

because he is making a statement which is rather unsubstantiated. About this question of the raising of the Bank rate from 5 to 6 per cent in January, this House has an opportunity to debate the matter in great detail and the explanation given at that time was that there was disproportionate money expansion in relation to the productivity and there was an inflationary pressure on the prices. The rise in Bank rate was suggested in that light. It gave us results. It lessened the inflationary pressure in the country and brought the prices to a proper level.

SHRI A. D. MANI : Would you inquire into it?

SHRI Y. B. CHAVAN : Do not make a general allegation. Give me specific cases.

श्री सुन्दर सिंह भण्डारी : श्रीमन्, स्वयं इस वक्तव्य से यह बिलकुल स्पष्ट है कि व्याज की दर बढ़ाने के लिये रिजर्व बैंक ने दर के ढाँचे को अपनी समग्र नीति के अनुरूप बनाने की ओर ही कदम उठाया है। मैं यह जानना चाहता हूँ कि इस दर को बढ़ाने से नौ-परिवहन या शिपिंग पर और ओवरसीज दर, जो मुख्य रूप से शिपिंग सर्विसेज पर असर करती है उन पर इसका क्या परिणाम निकलेगा? क्या इसका भी अध्ययन किया है, विशेषकर जब कि इस समय नौ-परिवहन पर पहले ही दूसरे वजन बहुत हैं, अलग अलग प्रकार के सरचार्ज हैं जो उन्हें और दरों से पे करना पड़ते हैं। तो क्या बैंक की दरों को आंतरिक दृष्टि से समान करने समय इसका कुल परिणाम हिन्दुस्तान की जहाजरानी पर किसी प्रकार का विपरीत तो नहीं पड़ेगा, इस बात का भी अध्ययन हुआ है?

श्री बाई० बी० चव्हाण : मैंने सब सोचा है। जहाजरानी पर और किसी रानी पर इसका असर नहीं पड़ेगा।

SHRI BALKRISHNA GUPTA : At what rate does the Reserve Bank lend money to exporters, to commercial banks?

SHRI Y. B. CHAVAN : If he reads the statement it will be seen that in order to bring about a proper alignment of the interest rate structure, consistent with the overall policy, the Reserve Bank of India vide its directive dated 16th April, 1971, raised the ceiling of 6% per annum earlier prescribed for packing credits and post-shipment credits for exports to 7 per cent per annum. The other credits are at 6 per cent.

ASIAN DEVELOPMENT BANK

*181. SHRI K. L. N. PRASAD :†

SHRI A. D. MANI :

Will the Minister of FINANCE/वित्त मंत्री be pleased to state :

(a) whether it is a fact that a conference of the member countries of the Asian Development Bank was held at Singapore on the 15th April, 1971;

(b) if so, what were the subjects discussed and the decisions, if any, arrived at at the Conference; and

(c) the details of the loans granted by the Bank to the member countries during 1970 and the Government of India's reaction to the manner in which such loans have been granted?

THE MINISTER OF FINANCE/वित्त मंत्री (SHRI Y. B. CHAVAN) :

(a) Yes, Sir. The Fourth Annual Meeting of the Board of Governors of the Asian Development Bank was held at Singapore from April 15 to 17, 1971.

(b) Apart from the usual financial items on the agenda (such as adoption of audited accounts), the two main items for discussion were a review of the Bank's operations during 1970 and consideration of the resources position of the Bank. While the performance of the Bank during 1970 was considered quite satisfactory, the need to augment the resources of the Bank was recognised and the Board of Directors was asked to study the requirements and make appropriate recommendations to the Board of Governors.

(c) A statement is placed on the Table of the House giving particulars of the loans granted by the Bank during 1970. [See Appendix LXXVI, Annexure No. 17] The bulk of these loans were made from the ordinary resources of the Bank, that is on rather hard terms. We believe the Bank should strive to achieve a significant increase in its soft lending operations. For this it must have special resources and we have stressed the need for particular attention to this aspect in the study of the resources position of the Bank.

SHRI K. L. N. PRASAD : The main question appears to be as to how to augment the resources of the Bank both for ordinary as well as soft loans. What was the final decision arrived at? That is No. 1. Number two. What is the decision taken and how much loan was given to India as soft and ordinary loan

†The question was actually asked on the floor of the House by Shree K. L. N. Prasad.

during 1969-70 and 1970-71? Number three. I would like to know whether the Indian delegation which went to the conference has sought any major changes in regard to the policy of granting loans keeping in view the developed and undeveloped countries to raise resources . .

MR. CHAIRMAN : You are reading out something. Please put a question. You are entitled to two questions. But if you go on putting six or seven questions now, what about other Members?

SHRI K. L. N. PRASAD : I would like to know what final decisions were taken in the conference.

