and do something. What should we do? First of all, as I said, delink from the grip of the American dollar and the Western system. Sir, our trade should be really taken care of. We cannot just rely on the American imports so much as we are doing today. Nearly 30 per cent of our imports come from the United States of America under one pretext or another. I think that dependence should be overcome now. We can do so provided we develop our trade relations on a reciprocal, equal basis with other countries which are prepared to enter into such relations and are ready also to start trade with us on a rupee payment basis where no foreign exchange is involved for any party to the trade; either the exporter or the importer. That should be our approach. I think, Sir, the Third World market, apart from the socialist market, should be better explored. We should have better relations with the World socialist system. The dollar is in crisis. The IMF is in crisis. The Western economic system is wobbling and is in utter confusion, whereas the world socialist economic system is not only not in crisis but is going ahead. We should draw lessons from it. Therefore we should turn our attention to their system not only by way of diversification of trade and developing new fields of trade and commerce, but also by way of other aspects of economic co-operation. This is very important. (*Time-bell rings.*) I should get half-an-hour.

THE VICE-CHAIRMAN (SHRI A. D. MANI) : No. 20 minutes. There are nine speakers.

SHRI BHUPESH GUPTA : Who decided it ?

THE VICE-CHAIRMAN (SHRI A. D. MANI) : That is the advice I have received.

SHRI BHUPESH GUPTA : I am finishing. I like your advice, though this is a wrong advice. You did not even invite me to the Western Court . . .

THE VICE-CHAIRMAN (SHRI A. D. MANI) : I invite you now.

SHRI BHUPESH GUPTA : I am finishing just now. So this one point is very important. The second point is you have to declare a moratorium. Today you have got a very good opportunity. If you declare a moratorium on the repayment of debts or servicing of debts or payments in connection with that, the United States of America is concerned. They are in such doldrums politically and economically. It will not be a retaliatory action either. Politically they are taking action and in the economic field also they will take action because they want to punish us. They want to create difficulties for us. They have given you Bhutto there to keep you all the time busy bringing pressure on us. After all, Bhutto is only Nixon's mouth-piece. It is their mouth-piece that has been put in Islamabad to keep you under constant pressure. Therefore, America will create problems for you. So then we cannot take it for granted that they will do anything better. In fact, they are doing all kinds of things against our economy. They have declared it and other countries are also trying to pressurise them to take certain economic actions against our country. Then why should we not take action as far as this is concerned? This is very important. That would be an act of self-reliance. Secondly, I think we should be fully justified, as other

countries have been justified in taking action in a comparable situation, for stopping certain remittances abroad. Foreign exchange drain is taking place from our country. At the investment level the net investment is negative. We are getting much less than we are sending out every year by way of profit, dividend, commission, royalty and so on. Why cannot we put a stop to these foreign remittances in order to conserve foreign exchange and also have resources which you can utilise for buying essential things for our developmental purposes from the world market? That is very, very, essential. I do not see as to why we should not go into this other question of developing our relations with these countries which are prepared to enter into trade with us on economic terms. In this connection, the Government must also take into account the British entry into the European Economic Community and the Common Market which Jawaharlal Nehru some 10, 15, 20 years ago described, would be a bloody blow to our economy. Today it is a settled fact. It is being opposed by the section of the Labour Party. The Labour Party is opposing it. But they are determined to join it. If they do it, certain preferential advantages that you are enjoying in the British market will be gone and you will be faced with a terrific competition from other countries. In fact, the entire scheme of the European Economic Community and the Common Market is designed to exploit the underdeveloped countries, especially the African countries, and we know it for a fact and it does not need us any more. And when Britain is going in that direction, when America is taking such steps, when America before devaluation took certain unilateral action on import surcharge and so on without bothering about what will happen to the developing countries, certainly we should not show generosity to them. The UNCTAD has completely failed. One per cent of the gross national income had been the demand of the so-called Group 77 and other developing countries, almost

unanimous, at the UNCTAD meetings and so on. Many of those Western countries have not even agreed to make it available—one per cent of their gross national product—for the developing countries. Therefore, I think our approach should be truly a patriotic approach, an approach of self-reliance, an approach certainly directed against the octopus grip on our economy and against the exploitation and plunder by Dollar, Sterling and so on, against the imperialist economy. That should be our approach. We cannot just become self-reliant except in terms of struggle for attaining economic independence which, I must say, even after 25 years of our independence we have not achieved. Economic independence should not be confused with political independence. We are politically strong today. On the other side the Americans and other imperialists are weak today. They are in crisis. Here is an occasion for the Government of India to initiate a policy of action against the policy of capital, private capital, imperialist exploitation, unequal imperialist relations with our economy. Sever those relations and develop our country on a truly self-reliant basis by a constant struggle against imperialist economy and their machinations against our economy. We must turn to the friendly nations today.

Today Bangla Desh is free and we will have good relations with them to the mutual benefit. This will strengthen our position. Pakistan was a drag on our economic development and created all difficulties for us. Bangla Desh offers a great field of cooperation, mutual cooperation. They will benefit from us and we will benefit from them. We will be in a far stronger position to withstand the blackmail and pressures of American monopolists. Today they are in shambles, not only militarily. In this sub-continent they are also in shambles to some extent economically. I think Shri Chavan has here a golden opportunity. Rarely has such a golden opportunity been given to

[Shri Bhupesh Gupta]

any Finance Minister in the country to come forward with bold and patriotic measures against imperialistic monopolies and to build up our national economy on true, independent foundation. That is why we welcome the break-up of the hegemony of the dollar. But must we not take this opportunity to assert our sovereignty in economic field and gain our economic independence which ever since our freedom struggle has been a cherished dream of our people ?

THE VICE-CHAIRMAN (SHRI A. D. MANI) : Before I call upon the next speaker, I would like to mention that we have to conduct the discussion within a reasonable time so that everyone gets an opportunity to speak. I would, therefore, request hon. Members to confine their observations to within ten minutes and they would not mind my ringing the bell when the time is over. Shri A. G. Kulkarni.

SHRI A. G. KULKARNI (Maharashtra) : Mr. Vice-Chairman, I understand that Government of India have decided to upgrade our currency in relation to dollar . . .

THE VICE-CHAIRMAN (SHRI A. D. MANI) : If you come near the mike and speak, you will be audible.

SHRI A. G. KULKARNI : My voice is very clear and audible. The Government of India have decided to upgrade our currency in relation to dollar by 3 per cent. The Government have taken that decision under certain circumstances. I cannot go as far as my colleague Shri Gupta has gone. But I fully share his view that for the last 3 or 4 months the mighty dollar has been tottering and now it has developed a shivering tendency. It has now come down and America was humiliated even economically. What will be the best interests of my country in such a given situation ? Every country, whether America or European community or U. K.,

is developing economic policies to the best advantage of that country. It is but natural. But in our case, after the last devaluation, we thought that our exports will pick up and import substitution will take place at a rapid pace. There is no doubt that the pace of our import substitution is really encouraging. But the exports have not picked up as anticipated. It is not only due to the currency problem, but due to various other reasons such as cost of raw-materials, wage increase, and so on and so forth. I want to know one thing from the Government. They say that previously they had linked rupee to the dollar and now they say that it has been delinked with the dollar and again linked with the sterling.

SHRI A. P. JAIN (Uttar Pradesh) : And sterling is linked with dollar.

SHRI A. G. KULKARNI : Sir, as far as I see, the entire currency system in the world is under a change and we have seen that the currency problems, whether they are in the European countries or the developing nations, have aggravated and the position of dollar is becoming weaker and weaker and that is why, Sir, the position of dollar, the position of gold in relation to dollar, sterling or rupee or whatever it is, has to be reviewed time and again. And, Sir, this was the moment when we should have taken certain positive steps which should have encouraged our exports and when we should have discouraged our imports to a larger extent.

