

**Press Information Bureau, Government of India  
Prime Minister's Office 05-November, 2011 13:38 IST**

**Prime Minister Dr. Manmohan Singh's interaction with mediapersons at the  
conclusion of the G20 conference.**

The Prime Minister, Dr Manmohan Singh, interacted with mediapersons after the conclusion of the G20 conference in Cannes, France on Nov 04, 2011. Following is the transcript of the Prime Minister's interaction.

Prime Minister: Normally I hold these press conferences while going back in the plane, but I was told that you have to file your reports earlier now, so as a mark of recognition of your problem, I have advanced the timing of this press conference.

Q1. You said there maybe a spillover of the European crisis on India. How serious is that threat, because one-third of our business is with these countries only?

A1. Well. We are living in an increasingly integrated, globalized world. And there are many linkages which we have with Europe. Europe is our largest trading partner. It is a very important source of capital flows, technology flows. Therefore if the Eurozone is in crisis, it affects us in many ways. If growth in Eurozone slows down, their import demand will slow down, and we will also be affected as part of that process. If the financial markets are in a disturbed state, there will be instability, insecurity, and therefore capital might not flow in our direction, in the manner in which we would like. In the same way, technology flow can also be affected when there is a growing uncertainty in the economic environment. Therefore, it is in our interest that the Eurozone countries should get their act together, and present a credible picture of resolving the tensions that have arisen.

Q2. The statement says that the Communique endorses our call for increased banking transparency. How effective is this going to be in bringing black money back home?

A2. Let me say that I am no astrologer. We have to operate in a world where things are not entirely to our own liking. We are dealing with sovereign countries, and they will cooperate with us only to the extent that their laws permit them to do so. We are trying to negotiate new agreements: information exchange agreements(Tax Information Exchange Agreements), tax agreements(Double Taxation avoidance Agreements). It is a work-in-progress. The honest answer to your question is: first of all I really do not know what is the magnitude of the so-called black money lying abroad. Secondly, I really do not know that we have a fool-proof mechanism to ensure that we can bring back this money within a short period of time. We have to create an environment, in which our people would have, themselves, an incentive to bring back this money at home; that India is a land of opportunity; that, therefore, it is no longer necessary for people with surplus money in India to think of greener pastures outside. I think that is the only secure, long-term way to create an environment in which we will discourage the flow of such money to foreign countries.

Q3. On tough decisions that need to be taken in India, in terms of fiscal deficit. Are you looking at deregulating fuel prices, cutting subsidies, raising taxes etc?

A3. I attach great importance to the task of fiscal reconsolidation. We cannot live beyond means. And we also have to recognize that money simply does not grow on trees. So, the commitment that we have to the country to have a fiscal deficit of 4.6 percent as projected in the budget, has to be taken seriously. Even though there are circumstances in which there may be slippages, but the general direction of our economy has to be to get the fiscal system in balance, get the expenditure flows in balance, consistent with the availability of resources. If in the process, we have to cut some expenditure, cut some subsidy, I think in principle, that is the only way in which you can manage your fiscal system. Of course, there is also scope under favourable conditions, of disinvestment. These are three or four methods of getting the fiscal system in order. But, having said that, what we should do at any particular moment of time, is the subject matter of political feasibility. Therefore, the timing of what you have talked about, or what I have talked about, is, I think, a matter which has to be carefully worked out.

Q4. Emerging economies including China and India have said they would be OK in supporting the Eurozone, via possibly, the IMF. Is there a quid pro quo, for India?

A4. Well, I have already mentioned, we have a stake in the orderly functioning and prosperity of the European market, because Europe is our largest trading partner. It is a very important source of capital inflows into our country, technology flows in our country; and if the financial system of Europe is not in good shape, capital flows can be affected. Also, if the banking system of Europe is not in good shape, many of our entrepreneurs require trade credit, short-term credit. Now, the whole intricate system of capital flows, trade flows, in an increasingly inter-dependent world that we live in, gets disrupted. If that happens, it will be some cause for worry, for India as well.

Q5. Food inflation is at a record high, and petrol prices too have been raised. Do you see this as a fallout of what's happening across the globe?

A5. Many people in the meeting referred to commodity price inflation. Some attribute it to the easy money that is available as a result of qualitative easing in a number of developed countries like the United States. But that, honestly, is a subject matter on which there is no unanimity. Food inflation in our country is a problem. But, you would have noticed that within food inflation, if you make a distinction between foodgrain prices, they are relatively stable. What prices are going up are prices of vegetables, prices of eggs, prices of fish – the secondary and tertiary food items. Now, that obviously is a reflection of the demand for these commodities exceeding the supply. That, in turn, to some extent, at least, is a sign of growing prosperity of our country. Our national income is increasing at the rate of 8 percent per annum, our population is exceeding at the rate of 1.6 percent per annum. So the per capita income of our country is growing at 6.5 percent to 7 percent. It is bound to lead to demand for more diversified type of food basket. I am not saying that this is a fool-proof way of describing this complex reality. But in analyzing food inflation, I think this is an aspect which must not be lost sight of.

Q6. Can the government reconsider its decision to deregulate petrol prices? Can we see government intervening in petrol prices?

A6. Well, that (deregulation) is the general direction in which we should move. I think the move to decontrol petrol prices is a part of that process. But as I said, these are very sensitive areas. And I have no hesitation in saying that ultimately we must allow markets to find their own level, except for those commodities which are in the nature of semi-public goods. So, the direction of change is quite clear. We must move in the direction of decontrolling more and more prices.

Q7. Mr Sarkozy announced in his press conference that they had been seeking an agreement that countries should not prohibit the export of cereals or foodgrains or gas. Could you go into some of the details about that?

