

COMING SOON

Discussion Paper under preparation

Proletarian Power
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Indian Government's Foreign Exchange Policies:

One of the projects we are currently working on is to check 'Whether India is handling its foreign exchange matters/affairs in the best interest of the nation?'

Let us look at some basic facts.

- India has, at present, more than 500 billion US Dollars worth of foreign exchange reserves - mostly held in US Dollars.
- The above is net result of many inflows and outflows, some fickle and some stable
- Post 1991 economic reforms India's currency (INR) is freely convertible on trade and current accounts but not on capital account.
- While INR is not freely convertible on capital account is the rule, there are many exceptions/exemptions to this rule. By design or by accident those exceptions/exemptions always favour the rich, influential, powerful and well connected.
- Foreign exchange flows, both sovereign and private, are clubbed together.

We want to examine closely the way India manages its Forex receipts, payments and reserves. We have some doubts. We are afraid that 'public interest' is ignored/compromised - intentionally or unintentionally.

It may be worth mentioning here that major forex expenditure is on Gold and Crude imports while major forex revenues are from repatriation by expatriates, Software export and export by SMSE etc., Thus we see that forex receipts and payments are asymmetric. Further there are imports, mostly software, that are not reflected in the records because either they are free for now (Gmail, WhatsApp etc.,) or people don't pay for them (MS Operating System etc.,) Nobody knows the value of such imports.

Further External Commercial Borrowings, FDIs and investments by FIIs, FPIs etc are also huge. Good parts of them are short term and can cause volatility if the situation in India becomes adverse.

We want to study the entire gamut of foreign exchange management by the rulers. We also would like to see whether the policies followed by the rulers in this regard are in the best interest

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of the nation and common man. We have serious doubts. We want to take a closer look before we come up with our opinion on this.

Interested people/institutions are welcome to 'join us' in this endeavour.

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