SHRI Y. B. CHAVAN : Naturally many questions about raising new resources arose as we were taking a review of the performance of the Bank in 1970. Naturally we had our own comments to make about it. As a matter of fact, the Bank had succeeded in raising certain resources for the purpose of countries in the Asian region. But at the same time we found that they were mostly on hard terms and we thought that if any genuine help is to be given to the undeveloped countries it is much better to secure loans on soft terms. This was one point that was raised and this was raised very firmly. Naturally a decision could not be taken immediately. But it was decided that a certain study should be undertaken. And in my statement there I made this point. I emphasised this point, that the Board of Directors should be instructed that the study should be specifically aimed in this direction. This was one thing. As far as India is concerned, we have indicated to them that we do not want the loan from the Asian Bank as such because it is one of the biggest countries in the region. We do not want to give a feeling to the smaller countries that we are really speaking competing with them for getting loans from the Bank. The very purpose of associating with the Bank will not be served by taking up this position. We are not asking for any loans as such.

SHRI A. D. MANI : In this meeting at Singapore the hon. Finance Minister pledged a 50 per cent increase in India's contribution to the Technical Assistance Programme. I understand that the ADB has already undertaken a number of projects in the neighbouring regions. For example, in Ceylon there is a tea factory modernisation project and there is also a project for the development of jute in Nepal. I would like to ask him whether the services of Indian technical personnel are being required or requisitioned by the

ADB. When we are giving money—we are a big country, as he said, we do not want anybody's money, we are strong enough, all that is accepted—we have got qualified men here and at least are they using our technical personnel in any meaningful sense of the term?

SHRI Y. B. CHAVAN : That is right. This time we increased our technical assistance. The technical assistance that was offered before was well utilised. Therefore, there are better chances of making use of it this time. We have technical competence for the use of this Bank's purposes. Therefore, this time we increased our technical assistance.

SHRI A. D. MANI : What about our personnel being used?

SHRI Y. B. CHAVAN : When we say that we offer technical assistance it is not only in terms of money, it is also in terms of creating opportunities for our technical personnel to be made use of.

SHRI BHUPESH GPUTA : Is it not a fact that the Bank was established in 1966 in Manila and operated there and that one of the objectives of the Bank was the development of the Asian region? India being in that region, is it not a fact that among the regional members of the Bank, India is the second biggest contributor, its contribution to the Bank's capital being \$93 million, Japan's being the first with \$200 million? Now I should like to know why the Government is giving up its claim for loans. Even from the statement which has been submitted to us it is shown that India has not received a single dollar as loan from the Bank over the past six years or so. Yet this is a very significant statement: Taiwan, Philippines, Thailand, Pakistan and Syngman Rhee's South Korea have received nearly \$160 million, and, if you add to it Indonesia, another \$2.7 million. Therefore, what steps the Government has taken? When India has locked up its funds with the Bank the bulk of the investment loans are going precisely to those countries where Americans are interested and which are open for Japanese exploitations. I should like to know what steps the Government is taking in this matter and whether it is not a waste of Indian resources. We go to the Monetary Fund and other places asking for money and yet \$93 million, half of it in foreign exchange, has been locked up in the Asian Development Bank.

MR. CHAIRMAN : Your question is clear.

SHRI BHUPESH GUPTA : Finally one question. Is it an arrangement for providing jobs to your former retired Cabinet Secretaries? I find India is one of the permanent members on the Board . . .

MR. CHAIRMAN : Your question is very clear.

SHRI BHUPESH GUPTA : It is not clear. You will see it is clearer when you hear it. Four countries have permanent members on the Board of Directors : India, Australia, USA and Japan. You will find that regarding Indian membership on the Board of Directors, retired ICS officials and retired Cabinet Secretaries are provided jobs there. That is why you were in the Bank. It is not in the national interest. Why are we not withdrawing from the Bank and severing connections when the Americans are using that money to help Japan, to use their military equipment and other things?

SHRI Y. B. CHAVAN : Well, Sir, the hon. Member had raised the same question in one of the Consultative Committee meetings and I kept in view his line of criticism in this particular matter when I attended the meeting myself. First of all, I would like to give information. It is true that India is the second biggest contributor in the region next to Japan. The provision of 93 millions contribution is there. Half of it is paid up, the remaining half is "callable". Even that half is in rupees. I am only giving information by which possibly he will have a better perspective of the whole thing. Certainly, it requires our care; we have to see that we do not get completely isolated in our effort in the Asian region where a certain economic effort is being undertaken. So, merely making a bogey of America and Japan and trying to get isolated is certainly a wrong thing to do. We have certainly to participate in it. We have to see that by our association and by our vigilance there, there is not that sort of—I should say—division amongst the Asian countries also—small blocs there and small blocs here. Particularly, we have to see that the small countries like those around India also get proper accommodation for the proper development. And after the discussion at the Consultative Committee, I took care to call our director or the Bank and place this point of view before him because wanted them to know that this is also a point of view in our country and that they should take care and see that the smaller countries round about India also, not only