A7. I can say what Mr Sarkozy was saying. Naturally, in a world in which movements of commodities can be the subject matter of ad hoc restrictions being imposed, that creates added uncertainty. That does not help create transparency in the functioning of the markets for commodities. Therefore, in an ideal world, I think, that is a goal which everyone should subscribe, that it should not be necessary for any country to arbitrarily impose a complete ban. But as I said, we are in a world of politics. Our prime necessity is to protect our own population. Politicians, before they can become statesmen, they must remain in office long enough.

Q8. You made a reference to multilateral development banks in your speech yesterday...

A8. I said, multilateral development banks, their capital base has to be increased.

Q8(s) Is the lack of money flowing into World Bank affecting countries like India?

A8(s) Well, I think, indirectly, everything affects everything else. If the world is faced with the prospect of shortage of resources and if you direct resources in a particular direction, other users will have some issues. But there is no direct relation, as IMF issues fresh SDRs and it has no adverse affect on the capital flows of the World Bank. If you recall in the old days, when the future of the SDRs was being discussed, many developing countries used to argue that the SDRs should be created and they should be made available to agencies like IDA, or should be used to increase resource flow to developing countries.

Q9. What has India managed in this summit.

A9. We are a part of the G20 setup. The G20 setup – its primary concern is towards an orderly growth of the international economy; to ensure that development processes are not disrupted by sudden upsurge of uncertainty in developed countries – and it is an essay in persuasion. We are not writing new treaties. We are laying down guidelines, which will hopefully, be converted some day into new rules of the game. But as of now, we have not reached that stage, where, in a one and a half day conference, we can reach agreement on binding commitments for the future.

Q10. On MFN status being granted by Pakistan to India

A10. I have, rightly or wrongly, always believed that the destinies of the countries of South Asia are very closely linked. I welcome the decision of Pakistan to grant us the MFN status. It should have been done long ago. I think it was seventeen years ago that India gave MFN treatment to Pakistan, unilaterally, and Pakistan has taken so much time. Der Aaye, Durust Aaye. I welcome that. If it is a reflection of a new attitude, that within the SAARC context,

our countries can work together to realize our growth potential, of regional trade, of regional capital flows, of regional technology flows, there are so many things we can do together. If this is a reflection of new change, a new mindset, I welcome that, but we have to watch.

Q11. On uncertainty in global economy

A11. If anyone thought that the Eurozone crisis, which has been in the offing for the last three years, will melt, as a result of a one-and a half day conference, I think it was an over-exuberance in thinking. What I would describe as the outcome of the conference was that the Greek decision not to have a referendum, and the decision of Italy to have IMF monitor its programme, it does provide breathing space. But the Eurozone is faced with problems. It is a monetary union without having a fiscal union. If you want to have a fiscal union, it would require a change in the constitution of many countries belonging to the Eurozone. And that is an uncertain process. Otherwise also, Eurozone has a basic defect in the sense, that it does not have a lender of last resort. The only institution which is capable of acting as a lender of last resort for the Eurozone is the European Central Bank. The ECB, I am told, is not allowed to lend directly to governments. If somehow, a lender of the last resort function could be evolved for the ECB, that would be an act inspiring great confidence in the future of the Eurozone.

Q12. The big takeaway for India from the G20

A12. We are not here to collect any kudos, or to collect any money. This is a deliberative conference, where 20 countries responsible for 80 percent of the world's economy, sitting together, exchanging ideas, exchanging views, about how the world is moving, what we can do to make it function in more orderly fashion, how can we work together to ensure that public policies are in line with the felt needs of people This is essentially, an essay in persuasion. And it is in that context that we should view the outcome of this conference. I think, we are a country which requires the support of the rest of the world. We are today a big trading nation. We are also a country which requires a large amount of capital: both direct capital, and institutional flows. We are a country, which requires import of technology in selected areas. And all this, presumes, that the world economy is in reasonably good shape to enable these processes to proceed in an orderly fashion. So it is in that context, as I said, that we have a vested interest, in the well-functioning of the European markets.

Q13. None of the scheduled bilateral took place?

A13. I did have a good chat with Chancellor Merkel. She is a very good friend of mine. She again invited me to visit Germany. I promised her that I may not be able to come, but she is always welcome. And she said she is always very happy to come to India. So, those few minutes that I snatched from her time, I think, were a very valuable addition to my stock of knowledge of the functioning of the Eurozone. I mentioned to Chancellor that it has been my view for a long time, that for Eurozone to survive in a world in which, it is a monetary union without a fiscal union, requires somebody to perform the role of a lender of last resort. And I was very happy to see Chancellor herself recognizing that that is one of the weaknesses of the current system.

Q14. Concerns on money laundering, corruption, how responsive have the G20 countries been.

A14. If you go by the communiqué these are concerns which are shared by all the members of the G20. The communiqué reflects those concerns on corruption. And they welcome our ratification of the UN convention on corruption.

Q15. Has there been a commitment made by India on GST and DTC?

A15. It is not a commitment, in the sense that there is no legally binding agreement. But it is our intention to get the fiscal system in order. As part of the Mutual Assessment Process, we have stated that it is our desire in the medium-term to get mastery over the fiscal problem, and that would require introduction of a Direct Taxes Code, that would require also Goods and Services Tax, and that would also require probably, some tinkering with taxes. That is part of the Mutual Assessment Process exercise.

Q16. On the handshake with the Chinese premier.

A16. I have very good relations both with President Hu Jintao, and with Prime Minister Wen Jiabao, and when I spoke yesterday, at the BRICS meeting, the President, as I walked past him, he came to me, and he congratulated me, and he said how similar is our thinking on global problems. There is a great similarity of thinking on global problems, between what I said at the BRICS meeting, and what President Hu Jintao said.

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