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**INDIA-UK ECONOMIC AND FINANCIAL DIALOGUE CONTRIBUTED
SUCCESSFULLY IN STRENGTHENING THE BILATERAL RELATIONSHIP
BETWEEN TWO COUNTRIES: FM**

**New Delhi:
July 25, 2011**

The Union Finance Minister Shri Pranab Mukherjee said that the Indo-UK Economic and Financial Dialogue which was established in 2005 has contributed successfully in strengthening our bilateral relationship. He said that the significance of this dialogue is in laying the agenda and guidance for future engagement. Shri Mukherjee was speaking at the Fourth Ministerial Level Indo-UK Economic and Financial Dialogue at London today. He said that both the countries have identified a number of issues for joint collaboration. He said that he is sure that we will make further progress in the coming months in deepening our economic relations based on mutual appreciation of our respective concerns and aspirations. He said that this exchange of views will go a long way in improving our

understanding of each other's position on issues of mutual concern. Shri Mukherjee said that India and UK share a strategic partnership and enjoy traditionally warm and close bilateral relations in diverse areas. Our two countries enjoy strong historical and cultural relations built on shared values and traditions. Since the visit of His Excellency, UK Prime Minister David Cameron to India in July 2010, we have seen our bilateral relations being elevated to an 'Enhanced Partnership for the Future'.

The text of the Opening, Closing and Intervening Remarks made by the Union Finance Minister Shri Pranab Mukherjee on the occasion of Fourth Ministerial Level India-UK Economic and Financial Dialogue in London today is given below:

Finance Minister's Opening Remarks

India-UK Economic and Financial Dialogue
(London July 25, 2011)

**Your Excellency Chancellor Osborne,
Distinguished Members of the Delegations,**

It is a great pleasure to be here for the India-UK Economic and Financial Dialogue. I would like to thank you for the warm welcome accorded to me and my delegation. India and UK share a strategic partnership and enjoy traditionally warm and close bilateral relations in diverse areas. Our two countries enjoy strong historical and cultural relations built on shared values and traditions. Since the visit of His Excellency, Prime Minister of UK David Cameron to India in July 2010, we have seen our bilateral relations being elevated to an 'Enhanced Partnership for the Future'.

2. I am happy that our high level exchanges at political, official and business levels have intensified in the recent past. This reflects mutual understanding and appreciation of each other's views in various bilateral, regional as well as multilateral forums, including the UN and the G-20.

3. The timely and coordinated action of G-20 member countries helped in steering the global economy out of the unprecedented economic slowdown. IMF forecasts indicate that global economy is projected to grow at 4.3 per cent in 2011 and 4.5 per cent in 2012. The recovery is, however, slower than anticipated and downside risks have intensified in recent months.

4. A faster recovery in growth momentum in advanced economies is essential for putting the global economy on a sustained growth path of the

pre-crisis period. At the same time, it is essential that the current growth drivers of the global economy, principally the emerging and some developing economies are able to sustain their momentum in the medium to long term. This is vital for global macro rebalancing as well as for creating the conditions for a faster recovery in the advanced economies. It is imperative that we address these challenges in a coordinated manner at the global level.

5. A renewed weakness in the US economy, the danger of sovereign debt crisis in peripheral Euro-zone countries and its spillover to financial markets, checking global recovery, are a continuing source of concern. The new package worked out by the IMF and the European Central Bank must aim at minimizing the probability of a recurrence of the crisis. Any half measures in pursuing structural reforms and fiscal consolidation will further erode market confidence, with the contagion spreading to other countries.

6. Several measures to reform international financial institutions and financial sector regulations have been initiated at the behest of the G-20. India as the co-chair of the Working Group on the Framework for Strong, Sustainable and Balanced Growth, is striving to bring about coordinated, country determined set of specific policy actions including, where possible, measurable objectives and clear time frames, to promote strong, sustainable and balanced growth. The credibility and future of the G 20

now rests on its ability to address and deliver on its ambitious and rapidly expanding agenda. The efforts must continue.

7. The Indian economy has been on a path of robust recovery since the global slowdown. With GDP growth estimated at 8.5 per cent in 2010-11 following 8 per cent in 2009-10, we have recorded one of the fastest growth rates in the world and are nearly back to our pre-crisis growth levels. We believe that growth potential for India is over 9 per cent. Our medium-term growth prospects are driven by sustained high savings and investment rates, the demographic dividend that is yet to peak and rising investments in infrastructure. More importantly, Indian business enterprise has learnt to compete and create its place in international markets. Downside risks emanate mainly from continuing uncertainty about energy and commodity prices that have implications for meeting the fiscal targets, moderating domestic inflation and improving investment sentiments in the economy.

8. We were on a path of fiscal consolidation with fiscal deficit reaching 2.5 per cent of GDP in 2007-08. The fiscal expansion undertaken to counter economic slowdown led to fiscal deficit going up to 6.0 per cent in 2008-09 and 6.5 per cent in 2009-10. Since then we have reverted to consolidating our fiscal balance and succeeded in restricting the fiscal

deficit to 4.7 per cent in 2010-11. We remain fully committed to continue on this path of fiscal prudence.

9. While there has been some progress in containing domestic inflation, it continues to be an area of concern. Supply side and monetary measures are being actively taken to address it. I look forward to hearing from you how UK is addressing the challenge of managing inflation.

