

India's external trade reflects globalisation: RBI chief

India's external trade in goods and services as a percentage of GDP is 48 percent, more than that of the US at 29 percent, indicative of India's trade integration with the global economy, governor of Reserve Bank of India (RBI) Y.V. Reddy said here.

Reddy was speaking on 'India: The Global Partner' at Columbia University's World Leaders Forum Tuesday at a session moderated by Jagdish Bhagwati, distinguished economics professor at the university.

'We partner with the global economy fully on the trade and the current account while there is progressive liberalisation of the capital account, consistent with the progress in reforms in the fiscal and financial sectors,' Reddy said.

In the current environment of financial turbulence and a possible unwinding of macro imbalances, India plays a stabilising role with a modest current account deficit in most of the recent years at around one percent of the GDP, and a market determined exchange rate, he said.

'India has not been contributing to the global macro economic imbalances, though it has a stake in how the issues get resolved in the near future,' he added.

Reddy said the money, government securities and foreign exchange markets have been stable in India and may not be vulnerable to the effects of the turbulence in the financial markets elsewhere.

'However, the Indian equity markets, which often reflect global trends, have been volatile in the recent months and that has some impact on changing sentiments,' the RBI governor said, while pointing out that India has a bank-dominated financial sector, and banks have a strong capital base.

Reddy said India is interested in the current debate on the role of Sovereign Wealth Funds because it has received investments from several of them directly or indirectly. For its part, the country's foreign exchange reserves, about \$300 billion, continue to be managed by the RBI.

Reddy pointed out that Indian corporates make their own judgements on foreign acquisitions, with public policy neither providing incentives nor disincentives for such initiatives.

He said since India reflects in itself the great diversity of the global society, the Indian people and corporates are able to live and work harmoniously alongside other nationalities.

He pointed out that Indians are providing services in various parts of the world, from the less skilled to the very highly skilled professionals.

Following sustained higher growth in India, however, foreign nationals and expatriate Indians are expressing their interest for pursuing more fruitful ventures in India.

As a result, Reddy said, corresponding trade and private business linkages have also started growing. Recently, a globally active bank launched an 'Account for Expatriates' in India to provide value-added services for the rapidly growing expatriate community.

Reddy said independent India has never reneged on its monetary obligations to the rest of the world, nor has sought any noticeable rescheduling of its payment obligations. The entire burden of the liquidity crisis in 1991 and its adjustment was successfully borne by the domestic economy.

He then answered questions from the audience, comprising students and faculty of the university as well as invitees including Nirupam Sen, India's ambassador to the UN, and Neelam Deo, Indian consul general in New York.

Reddy was visiting the US in connection with the International Monetary Fund-World Bank spring meetings over the weekend in Washington.

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