

SHRI N. GOPALASWAMI : This particular Railway—Eastern Railway— comprises five divisions of the former East Indian Railway and the whole of the former B. N. Railway. We are retaining all the divisions of the East Indian Railway as they are. We are putting a regional headquarters for the ex-B.N.R. at Bilaspur. It is a combination of both the regional and the divisional systems.

SILVER LOAN FROM U.S.A.

*3. SHRI GOVINDA REDDY : Will the Minister for FINANCE be pleased to state :

(a) Whether India has taken a silver loan from the U.S.A.;

(b) if so, to what extent and under what terms; and

(c) what arrangement is made for the repayment of the loan ?

THE MINISTER FOR FINANCE (SHRI C. D. DESHMUKH) : (a) and (b). The undivided Government of India obtained a loan of 226 million ounces of fine silver from the U.S.A. The silver of equal fineness is to be returned within 5 years from the date the President of the U. S. A. declares the termination of the emergency.

(c) India's share of the liability is proposed to be met from the surplus ' stock of silver in India and silver extracted from the quarternary coins withdrawn from circulation.

SHRI GOVINDA REDDY : May I know when was this loan exactly taken ? I want to know the date.

SHRI C. D. DESHMUKH: Between August 1943 and end of 1945.

SHRI GOVINDA REDDY : May I know, Sir, how the need for this loan arose ?

SHRI C. D. DESHMUKH : For coinage purposes.

SHRI GOVINDA REDDY : May I know, Sir, if the bullion market in India was consulted before this loan was taken ?

SHRI C. D. DESHMUKH : There was no need to consult the market here.

SHRI GOVINDA REDDY : May I know if there is any adverse effect on the bullion market by taking such a huge loan of bullion from a foreign country ?

SHRI C. D. DESHMUKH : Not in the least because the silver was used for coinage purposes. It was not put in the market.

SHRI GOVINDA REDDY : May I know, Sir, what stocks the Government had when they took this loan ?

SHRI C. D. DESHMUKH : I want notice of that question, Sir.

SHRI GOVINDA REDDY : May I know, Sir, if this silver has to be paid in the form of dollars or bullion ?

SHRI C. D. DESHMUKH : The silver has to be returned in kind.

SHRI GOVINDA REDDY : If it is to be returned in kind, am I to understand that the silver stocks here have to be transferred to U.S.A. to the extent of this loan ?

SHRI C. D. DESHMUKH : That is right except that the liability to return the whole of the silver does not now rest on us. A share of the silver is to be returned by Pakistan.

SHRI GOVINDA REDDY : As far as our share is concerned, may I know what is the last date of repaying that loan ?

SHRI C. D. DESHMUKH : 20th April 1957.

SHRI GOVINDA REDDY : Has any interest been charged on this loan or have any obligations been imposed upon India on this loan ?

SHRI C. D. DESHMUKH: The answer is in the negative to both parts of the question.

SHRIMATI VIOLET ALVA: What is the share of Pakistan in this loan ?

SHRI C. D. DESHMUKH : It is rather a complicated basis. The liability for lease-lend silver is to be shared between India and Pakistan on the following basis : The silver held in each Dominion in the surplus stock account on the 15th August 1947 *plus* the silver obtained in each Dominion by the retirement of quaternary silver coined between the 15th August 1947 and the date on which the liability is discharged. The balance of the liability is to be divided between the two Dominions in the ratio of 17I per cent, for Pakistan and 82 J- per cent, for India, each Dominion being free to discharge its liability by procuring silver in any manner it chose. But the two Dominions agreed that any internal procurement will be on a plan evolved after consultation between them.

SHRI GOVINDA REDDY : I want to know whether India has been freed from the obligation in respect of the share of Pakistan ?

SHRI C.D.DESHMUKH : That is the meaning of the Agreement, Sir.

SHRI GOVINDA REDDY: Was any other country negotiated with in this matter before it was agreed upon to take a loan from U.S.A. ?

SHRI C. D. DESHMUKH : No. It was not necessary to bring into the negotiation any other country.

SHRI K. B. LALL : May I know if the use of the word 'Dominion' is correct with regard to India and Pakistan ?

SHRI C. D. DESHMUKH: I referred to the wording of the Agreement when it was effected.

PANDIT S. S. N. TANKHA : What would be the position if Pakistan does not pay its debt ? Is India liable for that part of the debt ?

SHRI C. D. DESHMUKH : No, Sir.

SHRI P. SUNDARAYYA : What is the purpose for which the loan was taken ?

MR. C H A I R M A N : He said 'coinage'.

SHRI P. SUNDARAYYA : Why is it that only silver from U.S.A. is to be used ? Could not other base metals be used for coinage ?

SHRI C. D. DESHMUKH : The silver was used for what is called quaternary coinage which in addition to silver contains other base metals.

SHRI M. VALIULLA : What is the price to be paid to the U.S.A. for this silver ?

SHRI C. D. DESHMUKH : I am afraid, Sir, the hon. Member has not understood the basic nature of the transaction. It was a kind of lease-lend transaction. The silver is to be returned in kind. Therefore, there cannot be any question of any payment of price.

SHRI M. VALIULLA : In case we purchase silver to return it to America, what is the price we will have to pay ?

SHRI K. C. GEORGE : Has the Pakistan Government entered into a separate agreement for the return of the silver ?

SHRI C. D. DESHMUKH : Not to my knowledge, Sir.

SHRI K. C. GEORGE: Is there an agreement between Pakistan and India that Pakistan will pay her share of the loan ?

SHRI C. D. DESHMUKH: That is right, Sir.

MR. CHAIRMAN : That finishes Questions.