SHRI A. P. JAIN : Like what ?

SHRI A. G. KULKARNI : That is what I am coming to. That is a million-dollar question and everybody has to address himself to that and find a reply.

Sir, I am of the view that the moratorium on debt repayment or, what you call the staggering of the dividends to be given to the foreign countries, is not the solution.

Ultimately, it is the creditworthiness of ours in the world which we have to take care of. Today it may be the USA and tomorrow it may be the USSR. Whatever may be the country, we must show that we are a creditworthy nation and we must do what we promise.

SHRI NIREN GHOSH (West Bengal) :  
Like the peasant debtors.

SHRI A. G. KULKARNI : They will always carry on their work and they will repay. You will not pay. That is the Naxalite attitude. We shall pay and you would not bother about it.

SHRI BHUPESH GUPTA : He was mentioning about the Kulaks.

SHRI A. G. KULKARNI : Kulaks also paid more than what the ordinary peasant paid. You did not pay because you wanted to put them down. But they won't be put down by your efforts.

Mr. Vice-Chairman, Sir, this unorthodox method of disowning the claims will not carry any good to the larger interests and longer interests of my country. Sir, having said this, I am really in a dilemma and I do not know what would have been the best course. Sir, to my knowledge, the Government has, in this present position, made imports a little costlier, has encouraged exports in certain sectors and has made exports in certain sectors costlier. For example, there are the iron ore exports to Japan and they are a little bit costlier. At the same time, our exports in some cases might be a little bit cheaper. Sir, I should have thought that the Government should not have hurried in this connection and they should have waited further till all the other nations have decided on their currency problems and particularly, Sir, the developing countries should have called a meeting whereby their currency problems should have been solved. I am saying this,

Sir, because I find that the gold or dollar standards are becoming unsuitable and ultimately, it is the SDR that will come to the help of the developing nations. I am thinking whether the Government will review the position to find out how best to utilise the SDR more in our interest and to the benefit of our nation instead of linking ourselves either to the sterling or to the dollar or what it may be. Sir, previously you linked yourself with dollar and now you say that you are linked to sterling and, ultimately, in the case of sterling also, in terms of real gold value, we have been devalued. Sir, I can understand why the Government has come to this position, because there was no other easy solution for the Government to arrive at than to try one way or the other. But the lasting solution would be only in the dependence of this country on the SDR and the developing nations also should take more benefit out of the SDR and, Sir, in this connection, I would like to draw the attention of the hon. Minister and ask whether such a review is possible.

Then, Sir, there is another point which I would like to know from the Government. Looking at our present relations with the USA, our political relations, I want to know whether the present act of rupee revaluation in relation to dollar would have any effect on the foreign aid that we are going to receive. We must always try to reduce our foreign aid. There is the IMF and there is the World Bank and so many loans are required for the development of the country and there may be American loans also, but channelled through these and, so, Sir, I wanted to know what would be the attitude of the World Bank towards the developing nations, particularly the nations which have taken this step of revaluing their currencies in relation to dollar.

Sir, another point which I wanted to know — though it may not be quite relevant to this matter — is whether it is also a fact, as has been published in the press,



[Shri A. G. Kulkarni]

that some American bankers have refused to give cover to Indian exporters. Particularly, Sir, I am told that the American Chase Bank, as they call it, indulged in some dillydallying tactics. If that is so, isn't it time for the Government now to punish and penalize such banks, foreign banks, which at a time of crisis, refused to come to the help of the Indian entrepreneurs or exporters? I want to know from the hon. Minister what action he proposes to take in this regard. A complete nationalization of these banks may be too drastic a step. But, Sir, I want to know particularly what action they will take against the American Chase Bank.

I come to my last point, Sir. Having said this thing, I want to know whether, in view of the fact that on account of this present economic crisis the exports have become costlier at some places, the Government will consider—because ultimately when the prospects of foreign aid have become bleak — to give some type of incentive for exporters to maintain their exports so that our entire balance of payments position will not be affected.

THE VICE-CHAIRMAN (SHRI A. D. MANI) : Mr. Gurupadaswamy.

THE LEADER OF THE OPPOSITION (SHRI M. S. GURUPADASWAMY): I find that the Government of India took nearly 48 hours to announce the decision about the new rupee-dollar parity. I do not know why the Government should have taken such a long time and kept foreign exchange banks as well as the trade ignorant in respect of the new parity that the Government of India was thinking. I think such a lapse should not have been allowed to happen.

Sir, for the last four months, the international monetary market was in total disarray, as a result of series of drastic changes made by President Nixon. The effect was really great on some of the Asian

countries, specially Japan. And during this period, Sir, many countries floated their currencies. And there was complete anarchy in respect of exchange rates, and in turn it affected the international trade. I think President Nixon had to bow to the inevitable in the end and had to reverse some of the decisions that he had taken earlier and forced to bring about the devaluation to the extent of 8.57 per cent. Sir, perhaps you are aware and the students of economics are aware that there was a demand in the developing countries as well as in the developed countries for the last two or three months that the dollar has got to be devalued to the extent of 20 or 25 per cent. I do not know what made President Nixon to devalue the dollar to the extent of 8.57 per cent in terms of gold. And I am making this remark with a view to understand the shape of things to come. Perhaps this will not be the end of the story. The Americans may be under pressure still more and may have to further devalue their dollar in terms of gold. And, to my mind, this devaluation may not bring about stability in the international monetary market.

Secondly, my hon. friend, Shri Bhupesh Gupta, was talking about de-linking with dollar. He was suggesting that it would be possible for us to bring about de-linking in future.

For the last many years, particularly after the War, we have been witnessing what I call 'moncentrism' in the international monetary market. As a result, all the currencies of the world are linked to the dollar in some way or the other. Even the sterling is linked to the dollar. The yen, the mark, the franc and all the other currencies of the world excepting those of the countries of the Soviet system have been inextricably linked with the dollar. The dollar has been dominating, dictating terms and has been influencing the monetary market so far. But there has been a certain amount of jolt to the dollar and its position at the present moment. But I must say that the preponderance of the dollar is still

there in the international monetary system. I do not think it is a healthy trend to continue.

Sir, we should, as a developing country as a country interested in the international stability in the monetary system, evolve, what I call, a polycentrism, that is, a polycentric approach to bring about balance, to bring about world parity in the exchange rates with the various currencies. For instance, I may suggest that the currencies of the world especially the currencies of the developing countries should be related to each other. I would like to ask the Finance Minister why he should not think in these terms. The Indian rupee should be linked directly with the Pakistani rupee, the Ceylonese rupee or the Japanese yen or the currencies of Thailand and so on. Why do you not have a direct link between these currencies? This will pave the way to establish a new type of monetary arrangement in the various regions and this can be linked together at the international level. I think it is worth pursuing and the Government of India should take the initiative because ours is a very important country and our trade is developing and our relationship with the various countries of Asia is bound to grow in future. I think it will necessarily have to consider to have a mutually satisfactory arrangement in respect of monetary parities on a reciprocal basis. Today every currency of the world is linked to the dollar including the sterling. This system is not at all healthy. I think a new approach is called for.

Already the economists, the monetary experts, have been thinking on this line. They are still in theory but nobody has taken up the responsibility of rearranging, refashioning, restructuring the international monetary system. Otherwise, if the present system continues for long, I am afraid the dollar will still take the dominating position.

