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Prime Minister Rao's July 9 Speech transcript

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Former Prime Minister of India

When I spoke to you last, I promised quick and bold measures to restore our sick economy to health. We have taken the first step to fulfill that promise. This is the beginning. A further set of far-reaching changes and reforms is on the way.

For the last eighteen months, there has been paralysis on the economic front. The last two governments postponed taking vital decisions. The fiscal position was allowed to deteriorate. The balance-of-payment crisis became unmanageable. Nonresident Indians and foreign leaders became more and more reluctant to lend money to India.

Consequently, India's external reserves declined steeply, and we had no foreign exchange to import even such essential commodities as diesel, kerosene, edible oil, and fertiliser. The net result was that when we came to power, we found the financial position of the country in a terrible mess.

Desperate maladies call for desperate remedies. And that is what we have done. And this is what we will continue to do.

Exchange Rate Adjustment

The Reserve Bank changed the exchange rate of rupee. This was done so that we can export more. More garments, more leather products, more gems and jewellery, more agricultural products made in India will be sold abroad. This will not only earn us Foreign Exchange but also create new employment at home.

And why do we need to earn foreign exchange so badly? Not to import luxury items but to buy commodities like kerosene and diesel, fertilisers, edible oil, and steel. We produce these commodities, but what we produce is not enough. We are stepping up our production, but for some time, we have to import.

The adjustment in exchange rate will discourage the import of nonessential goods. And will therefore save foreign exchange for the imports of essential goods of consumption. It will also

end uncertainty about the future of our currency and will encourage nonresident Indians to send more money to be deposited in their accounts in India.

After changing the value of the rupee, we undertook a major overhaul of the trade policy. Our message was simple—you cannot import if you do not export. We cut down on the export licenses so that our exporters do not face hurdles. We eliminated subsidies so that the money saved could be better deployed in the welfare and employment programmes.

My objective is to make India truly self-reliant. Self-reliance is not a mere slogan for me. It means the ability to pay for our imports through our exports. My motto is—trade, not aid. Aid is a crutch. Trade builds pride. And India has been trading for thousands of years.

Friends, Rajiv Gandhi came to power in 1984. He first understood the need for India to change her traditional way of thinking and doing this. He realised that if India is to survive and prosper, fundamental economics reforms must be carried out. He did that. What we have done is a continuation of the policies initiated by him.

Social and Economic Philosophy

In my first address to you, I had outlined the agenda of my government. We stand committed to that agenda. The Budget which will be presented on July 24 will clearly articulate the social and economic philosophy of my government, the broad outlines of which are evident in our actions. What is this outline?

We believe that a bulk of government regulations and controls on our economic activity have outlived their utility. They are stifling the creativity and innovativeness of our people. Excessive controls have absorbed corruption. Indeed, they have come in our way of achieving our objectives of expanding employment opportunities, reducing rural-urban disparities, and ensuring greater social justice.

We believe that the Nation, as well as the Government, must learn to live within its means. Normally, a family borrows money to buy an asset and not to meet daily expenditure. So it is with the Government. There is much fat in the Government expenditure. This can and will be cut.

We believe that the Government concessions must be for the poor and the really needy. Over the past few years, expenditure on this has increased substantially, and in many instances, the concessions are being enjoyed by people who are not in the dire need of them. This must change.

India Cannot Lag Behind

We believe that India has much to learn from what is happening elsewhere in the world. Many countries are bringing in far-reaching changes. We find major economic transformation sweeping

large countries like Soviet Union and China, as well as small countries in Eastern Europe. There is a change in the outlook, a change in the mindset everywhere. India too cannot lag behind if she has to survive, as she must, in the new environment.

Our commitment to work for the uplift of poor, the unprivileged, and the disadvantaged is firm and irrevocable. We believe that this is best achieved if Government concentrates on providing drinking water, on creating jobs, on establishing infrastructure. Our measures must reflect this ideology.

I wish to assure you that while we are restructuring the economy to make it more productive and efficient, prices will be kept under the strictest control. We will ensure adequate availability and supply of essential commodities.

Friends, it will be dishonest for me to pretend that the job of repairing our economy will be easy, quick, or smooth. Each one of us will be called upon to make sacrifices. This is no time for partisan politics. I need the cooperation of each and every one of you. I need your support, your understanding. Together, we will succeed.

Source: *P.V. Narasimha Rao: Selected Speeches, Vol. 1, 1991–92* (New Delhi: Publications Division, Ministry of Information and Broadcasting, Govt. of India, 1993).
