

*7-8% growth possible in 2010-11; Steps to cut fiscal deficit likely next fiscal*  
**RBI SHOULD KEEP CLOSE TAB ON FOOD PRICES IN NOV-DEC  
BEFORE RESTRAINING LIQUIDITY, SAYS C RANGARAJAN**  
*Two-Day ICC Regional CEO Forum Meeting Begins in New Delhi*

**NEW DELHI, December 4, 2009.** Describing the inflation of food items as worrisome, **Dr. C Rangarajan, Chairman of the Prime Minister's Economic Advisory Council**, today said that he expected the RBI to monitor the price situation closely during November and December before taking a decision on restraining the level of liquidity in the economy.

Inaugurating the International Chamber of Commerce (*ICC*) *Regional CEO Forum here on 'Globalization and Inclusive Growth'*, organized in association with *FICCI*, Dr Rangarajan said while the fiscal deficit at 6.8% in 2009-10 was unsustainable, there should be no premature withdrawal of the of the accommodative monetary and fiscal policies being pursued by the RBI and the government, "I do expect that some efforts would be made in fiscal 2010-11 to reduce the fiscal deficit."

Dr Rangarajan said, it was possible that in the next fiscal, the government might want to bring down the budgeted fiscal deficit and go for fiscal consolidation. "Some expenditures could be withdrawn and some revision of excise duties and service tax cannot be ruled out."

He said the strong growth witnessed during the second quarter of this fiscal gave rise to the hope that 2009-10 would close with a GDP growth of 7% plus. And if that trend continues, India could well clock a growth rate of 7-8% in 2010-11. To get back to a higher growth trajectory of 9%, would depend upon the turnaround in the world economy, as the global slowdown had impacted India's exports and capital inflows.

Capital inflows into the country turned negative in 2008-09 ( there was actually an outflow of US\$ 9.1 billion), after attaining a level of US\$ 101 billion in the previous year. For the current year (2009-10) the PM's Economic Advisory Council has forecast a net capital inflow of US\$ 30 billion, Dr. Rangarajan said.

**Dr. Victor Fung, Chairman, ICC**, in his special address, pointed out that the past 18 months have been a challenging time for the world economy. "The measures agreed to at the G20 Summit in Pittsburgh appeared to be pointing us in the right direction. "But while the economy in India, China, the US and many other countries appears to be rebounding, we are not out of the woods yet," he said, adding that unemployment continues to rise in many countries, while millions of people have fallen into poverty.

With unemployment comes the increasing threat of protectionism, Dr. Fung said and cautioned that “We must ensure that international trade, the lifeblood of the world economy, flows smoothly, unhampered by economic nationalism and other forms of protectionism.

“The decisions that we take today will affect generations to come,” the ICC Chief said and emphasized that it was imperative to expeditiously conclude the WTO’s Doha Round of trade negotiations. A successful conclusion of the round would strengthen the multilateral trading system and boost confidence by demonstrating that world leaders can work together to achieve mankind’s common good, Dr. Fung declared.

**Mr. S N Agarwal, President, ICC India & Chairman, Boruka Power Corporation Ltd.** , noted that the recent havoc created by the financial crisis had raised doubts in the minds of many about the idea of globalization. Concerns have cropped up regarding the protectionist measures being undertaken by some countries. “It is important to realize that taking a protectionist stand is going to do more harm than good to the economies in the long run and therefore it was important to ensure that the benefits of globalization are dispersed in a balanced way,” he said.

Greater cooperation and convergence between countries was the only way forward, Mr. Agarwal said, adding that the new institutional systems at the global level have to be more flexible, giving the developing countries more space. Further, it would be imperative to strengthen the governance framework. The new laws and institutions would not be effective unless a good governance system was in place, he pointed out.

**Mr. Hari Shankar Singhanian, Past Chairman, ICC and FICCI & President, JK Organisation**, said globalization today was particularly relevant for India and the rest of the developing world. The challenge before business was to find solutions and think of organizations and institutional mechanisms to see that globalization is achieved along with inclusive growth, he said.

**Mr. Sushil Jiwarajaka, Vice President, ICC India; Chairman, FICCI-Western Regional Council & Chairman and MD, Artheon Electronics Ltd.** gave a vote of thanks.