My friend, Mr. Chavan has repeated what was repeated last time when the devaluation took place, that the purpose of rearranging the parity today is to protect our trade and to bring about more import substitution. I do not think this objective has been achieved satisfactorily since the last devaluation. But, nevertheless, we should achieve this objective—I do not deny that at all. We should achieve this objective but achievement of this objective is contingent upon various factors, and the most important factor for us is to delink our currency. One system can be to have a bigger nexus of monetary network and as a preliminary I suggest that our relations with South-East Asia have to grow. I have been studying this aspect for some time. There is a large scope for developing mutual trade between India and some of these countries in South-East Asia. The South-East Asian countries are also linked to the West. This is unfortunate. Therefore, that effort has got to be made and countries of this Asian group have got to have their own system, and if they decide to have exchange rates confined to their own currencies, I think the beginning of the end of dependence on one currency would be made soon. Sir, about the present course of action that has been taken, I want to make only a few observations. I think, as the Indian Express has put it, we have devalued and also revalued the rupee. We have done both. In terms of other powerful currencies, like yen, Swiss mark, German mark and French franc etc., we have devalued, but we have revalued or appreciated our rupee in terms of dollar by three per cent. I would like the Finance Minister to tell us its impact upon the terms of trade in respect of those countries in the Far-East, for instance Japan and other South Asian countries. It is because some of these countries have revalued the currencies in terms of dollar and since they have revalued, to that extent the Indian rupee has depreciated. I think we have suffered and the net effect is devaluation of the Indian rupee in respect of these currencies. In

[Shri M. S. Gurupadaswamy]  
 respect of dollar currency, I know there has been revaluation to the extent of three per cent. The dollar has been devalued in terms of gold by 8.57 per cent and we have decided to revalue our rupee in terms of dollar by three per cent. I do not know what are the factors which have contributed for arriving at this figure of three per cent. Whether it is the irreducible minimum by which we should increase the value of our rupee in terms of dollar or we should not go beyond this, I would like the Finance Minister to tell us.

THE MINISTER OF FINANCE  
 /वित्त मंत्री (SHRI Y. B. CHAVAN) : It is simple arithmetic.

SHRI M. S. GURUPADASWAMY :  
 I would like the Finance Minister to tell us the various factors which entered into the calculations to bring about this exchange parity with dollar.

Lastly, I would say about the effect of this decision on the international aid that we are receiving. 50 per cent of the aid that we are receiving so far is from the United States, and since we have appreciated our parity rate by 3 per cent, to that extent of three per cent our aid is going to be depreciated in terms of rupee. I think the value of the aid is going to be reduced. I would like the Finance Minister to tell me what will be the effect of this aid on the various schemes and projects that we have undertaken on the basis of which we are going to receive this aid.

I do not want to say much but I want to make one final observation that the Government of India should also think more comprehensively about our exchange system, exchange rate with the rest of the currencies of the world. The value of rupee has further gone down since devaluation was undertaken last time. I do not know the percentage. I know this much that from 1959 to 1969 or so the value of the rupee has been depreciated to the extent of 50 per cent or so and it is declining

further. I would like the Finance Minister to take this aspect into consideration and...

SHRI MAHAVIR PRASAD : That is the foreign exchange.

SHRI M. S. GURUPADASWAMY :  
 No, Sir, because it has not the effect on the foreign exchange. Do not forget that. I would like this matter to be considered by the Finance Minister carefully and to bring about a rational method by which we link the rupee with the rest of the monetary systems of the world.

SHRI A.P. JAIN : Mr. Vice-Chairman, the House will remember that yesterday I asked a question from the Deputy of the hon. Finance Minister. In the statement he had said that there would be an appreciation of 3 per cent in the value of rupee in terms of dollar. It did not specifically mention that the rupee will be devalued by 5.4 per cent in terms of sterling; that is the point. I proceeded on to say that it had been done with the two objectives, namely to promote exports and to encourage import substitutes. My question was, how does this 3% and not 4 or 5 or 6% satisfy these objectives. The Finance Minister did me the courtesy of giving some of his views and I appreciated them, as they removed some of my doubts. Still I have some of those doubts and I would like to deal with them. The first question that I would ask the Finance Minister is that while indirectly he has referred to the devaluation of rupee by 5.4% in terms of Sterling why was it not clearly emphasised in the statement that our policy has twofold aspects, namely that our rupee has appreciated by 3% in terms of dollar but it has depreciated by 5.4% in terms of Sterling? That would have enabled us to come to a better understanding of the situation created by the new policy. In the statement it has been said that it is all the more important that we determine our position in terms of our present objectives—namely, increasing self-reliance, that is increasing export earning and encouraging import substitution. These are the primary objectives which

we have to keep before us while discussing that matter. The House will remember that before 15th August there was a huge trade war raging between the different countries, in particular between the US and the West Germany and US and Japan, also with some other countries. It was under those circumstances that the US was compelled to take some action. In order to have a very clear picture in order to understand the genesis of the present situation it is necessary that we should go into those decisions. What were they? The first was, the US imposed a general tariff of 10% on all imports. Then, dollar was delinked from gold. The House would be aware that for the last 27 years, the dollar has been linked with gold in the ratio of 35 dollars to an ounce of gold as a consequence of this delinking, the US Government denied to foreign Governments, among which we are one, the right to cast their dollars in terms of gold. These were the three important decisions apart from wage freeze and price-freeze with which we are not concerned now but which had affected the general currency position. Now in layman's terms it means that the dollar was cut off from gold and what is known as floating. It could fix its own price. Other countries, especially West Germany and Japan also floated their currency. This chaotic condition continued for some time until the Group of 10 — I believe it is more like a gang than a Group of 10 — were keen that the US should lift its general tariff. It was in their interest because their trade was being adversely affected and the US wanted that other nations should re-rationalise their exchange ratios so that they bear a part of the burden created by the then situation. The Group of 10 met first in Italy and then in Washington and they came to a certain compromise as a result of which the Group of 10 took certain action. In understanding the position of this group of 10, it is important to know that the Group controls 78% of the world economy and the remaining 90 nations including the 77 nations to which mention has been made, control the

remaining 22% of the world economy. So their strong position has to be realised whether we like it or not we have to bear with it. As a result of these talks in Italy and Washington the USA has lifted the general tariff and depreciated the Dollar by 8.5 per cent; that is one ounce of gold will cost in future 38 dollars instead of 35 dollars. That is the action taken by the United States of America. They have further not announced that they will convert dollars held by foreign countries in gold. In return Germany has appreciated its currency by 13.5 per cent and Japan by 16.88 per cent. The other seven countries of the Group of ten including Britain, France and Italy have retained their own parity: in other words, their currency has appreciated by 8.4 per cent. It was in the context of this situation that we have had to take a decision.

Now, firstly, I support the action taken by the Government of India in delinking the Indian Rupee from the dollar and linking it with Sterling. In fact for a very long time the Indian Rupee was linked with Sterling and all that we have had gone is to go back to *status quo anti*. I think it is a wise step because it causes the least disturbance. Further the Sterling, has in my opinion a future because after Great Britain has become a part of the European Economic Community there will be some sort of formal or informal link established between the British Sterling, the West German Mark and the French Mark and if some sort of link is established with them I think Sterling will be the second strongest currency in the world after the Dollar. So I appreciate this step.

Sir, whatever may be one's views, we are a country which has trade both with the non-communist and communist countries—a major portion of our trade is with the non-Communist countries—and we have substantial trade with the Communist countries. Our trade with the Communist countries has been continuously

[Shri A. P. Jain]

increasing; I welcome it and I want that it should increase further but we must accept the realities of the situation, namely, that we have to deal with the currencies of the non-Communist countries as also with the currencies of the Communist countries. Our dealings with the Communist countries are in the form of Rupee but as far as non-Communist countries are concerned situated as we are—the Group of Ten represent 78 per-cent of the economic strength of the world—and we have to link ourselves with one or another and I think it is a very wise step that the Government of India has taken a decision to link the Rupee with the Sterling.

Now, one question was raised by Mr. Gurupadaswamy as to why we have accepted the figure of 3 per cent appreciation as against the Dollar. It is simple arithmetic as the hon. Finance Minister interjected. The Rupee parity on 15th August was Rs. 18/- to one Pound. Recently it was Rs. 18.9677 or say Rs. 19/- to a pound and we have accepted the present parity which means that the Rupee has been depreciated against the Pound by 5.4 per cent and the balance is appreciation to the value of the Dollar. So that is simple arithmetic.

