

LOK SABHA
UNSTARRED QUESTION No. 78
TO BE ANSWERED ON FEBRUARY 2, 2018

MANIPULATION OF CURRENCY TO SUPPORT EXPORT

78. SHRI GAJANAN KIRTIKAR:
SHRI BIDYUT BARAN MAHATO:
KUNWAR HARIBANSH SINGH:
SHRI SUDHEER GUPTA:
SHRI ASHOK SHANKARRAO CHAVAN:
SHRI NARANBHAI KACHHADIYA:
SHRI T. RADHAKRISHNAN:
Dr. SUNIL BALIRAM GAIKWAD:
SHRI S. R. VIJAYAKUMAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether India got biggest gains in terms of percentage among Asian emerging markets in the foreign exchange reserves last year;
- (b) if so, the details thereof and the factors favourable for such increase;
- (c) whether the United States (US) has accused India that it has manipulated its currency to support exports and if so, the details thereof;
- (d) whether India has taken up the matter with US authorities in this regard;
- (e) if so, the details thereof and the outcome thereto; and
- (f) the steps taken by the Reserve Bank of India to maintain stability of rupee against foreign currencies?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PON. RADHAKRISHNAN)

(a) & (b) As per the information available from International Monetary Fund (IMF), Thailand was the biggest gainer among Asian emerging markets in terms of percentage gains in Foreign Exchange Reserves (FER) during last year. The details of FER growth of Asian emerging markets are given in the table below:

FER growth in Asian Emerging Markets (per cent).

Rank	Asian emerging markets	percentage growth in Nov 2017 over Dec 2016
1	Thailand	18.2
2	India	11.8
3	Indonesia	8.3
4	Malaysia	9.1
5	South Korea	4.4
6	China	3.2
7	Philippines	-0.4

Source : IMF

There are various factors like increased Portfolio investment by Foreign Institutional Investors (FIIs), remittances by overseas Indians and valuation effect of exchange rate, etc. that have resulted in the increase of FER.

(c) to (e) The United States has not accused India of currency manipulation. However, the US Department of the Treasury in its October 2017 report on “Foreign Exchange Policies of Major Trading Partners of the United States” stated that “Over the first half of 2017, there has been a notable increase in the scale and persistence of India’s net foreign exchange purchases, which have risen to around \$42 billion (1.8 per cent of GDP) over the four quarters through June 2017. India has a significant bilateral goods trade surplus with the United States, totaling \$23 billion over the four quarters through June 2017. Treasury will be closely monitoring India’s foreign exchange and macroeconomic policies.”

(f) The exchange rate of the rupee is market determined. The Reserve Bank of India (RBI), however, intervenes in the domestic foreign exchange market to manage volatility and maintain orderly conditions. RBI continues to monitor the situation on exchange rate front and takes appropriate steps to bring stability in case of unwarranted increase in forex market volatility.