in the South East Asia, but all the Asian countries, got help. If developed countries like Taiwan or South Korea are getting more, our effort will be to see that others also get. That will be the line. But so long. . . . (Interruptions) Taiwan is part of the Asian region, you and I cannot help it. It is a fact of geography, a fact of life. What can we do? Our point of view is that with our presence there, we would certainly like to take care that this is not being exploited for any big power interest.

SHRI BHUPESH GUPTA : Sir, it is a very serious matter. I request you, let there be a short duration discussion on the subject. It is a serious matter, I know that Mr. Chavan is looking into this problem. But for the first time, it has come in this form in Parliament. We are in possession of plenty of material to show how it is manipulated. I would request you, Sir, to provide for a short duration discussion.

MR. CHAIRMAN : Please let others also put questions. Dr. Bhai Mahavir.

Shri BHUPESH GUPTA : It is all right. But you have not allowed even the question to be put properly.

MR. CHAIRMAN : We have taken 15 minutes.

SHRI BHUPESH GUPTA : These are to be discussed. These are questions of public policy. For Taiwan and South Korea they sanction money. I would not like Mr. Chavan to be associated with it.

MR. CHAIRMAN : Questions of policy are not discussed during the Question Hour. You write to me for a short duration discussion . . .

SHRI BHUPESH GUPTA : I will write to you.

MR. CHAIRMAN : I will consider it. But the Question Hour should not be taken up like this.

SHRI BHUPESH GUPTA : I submit to you, Sir.

DR. BHAI MAHAVIR : Sir, we have been told that India is not interested in taking any loan from the Asian Development Bank. Has it been done on the plea that we do not want our foreign loans to increase? Then one could have understood it. But I would like to know from the hon. Minister whether, since this Development Bank was established, we have not

taken any foreign loan from other countries. Have we taken only from the big industrial powers? So far as I know, we are indebted even to tiny countries like Kuwait. If that does not injure our sense of ego or self-respect, I wonder how we can feel small intaking any loan from the Asian Development Bank. If it is true it may be confirmed that we have not taken any loan, particularly from any small countries, since this Bank was established. Secondly, Pakistan is one of the biggest beneficiaries of loans from this Bank. Has our Government taken any part in helping Pakistan to get these loans? The hon. Minister has said that we have been interested in facilitating small countries to get the benefit of loans from these banks. What has been our role vis-a-vis Pakistan's request for loans from this Bank because for all we know . . .

MR. CHAIRMAN : Your question is clear. I want to give a chance to others also.

DR. BHAI MAHAVIR : I am finishing, Sir. Is the Government aware that after getting these loans, it is possible for Pakistan to divert its resources to purposes which are not quite healthy or quite good for us? I want to know whether this point has been taken into consideration by the Government or not.

SHRI Y. B. CHAVAN : Sir, first of all, let me say that we have not given up our claim to take loans for all time to come. We have only indicated that at present this would be our approach. About having some sort of loan arrangements bilaterally between two countries, it is a continuous affair. It may be with a small country also. I do not know which country he has in mind. When an international agency is deliberately created for regional economic growth we thought we should not parade ourselves as if we are some sort of a competitor with Nepal or Ceylon to get loans. But we have not given up our claim to loans. If we think we need those loans, certainly, we will ask for loans. I only want to say that this is the position that we have taken at present. Naturally, not only in the case of Pakistan but in the case of other countries also, our Director there will certainly take care to see that the loans are not used for purposes other than the purpose for which they were taken.

DR. BHAI MAHAVIR : Did we or did we not help Pakistan in getting these loans? That point has not been answered.

SHRI Y. B. CHAVAN : Sir, when loans are considered, they are considered on economic considerations and the developmental

qualities of the projects. There it is not a question of being pro or against any country on a political basis.

SHRI ARJUN ARORA : Sir, may I know if in sanctioning these loans, the Asian Development Bank takes into consideration the correct value of the currency of the country to which the loans are given? Pakistan, for example, has maintained its currency at an inflated value as related to the dollar. Of course, the dollar is also sinking and stinking. The dollar value has fallen from 3.6 deutsche marks to 3.49 deutsche marks within the last 10 or 15 days. If any one has any investment in dollars, he should withdraw it. *(Interruption)* I am giving a public warning : whosoever has dollar accounts should withdraw them and convert them into rupee accounts.