I now come to the crux of my speech. The question is how does the step taken by the Government of India affect our external trade. A spokesman of the S P. M. Finance Ministry, the other day — I think yesterday — said that the non-traditional exports are going to have only a marginal effect. But there will be some gain in the traditional exports. Let us clearly understand what are those traditional exports. The first is tea. Now Ceylon is our competitor in tea. And may I suggest in all humility to the Finance Minister to start negotiations with Ceylon? I do not know the Finance Minister might be knowing what action Ceylon has taken as a result of this new currency alignment.

SHRI Y. B. CHAVAN : They have not taken any action.

SHRI A. P. JAIN : So, I think that strengthens my case that he should now start negotiations with our neighbour country so that our competitive strength in the export of tea may not be adversely affected. This is the first.

THE VICE-CHAIRMAN (SHRI A. D. MANI) : You are making very good points but I want you to be brief and thus enable me to give a chance to a number of other speakers.

SHRI A. P. JAIN : Have I said one extra word? Now the second traditional export item is jute. It is fortunate that we have excellent relations with Bangla Desh. It is our good luck that this thing has happened at a time when we have been very friendly with Bangla Desh. Now, in world trade India and Bangla Desh have a monopoly in jute, and if we can come to a suitable arrangement with Bangla Desh, then we may benefit considerably from our earnings from jute. The second point which I would like to make is to request the hon. Finance Minister to start immediate negotiations with Bangla Desh, whom we have recognised, so that our jute trade may receive a further fillip.

Now the third is cotton textiles. There Japan comes into competition with us. I have not been able to analyse what are going to be the effects of the revaluation of the Japanese yen.

SHRI A. G. KULKARNI : Japan is not our competitor in cotton textiles, but Hong Kong, South Korea and other countries like Portugal are.

SHRI A. P. JAIN : Well, Sir, they fall in one group. Now what is going to be the effect of the devaluation of the dollar on that? I would like the hon. Finance Minister to pay earnest attention to it.

Now, Sir, the second objective proposed to be achieved is import substitution. I think, Sir, the emphasis on import substitution is a casuistry—May I say it, Sir, in a slightly stronger language?—is an illusion and a make believe. What we have to examine is what is going to be the effect of the devaluation or revaluation as against the sterling and dollar on our imports. Is it going to make our imports more costly? Generally it appears that depreciation in terms of the sterling will affect our imports adversely, will increase the prices of the maintenance goods, the raw materials and the machinery and equipment which we have to import. So it will have an overall adverse effect upon our economy. I do not deny that may not benefit through import substitution, but that, I may say, would be a secondary thing. To emphasise a secondary thing and to forget the primary thing is not a good presentation. After all, whom are the Finance Minister and the Finance Ministry talking to? To their-own people. We are as much interested in the welfare of the country as those who are managing the Finance Ministry. I would like to know why so much emphasis has been placed an inordinately high emphasis on import substitution and why the rise in the price of imports has been altogether ignored in this paper? I would like the Finance Minister to tell us something about it. I thank you for the patient hearing.

**श्री सुन्दर सिंह भंडारी (राजस्थान) :** उपसभाध्यक्ष जी, इस चर्चा को प्रारम्भ करते समय श्री भूपेश बाबू की तरफ से यह कहा गया कि पहले जब डिवैल्युएशन का फैसला हुआ था तो किसी दबाव में आ कर हुआ था। अगर यह बात सच है तो वित्त मंत्रालय की तरफ से इस बार देश को इस बात की आश्वस्ति देनी आवश्यक है कि क्या इस बार का फैसला भी दबाव में हुआ है? अगर नहीं हुआ तो फिर बार-बार केवल राजनैतिक कारणों से करेसी और आर्थिक क्षेत्र के प्रश्नों को प्रभावित कर के

ही उसी चश्मे में उसे देखना यह वाजिब नहीं होगा। मैं अपने विशिष्ट मित्र श्री जैन साहब का अभारी हूँ कि उन्होंने बहुत अच्छे प्रकार से जो आज अन्तर्राष्ट्रीय व्यापार-क्षेत्र की परिधियाँ हैं उनके अन्तर्गत इस विनियोग-दर की समस्या का विश्लेषण किया है। यह बात सच है कि यहाँ यह सवाल डालर के साथ जुड़ा है और अभी हाल में डालर वाले देश के साथ अपना कुछ राजनैतिक और दूसरे मसलों पर अजीब खिचाव पैदा हो गया, वह अपनी जगह पर रखा जाय, किन्तु अगर इस चीज़ को, व्यापार और विनियोग के क्षेत्र में खींचने की कोशिश करेंगे और महज़ इस वजह से कि डालर के देश ने हमारे ऊपर कुछ राजनैतिक परिस्थितियाँ निर्माण कीं इसलिये इससे गुस्सा हो कर अपने आप को एक गोद में से निकाल कर के दूसरे के गोद में फँकने की कोशिश करेंगे...

**श्री अकबर अली खान (आन्ध्र प्रदेश) :** बिल्कुल नहीं।

**श्री सुन्दर सिंह भंडारी :** तो वह आर्थिक क्षेत्र में एक उचित निर्णय नहीं होगा। मैं इस बात को दुहराना चाहूँगा कि जब इस प्रकार के विनियोग दरों के बारे में सरकार फैसला ले तो बार-बार हम दबाव की बात न कहें। मैं समझता हूँ कि दबाव, वह वाजबी दबाव है कि इस विश्व की धन सम्पदा किन राज्यों से प्रभावित है, किन देशों से प्रभावित है। अगर हम आज अन्तर्राष्ट्रीय जगत में व्यापार-सम्बन्धों में अलग-थलग नहीं पड़ना चाहते तो उसकी तुलना में हमें यह देखना है कि हमको किस प्रकार के सम्बन्ध रखने चाहिए।

केवल मैं यहाँ पर यह कहना चाहूँगा जैसा कि श्री जैन ने संकेत किया कि उन देशों पर

[श्री सुन्दर सिंह भंडारी]

भी, उनके एक्सपोर्ट्स पर भी इस विनियोग मुद्रा के निर्धारण के कारण परिणाम होगा। केवल भारत प्रभावित नहीं हो रहा है। अभी आपने लंका का नाम लिया, बंग देश का नाम लिया। हमारा जो ट्रेडिशनल एक्सपोर्ट्स हैं उसमें भी हमारे कई बड़े कम्पीटीटर्स हैं और उनके ऊपर भी इस विनियोग दर का परिणाम होगा। यह बात ठीक है कि सीलोन ने अभी तक निर्यात नहीं लिया होगा लेकिन वह क्या उस पर टाइट बैठ सकता है? वहां कोई घोषणा नहीं होगी? यह अच्छा होता अगर हम कंस्टेंट करते। इन दस लोगों ने पहली बार बैठ करके फैसला नहीं किया। वे पिछले अगस्त के महीने से इस सवाल के बारे में निर्यात करने और इस सवाल में से हल निकालने की कोशिश करते जा रहे हैं। फैसला अभी हुआ होगा लेकिन इनका विचार किस दिशा में चल रहा है उसको क्या हमने क्लोजली परस्यू किया, फालो किया या नहीं किया और अगर हमने किया है तो इसके पड़ने वाले सम्भावित परिणामों पर जो एशिया के दूसरे देश हमारे एक्सपोर्ट मार्केट में कम्पीटीटर्स हैं इनके साथ बैठ कर कोई फारमली या इनफारमली कंसल्टेशन इस सम्बन्ध में हमने किया है? अगर किया है और करने के बाद यह निर्यात लिया तब तो मैं वाजिब समझता हूँ लेकिन इस सम्बन्ध में यह बात स्पष्ट आनी चाहिए। तो फिर इसका हमें

- संकेत मिलना चाहिए कि उन देशों ने अगर अभी तक कोई नीति घोषित नहीं की है तो किन लाइन्स पर उनका सोचने का प्रयत्न हो रहा है और हमारे विदेश व्यापार पर इसका सीधा परिणाम क्या होगा?

