

# Strong fundamentals to help India counter turmoil: World Bank

India will be affected by the global financial meltdown but strong fundamentals and a pro-active monetary policy management will possibly allow it to ride the crisis, a World Bank study says.

In South Asia, "the largest economy, India, is relatively more exposed to the contagion effects of global financial markets through adverse effects on capital flows from portfolio and direct foreign investments", said the study on 'Global Financial Crisis: Implications for South Asia'. It would also be affected "through exposure of domestic financial institutions to troubled international financial institutions and to contracts — including derivatives — that have undergone large value changes," it said.

"The evidence so far shows significant losses in the stock market and a reduction in the flow of foreign capital.

"Yet these risks are countered by a fundamentally strong macro economy including prudent foreign debt management, high savings rate, solid financial sector health, and a pro-active monetary policy management that will likely allow India to ride the crisis without

destabilising the financial sector."

In this context, the study mentions the swift action of the Reserve Bank of India in injecting extra liquidity into the financial sector, and raising the limit on private foreign borrowing, adding that the global financial crisis is still evolving and there is a significant risk of further slowing down of net capital flows.

The recession in the Organisation for Economic Cooperation and Development (OECD) countries will almost certainly lower the export prospects for all South Asian countries, but especially India that has done remarkably well in the services sector and now faces a sharp slowdown in demand, the Bank said.

Foreign remittances from OECD countries too can be adversely affected, the study said suggesting, "India and Pakistan are particularly exposed to this slowdown.

However, on balance the downside risk of substantial lower earnings from remittances appear low.

India's prospects will be hurt by the reduction in capital flows and possible slowdown in the growth of exports, it

said noting, "Pakistan's economy is already facing difficulties; the financial crisis will aggravate it."

Pointing out that the global financial crisis is hitting South Asia at a time when it is already reeling from the adverse effects of a severe terms-of-trade shock, the study said, "Countries have responded by partially adjusting domestic fuel prices, cutting development spending and tightening monetary policy.

"The adverse effects of these terms of

trade losses have been substantial, reflected in a slowdown of growth, worsening of macroeconomic balances and huge inflationary pressures," it said.

The global financial crisis will likely worsen these trends, particularly on the growth and balance of payments front. "Slowdown in global economy will adversely affect South Asian exports and could hurt income from remittances. Lower foreign capital flows and harder terms will reduce domestic investment.

Both will lower growth prospects."



Brazilian President Lula da Silva with President Smt. Pratibha Devisingh Patil in New Delhi on October 15.

## News from Nehru Centre

### First General Bilimoria lecture by Lord Dholakia

In association with the Temenos Academy, the Nehru Centre on October 23 hosted the first General Bilimoria Lecture. Lord Karan Bilimoria invited Lord Navnit Dholakia to deliver the lecture on 'Citizenship and Identity'.



an ardent environmentalist. He also served as the Chairman of Jardine Securicor Gurkha Services in India and as partner in Hong Kong. Amongst other awards, he was given the Federation of Parsi Zoroastrian Anjuman of India's Colonel Adi B Tarapore Award for Excellence in the Military Field in 1989. He was a great inspiration to his son, Cobra Beer's founder and CEO Karan Bilimoria.

Following retirement from a glittering military career which included serving as the Aide-de-Camp to the first President of India, General Bilimoria (1933-2005) was a keen sportsman and

### Santoor concert by Pandit Tarun Bhattacharjee



Under its series of concerts, 'Music for the Mind & Soul', the Nehru Centre, on October 17, in collaboration with Milapfest, invited the santoor maestro Pandit Tarun Bhattacharya to hold a concert at its venue. Kousic Sen accompanied Pandit Bhattacharya on tabla. With its

100 strings and magical sound, the santoor is perhaps the most beautiful instrument of India, originating in Kashmir. Playing the santoor was the maestro, a musician who been an ambassador for India for the last 25 years. Through his santoor, Bhattacharya has created authentic yet unique music, which makes his performance an unforgettable experience for audiences.

### Sharmila Tagore as Devi

Under Satyajit Ray Foundation's Film Festival, 'Six Decades of Indian Cinema', the Nehru Centre on October 15 screened Satyajit Ray's film Devi. Sharmila Tagore, the renowned Indian film actress, Unicef Goodwill Ambassador and head of the Indian Film Censor Board, gave a short



introduction about the film. Lord Meghnad Desai and Pervaiz Alam paid tribute to Ray and Tagore. Tagore spoke on her journey through cinema and her association with Ray. She also gave the audiences an interesting insight into the making of Devi.

### Nandita Das and Mehreen Jabbar



The Nehru Centre on October 19 in association with Tongues on Fire invited Nandita Das, Mehreen Jabbar and Shashank Ghosh to discuss with Naman Ramachandran, film critic, the challenges and excitement of filmmaking from behind the camera. Both Nandita and Mehreen have released their feature-length directorial debuts at the Toronto Film Festival and London Film Festival. In 'Firaaq', Nandita presents a film about ordinary people who are altered forever after the Hindu-Muslim riots, which ravaged Gujarat in 2002. Mehreen's powerful debut film, 'Ramchand Pakistani', set on the border between Pakistan and India is based on a true-life story of a willful single child from low caste Hindu parents who live in Pakistan. Ghosh's film, 'Quick Gun Murugan' was the talk of the town at the London Film Festival.

### A Journey to Mount Kailash

Under its series, Incredible India, the Nehru Centre on October 22 in collaboration with TransIndus invited Michael Wood to take the audience on a beautifully illustrated journey to the roof of the world, through North India and Nepal into western Tibet. Going through Haridwar and Badrinath, his goal was Mount Kailash and the dramatic remains of the Buddhist kingdom of Guge on the upper River Sutlej at Tsaparang and Thoiing. On the way he reflected on the enduring meaning of the sacred mountain in India's religions over thousands of years, and on its continuing significance for us today.



### AIDS Sutra: Untold stories from India

In collaboration with Vintage Original, the Nehru Centre on October 20 launched an anthology, AIDS Sutra, which includes the work of Salman Rushdie, Kiran Desai, Vikram Seth, Amit Chaudhuri, Nikita Lalwani and William Dalrymple. It illuminates one of the most devastating problems facing the developing world today. The writers visited India

and spent time with sex-workers, doctors, NGOs, housewives, homosexuals, transgenders and vigilantes. The readers included Nikita Lalwani and Amit Chaudhuri. The book was produced in conjunction with AVAHAN, the India AIDS Initiative of the Bill & Melinda Gates Foundation. Proceeds will be used to support programmes for children affected by HIV in India.