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FM adviser holds out hope

A STAFF REPORTER

Kaushik Basu in
Calcutta on Friday.
Picture by Biswaroop
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Calcutta, Jan. 22: India's economic prospects look very bright and the nation can even hope of toppling China's growth rate over the next five years, according to Kaushik Basu, the chief economic adviser to the finance minister.

Speaking at a conference on corporate governance here on Friday, Basu said he was "very optimistic" about the economy and forecast growth of up to 7.8 per cent in this fiscal.

"I've gone through enough forecasts and data to know that a growth of 7.5 per cent is possible. If you ask me, my forecast will be anywhere between 7.5 per cent and 7.8 per cent this year," Basu said at the conference organised by the American Chamber of Commerce in India.

"I've joined the government a little over a month ago. Seeing the government from within, let me assure you, is not a pleasant sight. But the economy has grown in spite of all the shortcomings and there is enough scope for hope," he said.

According to Basu, India's turnaround from the downturn after just two weak quarters is remarkable.

"The performance has been pretty good since then. By next year, India should be looking at a growth of over 9 per cent," he said.

The former professor of the Delhi School of Economics said the possibility of recording a 9 per cent growth rate would have evoked laughter in the past; but achieving a double-digit growth figure and a place ahead of China was no longer a "fool's hope".

High savings and investment rates have played a big role in strengthening the economy.

"In the late 1960s, we were saving just about 13 per cent of GDP (gross domestic product). For two decades since the 1970s, we were stuck at around the 22-24-per-cent-mark. Now, we are saving at a rate of 38 per cent of GDP and that's in

the league of the east Asian nations," he said.

"Improvements in corporate culture also contributed to India's recent prosperity and India's growing clout in the global political arena will only add to that," he said.