DR. K. MATHEW KURIAN : The rupee is sinking faster than the dollar.

SHRI ARJUN ARORA : You defend the dollar; I will not. Does the Asian Development Bank take the inflated value of a particular currency into consideration before it grants loans to that country, because it is well known that Pakistan has, for its own advantage, artificially kept the value of its currency higher?

SHRI Y. B. CHAVAN : I think the hon. Member is very much right in his assessment. I am sure that the Asian Development Bank, which is supposed to be a very wise investing agency, must be taking this into consideration.

SHRI ARJUN ARORA : "Must be" does not help us.

SHRI Y. B. CHAVAN : I will certainly try to find out from our Director whether they are particularly looking to this aspect.

SHRI KRISHAN KANT : May I know from the hon. Minister whether any attempt was made to see that the Technical Assistance Fund is untied and the non-regional members who give assistance do not also insist on giving their experts, because the assistance of experts from Asian countries would be cheaper? Secondly, I would like to know whether any attempt was made that the Bank should make a scheme for the refinancing of exports from its member-nations to increase their trade because the smaller countries cannot pay for imports immediately. Thirdly, may I know whether the Government had made any proposal that for the next ten years the big donating countries should give the amounts that they give on soft terms because that helps the smaller countries to plan their

development? If so, what was the result? Lastly, I would like to know whether it is a fact that the speech of the honourable Finance Minister was not made available to the press even seven hours after he made the speech. How is our secretariat functioning there? When the speeches of others could get publicity, the speech of the Finance Minister could not get any publicity.

SHRI Y. B. CHAVAN : I would like to answer his last question first. I know some publicity was made about it. I think the speech was made available. I saw some headlines also. Whatever references could be made to the speech, I saw them the next day in the Singapore press also. *(Interruptions)* Another thing he said was about the tied technical aid. Our normal approach in this matter not only in the Asian Bank but in the other international agencies also is to see that all the aid should be untied, and our efforts in the Asian Bank also will be on the same lines. About loans for exports I do not think I have got any information...

SHRI KRISHAN KANT : What about my question on soft loans?

SHRI Y. B. CHAVAN : That is the main point. Making hard term loans available to the smaller and developing countries does not amount to helping them. It is really making their debt position, repayment position, much worse. This was one of the reasons why we are not taking loans from them. We are taking soft term loans from the World Bank while we go to the Asian Bank....

(Interruption)

SHRI BHUPESH GUPTA : Why do you go there at all?

SHRI Y. B. CHAVAN : Because we do not want to isolate ourselves.

SHRI BHUPESH GUPTA : Why should you feel isolated? Give directly to Nepal.

SHRI A. G. KULKARNI : I would like to know whether the Government will make an attempt to see that funds of the Asian Development Bank are made available on soft terms to the smaller countries, particularly to see that they are induced to take machinery and invest in joint ventures with India where the Indians are finding it very difficult to help joint ventures in Malaysia, Singapore, etc. I want to know whether the Government has considered this point of making available this money on softer terms.

SHRI Y. B. CHAVAN : I think this is an independent question. It does not

flow out of this particular matter. But certainly our effort is to get them the loans made available on softer terms so that these countries can certainly get better opportunities for development and in that development if we get an opportunity to make a contribution by technical aid, etc., that will be to mutual advantage.

SHRI A. G. KULKARNI : What about the Indians? The Indians should also get an opportunity.

SHRI Y. B. CHAVAN : Yes, they should get an opportunity.

DR. K. MATHEW KURIAN : From the statement given here it is very clear that the purpose of the Asian Bank in fact has been to serve the imperialist powers. I would like to know from the honourable Minister in this connection whether it is a fact that the United States is associated with the Asian Bank either as a member or as an associate member or in any other capacity, and, if so, whether he is aware of the fact that according to the United States Congressional report the American policy is to help Japan and India to move into the Asian world in order to further the American policy interests. I would like to know whether the honourable Minister is aware of the implications of this American foreign policy and whether he is aware that the Asian Bank is being utilised in terms of this loan policy to further the American interests, and, if so, whether it is because of the American connection with the Asian Bank.

SHRI Y. B. CHAVAN : What is the American policy or what is our assessment about it is a different matter. I will have to get the assessments about the American foreign policy in this matter. But we must be aware of our own policy in this matter. We are very clear about our own policy in this matter. Our own policy is to have complete consolidation of the Asian countries, we should make our own contribution there and we should see that the smaller undeveloped countries in the Asian region get proper opportunities for development. It is only through this method that we can possibly counterbalance the aggressive foreign policy of another big power, if at all there is any.

SHRI B. K. KAUL : I would like to know from the honourable Minister if the Government of India has got any policy at all.

(No reply)

MR. CHAIRMAN : Question Hour is over.