10. In the last few years our focus has been on making growth more inclusive. A multi-pronged strategy that seeks to sustain high growth, with emphasis on creating entitlements to meet some basic human needs, building human capital, and improving delivery of various social welfare programmes, is being pursued. We are seeking to diversify our agriculture including by focusing on new regions of significant potential. We are also undertaking modernization of delivery mechanism of public programmes and services. An ambitious programme of issuing Unique Identification ID for all residents is being currently implemented.

11. We are in the process of deepening policy reforms in the financial sector and addressing gaps in the overall economic regulatory architecture. Financial inclusion remains a priority area for us. I must mention here that

there is a significant presence of UK banks in India. They account for 50 per cent of total foreign bank branches in India.

12. The fast growth of the economy in recent years has placed increasing stress on physical infrastructure, such as electricity, railways, roads, ports, airports, irrigation, urban and rural water supply and sanitation, all of which suffer from a substantial capacity deficit. Our Twelfth Five Year Plan period (2012-2017) is an ambitious one for infrastructure development, with the projected spending likely to be doubled to around US\$ 1 trillion. In order to sustain the high growth in infrastructure spending, it is essential to source more funds from the private sector. The Indian Government has laid emphasis on Public Private Partnerships (PPPs) which combine the efficiency and technological prowess of the private sector, with the public welfare orientation of Government. We have established financing scheme to support viability gap funding for PPP projects. We have established Special Purpose Vehicles called Infrastructure Debt Funds to harness offshore pension and insurance funds for accessing long tenor loans to PPP projects. The issues like land acquisition, environment clearance and resettlement and rehabilitation are under continuous policy churn, with a view to de-risking both greenfield and brownfield projects. Major steps are being taken to simplify and place the administrative procedures concerning taxation, trade and tariff on electronic interface, free of discretion and

bureaucratic delays. This will set the tone for a vibrant and more efficient economy.

13. We attach high importance to our bilateral partnership. We are committed to deepening our strategic partnership and cooperation in various facets of our economic relationship. I am looking forward to having a very productive and comprehensive exchange of views on a wide range of issues that have been identified for discussions today.

Thank you.

Union Finance Minister's Intervening and Closing Remarks

Excellency,

UK continues to be a major trade and investment partner for India. The global economic slowdown saw our bilateral trade declining in 2009-10, but figures for 2010-11 indicate recovery. We look forward to

intensifying our joint efforts to ensure that our bilateral trade can grow further in the coming years.

2. UK is one of the most preferred destinations for Indian business. There are more than 600 Indian companies located here. I understand that India was the third largest investor in UK in 2010, with more than 20 new acquisitions. UK is the fourth largest investor in India with significant investments in sectors like oil and gas, ports, electronics, as well as services. Our efforts are towards making India the preferred destination for your businesses.

3. An important part of the investment environment in a country is its taxation policy. The new Direct Taxes Code slated for implementation from April 1, 2012 and proposed Goods and Services Tax are measures that will help create a modern and more efficient tax system in India. India is now the 34th Country Member of Financial Action Task force. The FATF process will also help us in co-ordination of anti-money laundering/countering financing of terror (AML/CFT) efforts at the international level.

4. To make the FDI policy more user-friendly, all prior regulations guidelines have been consolidated into one comprehensive document, which is reviewed every six months. This has been done with the specific intent of enhancing clarity and predictability of our FDI policy to foreign investors. Ownership and control are now central to the FDI policy, and the methodology in this regard has been clearly defined. A major initiative has been the liberalisation of pricing and payment of technology transfer fee, trademark, and brand name and royalty payments. Discussions are currently underway to build consensus on further liberalisation of the FDI policy in retail and defence sector.

5. We intend to double the exports from India in the next three years to reach a level of US\$ 500 billion. We are in the process of finalising a National Manufacturing Policy with the objective of increasing the share of manufacturing in our GDP from the current level of 16 per cent to a level of 25 per cent of GDP over the next decade.

6. To maintain the growth momentum in India it is essential to have a readily available skilled workforce. We have a 'demographic dividend' of a relatively younger population that needs to be harnessed. We are focusing on secondary education, increasing

the percentage of our scholars in higher education and on providing skill training. We have set up National Skill Development Corporation (NSDC) to address the challenge of imparting skills through a large pool of quality vocational institutions on public private partnership mode. NSDC is well on course to achieve its mandate of creating 150 million skilled workforce by 2020, two years before the stipulated target year.

7. In the end, I am extremely happy that we have had very useful and productive discussions on economic and financial issues of importance for our 'Enhanced Partnership for the Future'. My colleagues and I have greatly benefited from these deliberations. I am confident that this exchange of views will go a long way in improving our understanding of each other's position on issues of mutual concern.

8. The Indo-UK Economic and Financial Dialogue which was established in 2005 has contributed successfully in strengthening our bilateral relationship. The significance of this dialogue is in laying the agenda and guidance for future engagement. We have identified a number of issues for joint collaboration. I am sure that we will make further progress

in the coming months in deepening our economic relations based on mutual appreciation of our respective concerns and aspirations.

9. I would also like to extend an invitation to you to visit India for the next round of this dialogue.

Thank you.

DSM/SS