- हम एक डेवलपिंग कंट्री के नाते से निश्चित रूप में कुछ माइनस पोजीशन में हैं,

हम दबी हुई स्थिति में हैं। हमारी सब प्रकार की सिद्धता होते हुए भी अपनी स्वयं की मुद्रा स्थिति को ठिकाने और अंतर्राष्ट्रीय व्यापार संबंधों में अपने हाथ ऊपर रखने की स्थिति पर होते हुए भी अभी तक हम वहाँ नहीं पहुँच पाए इसलिए दूसरे बड़े देशों, पर शक्तिसम्पन्न देशों द्वारा लिए गए निर्णयों पर हमें मजबूरी में भी, अपने लिए नुकसान पहुँचाते हुए भी, निर्यात लेने पड़ते हैं, यह हम पिछले अनेक वर्षों से अनुभव कर रहे हैं। मैं सरकार से निवेदन करूँगा कि यह जो आज योजना के निर्धारण में, उसका पुनर्मूल्यांकन करने में और हमारे औद्योगीकरण को एक दिशा देने के बारे में जो फिर से अपने अनुभवों के आधार पर पुनर्विचार किया जा रहा है, इस बात को भी ध्यान में रख कर, हम इस पर अधिक बल दें कि हमारे लिए चाहे प्लान अतिस्टेन्स हों चाहें आउटसाइड प्लान एसिस्टेन्स हों, इन चीजों को जितना मिनिमाइज किया जा सके उतना किया जाए। आज भी, जैसा कि युद्ध के आरम्भ होते समय अमरीका की तरफ से इकानामिक एड बन्द करने की घोषणा की गई थी और सीज़ फायर के बाद उन्होंने फिर से वह चालू करने की बात कही है, तो क्या हम बड़े आदर के साथ इसको इंकार करते हुए नहीं कह सकते कि भाई, आपने बहुत मेहरबानी की, हमको कुछ तकलीफ हुई है हम भुगत लेगे, पर अब आपकी सहायता नहीं चाहिए। हम अपनी प्लानिंग का रीअप्रेजल करेंगे, हम उसका हिसाब नए सिरे से बैठाएंगे और हम इस बात की कोशिश करेंगे कि सहायता के इस षड्यंत्र से हम अपने देश को किसी हद तक बचा लेने की स्थिति पैदा कर लेते हैं। इसकी ज्यादा से ज्यादा आवश्यकता है। और जितना हम आर्थिक सहायता के क्षेत्र में अपने आप को

दूसरों के ऊपर निर्भर रहने की परिस्थिति से बचा सकेंगे तभी हम अपने एक्सपोर्ट और इम्पोर्ट के लिए अपने लिए हानिकारक निर्णय लेने से बचा पाएंगे। यह एक दूसरे से सम्बद्ध है, क्योंकि एक दूसरे की मदद या एक दूसरे के इंटरेस्ट को सेफगार्ड किए बिना अभी तक कोई चीज प्राप्त नहीं हुई है कितना ही हम देश को एश्योर करें, कितना ही हम गारन्टी करें, कि ये विदग्धाउट स्ट्रिन्ज होते हैं, लेकिन यह झाड़े समय में अनुभव में आया है कि कहीं न कहीं यह स्ट्रिन्ज दिखाई देते हैं। ये स्ट्रिन्ज दबाव डालने की कोशिश करते हैं, फिर वह चाहे स्टर्लिंग एरियाज में से हों चाहे हांड करेंसी एरियाज में से हों, चाहे वह साफ्ट करेंसी एरियाज में से हों। बिना स्ट्रिन्ज के कोई परोपकार करके हमारे देश की सहायता करेगा, इस भ्रम से हम जितना अपने आप को और अपने देश को मुक्त करेंगे उतना ही मैं समझता हूँ लाभकारी होगा। इसी संदर्भ में मैं चाहूँगा कि और भी अपने पड़ोसी देशों के साथ इस विनियोग दर के प्रश्न पर बातचीत करके, अपने जो प्रतिस्पर्धी हैं—विशेषकर निर्यात क्षेत्र में—उन देशों के साथ किसी न किसी प्रकार का सम्पर्क स्थापित कर हमको घाटा न उठाना पड़े इस बात का हम प्रयत्न करें। यही मुझे इस सम्बन्ध में निवेदन करना है।

**SHRI M. K. MOHTA (Rajasthan) :** Mr. Vice-Chairman, Sir, the situation arising out of the change in the exchange rates of most major currencies of the world . . .

**SHRI MAHAVIR TYAGI (Uttar Pradesh) :** How long are we going to sit?

**THE VICE-CHAIRMAN (SHRI A. D. MANI) :** I think it will go on till 6-30. I think we should finish the work to-day. There is heavy business for tomorrow and the day after.

**SHRI M. S. GURUPADASWAMY :** Make it 6 O' Clock.

**THE VICE-CHAIRMAN (SHRI A. D. MANI) :** The party leaders have not spoken yet and I have to give them an opportunity to speak. My calculations are that it will go on till about 6-10 and the Minister will take about 20 minutes to reply.

**SHRI MAHAVIR TYAGI :** Sir, this is an important subject on which the Finance Minister's explanation or speech which would be of great advantage. The whole House is interested, the whole country is interested in this. I would like him to reply tomorrow, not to-day.

**THE VICE-CHAIRMAN (SHRI A. D. MANI) :** I have been listening to the debate very carefully. Many useful suggestions have been made in the House and these suggestions will do honour to the Hansard of the House. I want every one of the party leaders to speak and then I would ask the Finance Minister to reply.

**SHRI M. K. MOHTA :** Sir, the situation arising out of the realignment or most of the major currencies of the world presents both an opportunity and a challenge to our country an opportunity because the new exchange rates that have been announced by the hon. Finance Minister are calculated to improve our foreign trade position to a considerable extent.

[ MR. DEPUTY CHAIRMAN in the Chair ]

On balance I find myself in agreement [with the levels of exchange rates announced by Government. The rupee now stands upvalued in relation to the American dollar but devalued in relation to the West German mark, Japanese yen, British pound and several other currencies. Sir, what I have in mind particularly is the promotion of exports, particularly of non-traditional goods to the markets of developed countries, including the USA, where we have now obtained a great advantage over our competitors. In the matter of



[Shri M. K. Mohta]

exports of non-traditional goods, particularly engineering products, where Japan and West Germany had a very huge chunk of the American market, due to the revaluation of these two currencies, the products of these two countries would be more expensive in America, and this gives us a chance to step in and provide for our country a very useful and sizable exchange earning. If we are to achieve that, a number of follow-up measures are required to be taken by the Government without which the achievement of this objective would not be possible. First of all, the Government would have to address to the question of how much surpluses we have for exports, because even though the exchange rate parity may be such that it can be of advantage to us, unless we are in a position to spare surplus goods for export, we will not be able to derive any advantage. In this connection, the development of our industrial sector, particularly in fields which are export-oriented, becomes extremely important. In this context, I would like to submit that the cost of imported plant and machinery would rise to such a great extent due to the upvaluation of important currencies like those of Germany, Japan, France and Britain, that most of our imported plant and machinery would become expensive which would reflect in the cost of production of our manufactured goods. It therefore, stands to reason that adequate relief is provided to the industrial sector by the reduction of import duties on imported plant and machinery so that the investment on new industrial enterprise may be kept to a reasonably low level and our competitive capacity in world markets may not be affected. Particularly at a time when the honourable Finance Minister has already given a notice that development rebate would be withdrawn after a certain period of time, it is necessary that either there is some change in that decision or import duty on plant and machinery is reduced. Then again, as is well known to the honourable Members,

