**Press Information Bureau, Government of India**
**Prime Minister's Office 27-June, 2010 9:35 IST**

## Remarks by the Prime Minister Dr.Manmohan Singh at the Toronto G-20 Summit

Following is the text of Prime Minister, Dr. Manmohan Singh's remarks at the G-20 Summit in Toronto on June 27, 2010.

"Mr. Chairman,

The central problem we face today is how to ensure protect global growth in a situation where markets have become very nervous about debt sustainability, especially in some countries in the Eurozone. Concerns about debt sustainability normally suggest a need for fiscal contraction. But circumstances are not normal. The recovery is still fragile and private demand in the industrialized countries is likely to remain weak. Contractionary policies, if followed by many industrialized countries simultaneously, could provoke a double dip recession. This would have very negative effects on developing countries, and on the prospects for achieving the Millennium Development Goals.

I recognize that there are uncertainties and it is difficult to strike the right balance. But on the whole, I feel the risks of destabilizing the recovery are too great. We have a much greater risk of deflation than inflation. We must, therefore, give primacy to consolidating the recovery, while also taking measured steps to deal with sovereign debt problems.

This calls for careful coordination of policies among the G-20. It is precisely for this purpose that we agreed in Pittsburgh to work on a Framework to deliver strong and sustainable growth. The outcome of Phase I of this process, which is now before us, sheds valuable light on the policy responses needed in different groups of countries.

Fiscal consolidation must obviously have high priority in those advanced deficit countries that are experiencing exceptional fiscal stress and where markets have signaled serious concern. However, other advanced countries should opt for a much more calibrated exit from stimulus. We should adopt a carefully differentiated approach, reflecting the circumstances of individual countries.

The time phasing of fiscal action is also important. Markets may well be reassured by credible steps by major industrialized countries, which impact the fiscal deficit significantly over time, even if the immediate impact is more limited.

Developing countries need to rebalance their strategies to rely less upon exports and more on domestic demand. In many developing countries, this is best done through increased investment directed to infrastructure. This will sustain growth in the short run by offsetting the contractionary effect of lower exports. It will also increase growth potential in the medium term, by addressing the supply side constraints.

Aiming at higher levels of investment despite lower export growth is likely to generate larger current account deficits. This will help rebalance global demand, but it requires an environment in which the higher current account deficits of developing countries can be financed. This requires an expansion in both multilateral and private capital flows.

Growth in developing countries would be greatly helped if threats of new protectionist measures in industrialized countries are firmly resisted and existing barriers to trade, especially those affecting developing countries, are reduced. In this context, a successful completion of the Doha Development Round is imperative.

Finally, Mr. Chairman, let me comment briefly on how we in India are handling the situation. Thanks to an effective fiscal and monetary stimulus, we were able to contain the effect of the global crisis on our economy. After growing at 9 percent for four years before the crisis, our economy averaged about 7 percent growth in last two years. We expect to grow by 8.5 percent in 2010-11 and we hope to go back to 9 percent by 2011-12.

This is an ambitious goal and we recognize that we have much to do to achieve it. We are taking steps to reverse the fiscal stimulus we had introduced to deal with the crisis. To this end we have outlined a medium term plan to halve the fiscal deficit by 2013-14.

We are giving a strong push to investment in infrastructure, relying on private public partnership as much as possible to reduce the burden on scarce public resources.

We have a sound and well regulated financial sector which was not affected by the crisis. We will persevere with implementing financial sector reforms to support rapid and inclusive growth in the real economy, and also to increase systemic stability in the financial sector."

********

AKT/SH
(Release ID :62846)