

# India needs to lure more foreign investment to boost growth

IMF finds fiscal gap unsustainable

NEW DELHI, June 7: India's fiscal deficit is unsustainable and the country needs to attract more foreign direct investment in order to boost growth, the International Monetary Fund's new managing director said yesterday, reports Reuters.

"The fiscal situation today is not sustainable," Horst Koehler, warned at a news conference, adding that current deficit levels were a matter for concern.

Both the central (federal) and state governments need to contain their deficits. There is a need to reduce budget deficits of Indian public administration."

The fiscal deficit of the federal government is estimated at 5.6 per cent of gross domestic product (GDP) in 1999/2000, up from 4.5 per cent a year earlier. The combined fiscal deficit of the state and federal govern-

ments' in 1999/2000 was nine per cent of GDP.

Asked specifically what India needed to do further, he said: "Fiscal consolidation in the short term and secondly the country should be opened more to competition and foreign direct investment."

Koehler, in India on a two-day visit, the last stop of a five-nation tour, said the country also needed to accelerate economic reforms to push economic growth onto a faster track.

"India has already achieved a lot but this is not enough."

But, he added: "I am totally convinced that this government will continue with necessary (economic) reforms."

Indian GDP grew 5.9 per cent in 1999/2000. The government has set a target of 7.0 per cent

growth in 2000/01, which it wants to further accelerate in the years ahead.

The minister said that the objective of the government is to achieve 8-10 per cent growth in the medium term, he said, referring to discussions held in the morning with Finance Minister Yashwant Sinha.

Koehler said higher growth is necessary if the aspirations of the huge population — which crossed the one billion mark in May — are to be met.

"This (the growth objective) is ambitious but possible. It is doable if there is acceleration of the reform process," he said.

India started an ambitious economic reform programme in 1991 when it faced a severe balance of payments crisis.

The fragility of the country's external sector has improved

since then.

Total external debt has fallen to 22.3 per cent of GDP at end-December 1999 from 30.4 at end-March 1991 and the debt service ratio has improved to 18.2 per cent of current receipts from 35.3 in the same period.

Other notable achievements of the reforms programme include the opening up of the state-run monopoly insurance sector to private and foreign competition and the introduction of international capital adequacy and bad debt norms for banks.

The government has also started diluting its stake in state-run banks and since last year has embarked on an ambitious privatisation plan. Last month, it said it would sell 60 per cent in Air-India, the country's international carrier.



Hamidul Huq, Additional Managing Director of United Commercial Bank Ltd (UCBL), addresses as chief guest the certificate awarding ceremony of a course on "Banking Laws and Practices" at UCBL Training Institute. A H M Nurul Islam Choudhuri, Principal of the institute, is also seen.

— UCBL photo

# Oil prices stabilise after attack of OPEC jitters

LONDON, June 7: World oil markets recovered some of their poise yesterday after conflicting policy statements by dominant OPEC power Saudi Arabia scared prices lower on Monday, reports Reuters.

July Brent Blend crude ended 2 cents firmer at \$28.59 a barrel after sliding 68 cents on Monday.

Traders were sifting through a continuing slew of statements by OPEC officials signalling the cartel may be ready to contemplate an output hike at a policymaking meeting on June 21.

Dealers want to know if the Organisation of the Petroleum Exporting Countries will make good on an informal pact to lift output by 500,000 barrels per day if prices continue to rise.

OPEC President Ali Rodriguez said there were no plans to delay an increase if the sta-

bility pact's trigger is reached — something analysts say could happen as early as Wednesday.

Rodriguez has said the trigger will activate when the 20-day average of a basket of OPEC crude rises above \$28 a barrel.

Asked if there was a likelihood of delaying the production hike due to differences within OPEC, Rodriguez told reporters: "that is not planned, but obviously I am in constant communication with other ministers and any recommendations they make will be taken into account."

The average for the OPEC basket for the last 20 days to Monday stood at \$27.90 a barrel.

Saudi Oil Minister Ali-al-Naimi on Monday signalled the stability pact needed more preparation before it could be used — but he also later said

buoyant markets probably needed more crude, something the mechanism will provide if OPEC agrees to use it.

The recent rally has largely been due to gasoline market woes in the United States, the world's largest consumer, and some in OPEC say more crude will not address that situation.

Rodriguez's remarks failed to hurt sentiment, and likewise bears were unable to make mileage out of remarks by Mexico's Energy Minister Luis Tellez that producers should supply more when the second quarter concludes at the end of the month.

Bulls on the other hand were galvanised by remarks from a Middle Eastern diplomat in New York that Iraqi oil would stop flowing for about 10 days at start of the eighth phase of the oil-for-food sale.

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M Kamaluddin Chowdhury, Executive President of the bank, was present as the chief guest, while A M Fakhruddin Ahamed, Director General of IBTRA, presided over the function.

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## Japanese capital investment up for first time in two years

TOKYO, June 7: Capital investment spending by Japanese corporations rose 3.3 per cent in the January-March quarter on-year, the first increase in more than two years, a government survey showed Wednesday.

The Ministry of Finance quarterly report also said that corporate current profits rose a robust 38.7 per cent during the January-March period compared with a year earlier.

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