the generalised scheme of preferences in European Economic Community gives us a great opportunity of increasing our exports and there also the creation of surplus capacity for export and enabling the export-oriented units in various ways to have a competitive edge over their competitors is very important, and fiscal and monetary measures in this direction would be very essential. As far as our exports are concerned, the most important and for a long time the highest export-earning commodity, namely, Jute goods, has been burdened very recently with an additional export duty which, it seems to me, was done on a rather short-term consideration than a long-term one. It is true that in the immediate past the Indian industry has acquired a certain advantage because Bangla Desh Jute goods industry was not in production due to the hostilities going on there. But with the independence of Bangla Desh the competition from that part of the world would again have to be faced by the Indian Jute industry. And therefore, the competitive capacity of this industry has to be restored by suitable changes in the export duty structure on jute goods. Shri Bhupesh Gupta while initiating the debate spoke about moratorium on our foreign debt repayments. I do not know where he has got the idea that declaring a moratorium is either a very good thing today or calculated to increase our prestige in the world community. After all, it is not a question of dealing with the present external debt of India, it is also a question of our creditworthiness for getting more aid, more assistance, whenever necessary by our country. And by taking such steps it will only decrease the prestige of India in the world community and this is something which our Government must avoid at all costs. I would request the honourable Finance Minister to say a few words regarding the burden of debt repayment by India particularly towards Japan and the Communist Bloc. How far this debt repayment burden is going to be increased or perhaps kept at the same level in respect of these two Blocs is not very clear by the state-

ment made by him. I would request him to clarify this position. Thank you.

**श्री राजनारायण (उत्तर प्रदेश):** श्रीमन्, मैं केवल दो, तीन मिनट का समय ही लूंगा। जैसा कि मैं कह चुका हूँ यह बात सत्य है कि अगर मंत्री जी का बयान पढ़ा जाय तो उन्होंने यह कहा है कि:

Honour able Members would appreciate that it is best for us to adopt a course which maintains continuity to the maximum possible extent with the recent past so that the basic interests of export Promotion and import Substitution are not affected.

मैं यह जानना चाहता हूँ कि सरकार यह दोनों चीजें एक साथ कैसे चलायेगी? सरकार ने जो अपने रुपये के मूल्य का पुर्नमूल्यन किया है यह उस से किस प्रकार बढ़ेगा, यह इम्पोर्ट उस से बढ़ेगा या उस से एक्सपोर्ट बढ़ेगा . . .

**श्री अकबर अली खान :** एक्सपोर्ट बढ़ेगा।

**श्री राजनारायण :** जरा चव्हाण साहब को समझने दीजिए और उनको बतलाने दीजिए। मगर यह नवाब साहब हर चीज में पंडित बनना चाहते हैं। यहां मैं ने एक सवाल छोड़ दिया और हम उसका जवाब चव्हाण साहब से चाहेंगे, क्योंकि हम ने शुरू में ही कहा है कि हम समय कम ही लेना चाहते हैं, मगर वे अनावश्यक ढंग से हम को कुरेदना चाहते हैं। अगर मंत्री जी यह नहीं लिखे होते तो यह सवाल उठता ही नहीं क्योंकि मैं यह जानता हूँ कि जितना हमारा निर्यात बढ़ेगा उतना इम्पोर्ट नहीं होगा। अगर निर्यात बढ़ता ही नहीं तो फायदा कैसे होगा? तो गवर्नमेंट को हमारे

सामने बहुत ही सफाई के साथ आना पड़ेगा कि वह कौन सी सामग्री है जिसके बल पर हमारा निर्यात बढ़ेगा। हमारा निर्यात कैसे बढ़ेगा अगर गवर्नमेंट अपने एक्सपोर्ट का और इम्पोर्ट दोनों का प्रमोशन करना चाहेगी? यह कैसे होगा कि इम्पोर्ट भी बढ़े, आयात भी बढ़े और निर्यात भी बढ़े। एक बात।

दूसरी बात यह है कि यहां बहुत से सम्मानित सदस्यों की बात को मैंने सुना। जो लोग यह कहते हैं कि अर्थ व्यवस्था और राजनीति अलग-अलग हैं, मैं यहां पर बहुत ही सफाई के साथ कह देना चाहता हूँ कि इन दोनों का अलगाव हो ही नहीं सकता। जैसी राजनीति होगी उसी के तदनुरूप अर्थ व्यवस्था होगी और जैसी अर्थ नीति होगी उसी के तदनुरूप अर्थ व्यवस्था होगी। इस को बिलकुल साफ-साफ मान लीजिए, इस को बहस के रूप में समझने में ज्यादा समय हम नहीं लगाना चाहते। हमारे मित्र भूपेश गुप्त जी चले गये, उन्होंने बिलकुल व्यर्थ आधा घंटा खर्च किया और वे उसमें एक ही बात का बार-बार रिपिटेशन करते रहे सेल्फ रिलायंस, सेल्फ-रिलायंस। आखिर सेल्फ रिलायंस की अर्थ व्यवस्था क्या है? सेल्फ रिलायंस कैसे आयेगी? क्या सेल्फ रिलायंस कम्युनिस्टिक तरीके से आयेगी? कभी नहीं आ सकती। या क्या वह रशिया के पढ़ाने से आयेगी? या यह सेल्फ रिलायंस अमरीका के पढ़ाने से आयेगी? कभी नहीं, यह सेल्फ रिलायंस गांधी जी के रास्ते को अपना कर आयेगी। सेल्फ रिलायंस के लिए अपने खर्चों को कम करो, सेल्फ रिलायंस के लिए त्याग करो, अपरिग्रह करो, अस्तेय करो, तब सेल्फ रिलायंस आयेगा और तब अपने आर्थिक ढांचे को पूर्णरूपेण बदलना पड़ेगा, यह नहीं कि अमरीका से उधार ले लो और 12, 12

[श्री राजनारायण]

लाख रुपये का एक-एक ब्लाक बिलकुल व्यर्थ में बर्बाद हो जाय। ऐसे नहीं चलेगा। उसके तो अपने देश को पूर्णरूपेण एक दूसरे आदर्श पर, एक दूसरे माडल पर बताया जाता शुरू से ही जिस ओर हमारे देश की कांग्रेस की पुरानी सरकार ने बिलकुल नहीं किया ओर देश को उसने बिलकुल बर्बाद ओर चोपट कर दिया। तो हमको इस बारे में इतना ही निवेदन करना था ओर श्री यशवन्त राव जी चव्हाण इसको सफाई से बता दें कि आखिर यह दोनों चीजें एक साथ कैसे होंगी।

**SHRI NIREN GHOSH :** Rupee parity for exchange rate is a sensitive subject. It is a sensitive barometer of a country's intentions. In deciding upon this question, I think the primary yardstick should be to fight against the domination of foreign currency, foreign finances and foreign capital and to build an independent economy. That should be the yardstick. Now, Sir, it is well known that Mr. Subramaniam was instrumental or had played a vital role in the rupee devaluation in obedience to the Government of the USA. It is now a published fact and is in the "Lyndon Johnson Memoirs". Now, Sir, he is our Planning Minister and I do not know what reliance we can put on him. But, Sir, we expected from Mr. Chavan that some departure would be made in the right direction in the interest of the country and that is where my doubts persist and that is the trouble. It is because, Sir, of the fact that after devaluation, we have mortgaged our economy to our creditors, selling our goods which they have to buy at damn cheap prices and earn foreign exchange in order to service the debt repayment with interest and all that. That is why we want to know whether a change should be made away from that and now the time has come when the entire world currencies are in doldrums and nobody actually knows what the coming days will

tell us in this matter. So, Sir, we have to take cautious steps, radical steps, safeguarding the interests of our country and I feel that it has not been done. And, Sir, there is some misleading statement also which has been made. Perhaps I would like our Finance Minister to clarify that, because, Sir, the official statement refers to the existing rate and not to the official rate. Though in terms of the existing rate parity with sterling has been maintained, in terms of the official rate, which is Rs. 18/- per pound sterling, it means devaluation by nearly 5.4%. Now, along with the rupee devaluation, it was linked with dollar and now it is linked with sterling as the hon. Members were saying. Now, the crucial question is this : It is true that in terms of the old rate of Rs. 7.50 to the US dollar the new parity with the pound sterling means revaluation by about 3% with respect to the US dollar and the new rate works out to Rs. 7.28 per US dollar. But, from the old rate of Rs. 7.50 to the US dollar, after the measures taken by the Group of 10, the dollar has given way to Rs. 6.90. That is the new market rate and that is how it came about. In the wake of the devaluation of the dollar, that is the position and if that is true, the new rate, if compared with the devalued dollar, actually represents devaluation of the rupee to the tune of 5% which has come about, 5.5% devaluation of the rupee compared to the dollar, and that is the irony. They say that we have appreciated in terms of the dollar. After the devaluation, the dollar rate to rupee came down to Rs. 6.90 and if you take that, it actually means . . .

**SHRI MAHAVIR TYAGI :** You are comparing the rupee previous to devaluation ?

**SHRI NIREN GHOSH :** No. After the devaluation of the dollar, instead of Rs. 7.50, it has come down to Rs. 6.90 and compared to that, the new parity that has been fixed by the Government actually means devaluation of the rupee to the tune

of 5%. It is no appreciation in that sense. And a further devaluation of the Indian rupee in terms of US dollar is not in our national interest. Sir, here the Finance Ministry is called upon. They have fixed this thing in this matter. The question is, the main thing is, with regard to foreign trade. We have to make huge payments to the United States. Now the time has come either to write off or declare a moratorium. They devalued the dollar and put other Governments into an embarrassing position. They did it. Now we are subjected to this rupee devaluation. Our interests have gone by default. Now the time has come either to write off debts or to declare a moratorium. . .

**SHRI MAHAVIR TYAGI :** Is it possible for a developing nation to declare a moratorium ?

**SHRI NIREN GHOSH :** China has written off debts in respect of Japan. They have to buy our commodities—raw materials, primary products. They have preference to buy these things. It is more or less like this. They cannot have them at damn cheap prices. We are having an unequal trade with the western world. For each dollar we pay back two dollars. That is the position, we have been driven to. The U.S.A. did not bother about it. You should fix the parity in such a way that for the commodity they have got to purchase from us they pay higher price. They won't produce on their own. Tea they have to go to purchase. That is the only thing. I concede the point made by Shri Gurupadaswamy. Why shouldn't the producing countries take a combined action in such a way that for all the commodities they have to purchase they pay their real price ? They cannot get our things at damn cheap prices . . . *(time bell rings.)* As Mr. Jain pointed out, as regards steel we can take a stand. A radical departure has to be made. They do not purchase our commodities out of generosity. It is not out of mercy. That is not the position. We are being forced

to pay higher prices—higher than those ruling world market prices. That position should be reversed, otherwise these parities, these percentages make no sense whatsoever.

Now I find that the Government has not made any departure in that. The Government failed to take advantage of the situation when it is in crisis, when it is in doldrums. It is a group of ten countries and we are submitting to its dictation. So, why not delink our rupee even from the sterling ? Why should we not have an independent currency ? This question of independence of our currency is closely related to that. We have developed to some extent and we have now the guts to stand. Then our currency can be an independent currency. We can adjust our relations with the developing countries and make a joint front in all those matters. That is the only way out. That step has not been taken by the Finance Minister.

It is just a sort of bonus to the Western countries—the step we have taken. It is also a misleading statement, as I have told. That being the position, you should take some steps. We are such a vast country. You should take some drastic steps, radical steps. Otherwise the poverty-stricken land cannot get out of the morass it is in and in that respect if you cannot give the assurance, then export the products. Reduce the debt payments. Say, we will pay some debt, some 20 per cent. That means fighting those countries which are subjugating our economy. Some such steps should be taken. There is no such step and we are as subjugated as we were. That is the central point.

So, the Finance Minister should enlighten us on these as well as the misleading statement which actually is an appreciation of the dollar. The entire argument is almost wide of the mark, which has been made by the Minister.

**SHRI Y. B. CHAVAN :** Mr. Deputy Chairman, Sir, I am grateful to you for allowing this debate which I would rather call a very constructive discussion of this very complex and delicate matter. But I must say I do not propose to go into every point that was made by the Members but I certainly would like to deal with the major points that were made by them.

I think there are three categories of speeches, if I may say so. The first category is the category of Shri Bhupesh Gupta and the last speech. Their approach was completely doctrinaire approach and for my purposes, though I may share some of their sentiments in this particular matter, it was a rather very negative approach and a non-pragmatic approach. The other category is the speech of Mr. Mohta. He only looked at it from the point of view of only the industrialists in this country—what effect it will have on them. In the other category fall all other speeches which have made constructive suggestions like the speech of Mr. Ajit Prasad Jain. Some of the points made therein were constructive—they raise some important issues—and I think they need some reply.

Mr. Bhupesh Gupta started saying how this whole trouble has started and he gave the history as to how the dollar came into difficulties because of their political policies and he described the whole thing as some sort of an economic crisis in the so-called capitalist world. Possibly he may be right. If one has to take a view, it looks like that from what has been happening during the last six months in the Western countries. It is like a sort of trade war amongst the leading industrialised countries. Practically they seem to be on the brink of a trade war, and the differences that they had, took nearly five long months to be smoothed out. That shows the depth of the crisis. So, that may be true, whatever the reasons for that. As a matter of fact we were all very much pained at this sight and I also share his

sentiments, that these ten big countries have practically taken the monopoly of the entire problem and bargained among themselves to decide what should be the solution. This is not a healthy sign if you take the entire world picture. Practically, they had taken on themselves to decide upon this solution. The main reason for that was the International Monetary Organisation. I think the International Monetary Fund itself was organised at a time before most of the developing countries, which are sovereign countries now but were not sovereign countries then, came into existence and I would like to invite the attention of the hon. Members to the point that I made in the International Monetary Fund meeting. I said that the time had come to reconstruct this Organisation so that the interests of the developing countries can be very well reflected in the proceedings, decisions and policies of these international bodies. That basic factor does remain there. But what we are really concerned is—naturally we should certainly try—to make reforms more effective and try to work for it consistently. We are doing so and we will continue to do so. That is a different matter. But here we are dealing with a situation which is a practical situation, that one has to deal with and look into from the point of view of day-to-day economic activities.

Some Members like to describe this whole situation as something like devaluation of an Indian rupee. Sir, when can you call it devaluation of an Indian rupee? It is only when other countries are stable and when only one currency is depreciated then only you can say that this currency is devalued. What is happening is not a devaluation. The present phase, the present phenomenon, really speaking, is the realignment of parities of all the members, who are the members of the international community, i.e. nearly 120 countries. America took a mighty position on the 15th August

because they said that they will not change their gold parity and they imposed the 10 per cent duty etc. But ultimately, we find that they had to give up both the points. They had to give up 10 per cent input charged as well as they had to agree to devalue their dollar. Now when everybody else is realigning and rechanging and appreciating or depreciating, you cannot remain static because you are a part of it, whether you like it or not. We are a part of that world. Even I would like to say that on 15th August the U.S.A. took a certain decision, the Eastern world and other Western countries had to adjust their parities. Even the East European countries which have to have trade with these countries had to appreciate or make some changes in their own exchange rates. Even Soviet Russia had to do it. Of course, their base is not comparable with those of ours but what I am trying to say is that every country, East European countries, capitalist and non-capitalist countries, have to take note of this changing pattern, because they have to be a part of it. No country can afford to isolate itself as far as the trade is concerned. Politically you can be in one group or the other but even China has had trade with all the countries even though they were not Members of the U. N. They were trying to have trade with all the countries. Mr. Niren Ghosh knows about it. But this a separate matter. What is happening is not merely devaluation or revaluation of Indian rupee, it is devaluation or revaluation or realignment of parities across the board. Every country has to do this thing. This is the position.

**SHRI MAHAVIR TYAGI:** This is a game of carrom.

**SHRI Y. B. CHAVAN:** It is in this situation that we have to take a certain view. Let us try to see in what position we were. On 15th August when certain decisions were taken, we had to take a

certain view. Some Members said that we were linked with the dollar. Well, it is not right to say that we were linked with the dollar. You may say that we want to be linked with the sterling for the purpose of the rules of the IMF. It is quite all right. But as a matter of fact in this process, when the realignment is completed every currency is linked with every other currency. Once we accept the link with one member of the IMF, in a sense you get connected with every currency as such. So it is not true to say that we were linked with the dollar. What we did on 15th August was this. Though the US had refused the convertibility of the dollar into gold, they had not changed the rate of the gold price at that time. So we remained stable with the dollar. That is all that we did at that time. We remained stable with the dollar because at that time all other Western currencies floated freely. At the present moment the decision is that they can change the parity value within the wider margin of 2.25%. Formerly only 1% margin was allowed. It was very difficult for us to link ourselves with those Western currencies at that time. Therefore we had to link ourselves—not link ourselves in a technical sense but remain stable with the dollar at that time. Now when the countries have taken a decision to realign their parities and also having this wide margin, we thought it much better to fix our official rate in terms of sterling and I think the point Mr. Jain made is very relevant. Certainly we will be in an advantageous position. Some Members said we have devalued in terms of sterling and Mark particularly. This devaluation or revaluation depends upon with whom we compare. If we say that the rupee is devalued in terms of Mark, then one can say that Mark is devalued in terms of Yen. It is very difficult to make such comparisons. Ultimately what is the criteria on which we must try to take a decision in this matter? Ultimately let us come to the interest of our country. Ultimately in this present competitive world where really speaking, it is going

[Shri Y. B. Chavan]

to be a very difficult thing to compete in foreign trade without having a very solid industrial base in our own country, what should we consider as the ultimate test as to whether our decision is wise or not, whether it is strong or weak—I will not use that word because strength and weakness ultimately depends upon whether your decision is right or wrong—whether our decision is right or wrong? What is the right criteria for it. The right criteria for such a decision is whether it is going to help you to increase your exports and reduce your dependence on the imports. This is, really speaking, the final test on which you will have to examine whether what you have decided is right or wrong. We feel, it is our own feeling, that what we have decided is certainly going to help us. I have no doubt in my mind. Of course this will have to be coupled with the policy of readjustment of our export and import duties. With that I agree. Naturally we will have to see what is the best mix of the various relevant policies. But that is an internal matter. That we can consider later on but the present position is this. For example in terms of trade opportunities appreciation of the exchange rates of many countries, say, for example Japan or Germany or France or even England, is good for us. Where really speaking we have to compete is not in the traditional items. Some Members placed rather unnecessary emphasis on the traditional items. Of course they are important for us as far as they go, I would like to tell Shri A. P. Jain that I am told that the official spokesman who spoke possibly is misreported. What he said was that this realignment is going to help us in the export of our engineering goods. He appears to have been misreported.

SHRI A. P. JAIN : That was what appeared.

SHRI Y. B. CHAVAN : Possibly, you are right of course because you said what was reported. For example in the case of

these manufactured goods who are our competitors? It is with these countries that we have to compete as far as manufactured goods, engineering goods and other things are concerned. And the appreciation of their exchanges, really speaking, is going to be a sort of help to us. Therefore I would plead with this hon. House that what we have done is to see that there is least disturbance.

One point Mr. Jain made. He asked why I did not mention about depreciation of the Rupee as against the Sterling. I mentioned it in a different way. I said the Sterling has appreciated.

SHRI A. P. JAIN : You had put it the other way.

SHRI Y. B. CHAVAN : It is again a question of presentation but I did not bide that fact. I did say that the sterling has appreciated. But that did not appreciate because of our decision, I would like to make that point-clear. The appreciation has taken place from the 15th August up to the day previous to the devaluation of the Dollar. That had actually happened and we took that reality into consideration and froze our position at that point, because we thought that this is going to help us and because this will cause the least disturbance. Really speaking we were practical. Otherwise if we take a decision which makes a very wide departure then there will be upsetting results which neither help the Government economically nor politically.

SHRI AKBAR ALI KHAN : May I ask whether it will help if the developing countries and primary producing countries met and discussed for future purposes?

SHRI Y. B. CHAVAN : I would say with all respect to Nawabsahib that it is very difficult to bring about unity amongst these countries. Even so we do have consultations. As far as membership of the International Monetary Fund is concerned the representative Directors of all

non-developed countries had their group as the Group of Ten was sitting. Not only for this purpose, this alignment purpose, we are trying to have constant consultations and I must say that most of the developing countries practically take the same line at the International Monetary Fund meetings. As a matter of fact this is a question which must be decided within the framework of the International Monetary Fund and that was the line that we had taken in the matter.

Now there was a point raised as to whether there was any political pressure on us to do anything. I would say that there was no political pressure, I would like to assure the hon. House on this. On the contrary I would like to say that we have made our position very clear. Some Members made a mention about the attitude of some of the countries about foreign aid, we have made it absolutely clear that we are not going to allow this question of foreign aid to interfere with our own independent right to take our own decisions either in the economic field or in the political field. Whatever happens that is a different matter. We may be in difficulty but certainly this country has got the strength to face difficulties on its own. We are not going to run after any country begging for aid merely for aid's sake. At the same time we do not want to be hasty, we do not want to offend anybody unnecessarily. That is our approach and that is the practical way of doing things. So there was no question of any political pressure, Mr. Bhandari wanted to know that.

**SHRI SUNDAR SINGH BHANDARI:**

Because it was mentioned.

**SHRI Y. B. CHAVAN :** There was no political pressure. The hon. Mr. Kulkarni said why we took the decision so early, he said we could have waited for the decisions of other countries. The hon. Mr. Gurupadaswamy on the other hand asked

what we were doing for 48 hours. Really speaking we had to watch what were the decisions of other countries and we did wait for 48 hours. Twenty-four hours out of it was Sunday and therefore there was not much of a difficulty. Really speaking we had only one working day to think about the whole matter And

6 P. M. even there we had already issued a notification on Sunday that provisionally we were working on the previous rate. So, it is not that we were not aware of what was coming. We were constantly keeping a watch on what was happening, what developments were taking place and what action we should take. We weighed all the pros and cons in this matter and the effect it will have on international trade because there is no doubt that in formulating foreign policies, particularly trade policies, the mechanism of money, the foreign exchange mechanism is a very important mechanism, and we have to think of it very carefully, Cautiously and wisely. Sir, I can only say—it may be a rather tall claim to make that we have taken all these aspects into consideration. We may not look brave, but I must say that ultimately you will find that the decision that we have taken does not lack wisdom at least.

#### MESSAGES FROM THE LOK SABHA

1. THE HIGH COURT JUDGES (CONDITIONS OF SERVICE) AMENDMENT BILL, 1971.
2. THE SUPREME COURT JUDGES (CONDITIONS OF SERVICE) AMENDMENT BILL, 1971.
3. THE DELHI SIKH GURDWARAS BILL, 1971.

**SECRETARY :** Sir, I have to report to the House the following messages received from the Lok Sabha signed by the Secretary of the Lok Sabha :

1. In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha