IMF AND INDIA

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I am delighted to be at the Thammasat University today. I am grateful to the Deputy Chief of Mission and Dr. Nitinant Wisaweisuan for facilitating my interaction with the senior faculty of Thammasat University.

As a policy maker, I have discovered that Economics has great beauty. It has tremendous spiritual strength. Macroeconomic policy making entails the pursuit of the clear light of truth and reason, emphasizing the use of countercyclical monetary and fiscal policies, flexible exchange rates and inflation targeting. Robust economic systems have enabled Nations to double their share in world trade, raise per capita incomes and lift millions out of poverty. Let me present the India growth story and her relations with the IMF. These are the highlights of my forthcoming book “India and IMF” the research work for which was under taken with a fellowship from the Indian Council of World Affairs, Ministry of External Affairs.

Introduction

I shall divide my paper India and the International Monetary Fund 1944-2017 into 4 parts – India at Bretton Woods 1944; India-IMF relations in program years – 1966, 1981 and 1991; IMF-India relations in Growth Years and IMF Reforms. India-IMF relations are as much individual relations as they are institutional relations. After the famous exchange between A.D.Shroff and John Maynard Keynes during the Bretton Woods Conference considerable synergy was witnessed between India’s top bureaucracy and IMF staff as seen in the engagements between M. Narasimham and Jacques De-Larosiere and the Montek Singh Ahluwalia – Hubert Neiss and Micheal Camdessus. The intellectual convergence of ideas was a major reason for the seamless implementation of 3 IMF programs. The Narasimham – Jacques De-Larosiere relationship stands out for sheer perseverance as they jointly ensured Fund approval for a US $ 5 billion Stand-By Arrangement in 1981. The Montek Singh Ahluwalia – Hubert Neiss engagement helped push together radical reforms post 1991 crisis. I was witness to Y.V.Reddy's constructive engagement with Rodrigo De Rato and Anne Kruger and then subsequently the interactions between Duvvuri Subbarao and Dominque Strauss-Kahn were always cordial. The current Managing Director Christine Lagarde has been a huge supporter of India's economic policies.

My research work shows a co-evolution of India's economic policy and Fund advise as confidential advisor to Nations was witnessed over the past 70 years. There was ideological resistance in India for Fund advise on fiscal, monetary and other structural conditionality based on the 1966 experience when the devaluation of the rupee did not work in boosting exports. In the recent years, India did not favor the Fund advise for Inflation Targeting. In 2016, the Government and the Reserve Bank of India announced an inflation target range of 2-6 percent. India's monetary policy approach based on multiple indicator approach had failed to stabilize inflation – inflation ranged between 5 and 16 percent in 20 years 1990-2010, and between 8 and 13 percent in the 5 years 2010-15. The Reserve Bank of India faced a difficult legacy of inflation expectations. Food prices contributed to 50 percent of the basket of goods comprising the consumer price index making it difficult for policy makers to perceive the influence of monetary policy on the inflation rate. The Reserve Bank of India developed macroeconomic models incorporating several special features and India's experience in the early years of adoption of inflation-forecasting targeting seems positive.

Creation of IMF – India, an Original Member

The United Nations Monetary and Financial Conference at Bretton Woods in July 1944 witnessed a consensus between 44 countries for the creation of the International Monetary Fund and the World Bank. India was represented at the Bretton Woods Conference by a six-member delegation including the Finance Minister Sir Jeremy Raisman, the Governor of the Reserve Bank of India Sir C.D.Deshmukh, and Mr. A.D.Shroff. The Indian delegation made a plea for adequate representation in the management of the Fund, and a workable agreement with the Government of the United Kingdom for liquidation of her sterling balances.

Mr. A.D.Shroff in his statement at the Bretton Woods Conference asked for a multilateral settlement of a portion of India's balances and urged John Maynard Keynes to evolve a concrete formula. Shorff felt that the big guns at the Bretton Woods Conference unfortunately may not attach great importance to a country like India. He felt that India was being placed in a situation, which was comparable to the position of a man with a million-dollar balance in the bank but not sufficient cash to pay his taxi fare.

The United States delegation expressed its sympathetic understanding of the importance of India's problem but took the view that the problem of wartime indebtedness will be settled directly by the countries concerned in a spirit of mutual understanding. Lord John Maynard Keynes said that "we appreciate the moderate, friendly and realistic statement of the problem, which Mr. Shroff put before you today. Nevertheless the settlement of these debts must be a matter between those concerned."

Despite having lost the battle for orderly liquidation of sterling balances, India participated in the Fund and the World Bank. India's quota was the fifth largest in 1945. It was felt that India should lend its support to an Institution which was intended to put an end to the disastrous practices of competitive depreciation of currencies by establishing exchange rates. India's membership to the Fund was duly ratified by the Legislative Assembly on 29th October 1947.

The International Monetary Fund

The IMF was established in 1944 following the Bretton Woods Conference. The IMF's membership has since grown four-fold, from 44 to 184. The world's financial landscape has dramatically altered with the rise of private international capital flows. The IMF has continually evolved to meet the needs of its members and the international economic system. In 2008 following the Great Recession, the IMF has led the international policy cooperation dialogue for stabilizing the global economy.

The IMF's mandate is promotion and maintenance of monetary and financial stability, in individual countries and at international level. The IMF discharges this mandate in a variety of ways. It provides the framework and mechanisms for international economic cooperation through the annual IMFC and G-24 meetings. Second, the IMF helps countries design macroeconomic policies that achieve and maintain high levels of employment and income. The promotion of open economies and trade is a key element of these policies. Third, the IMF helps in the orderly correction of a country's balance of payments problems by providing temporary financing. The International Monetary Fund represents an institution of immense economic power. The IMF's active lending role requires sustained involvement in countries facing economic crisis, in the formulation of macroeconomic policies.

India-IMF relations in program years – 1966, 1981 and 1991

Since 1944, India has availed 3 IMF programs in 1966, 1981 and 1991.

The 1966 Program – the First Devaluation

India's balance of payments position was under pressure throughout 1965, and the difficulties continued into 1966, necessitating a sizeable use of Fund resources despite severe tightening of restrictions. As the year 1965 opened, exchange reserves had already been reduced to a low level by increased payments for food inputs occasioned by the shortfall in domestic production and by delays in the repatriation of export proceeds. In March, a stand-by arrangement of US$ 200 million was approved by the Fund. The Government took steps designed to slow down the monetary expansion, including raising the bank rate to 6 percent adopting a substantially less expansionary budget for the fiscal year beginning April 1, 1965 and imposed a 10 percent surcharge on all but the most essential imports.

Exports failed to increase in 1965. Rupee was devalued by 36.5 percent to bring domestic prices in line with external prices, to enhance the competitiveness of exports and to address the country's trade and balance of payments problems on June 6, 1966. The US dollar which was equivalent to Rs. 4.75 rose to Rs. 7.50 and the pound sterling from Rs. 13.33 to Rs. 21. Special export promotion schemes were abolished as part of trade reforms on the same day. The devaluation of the rupee was seen as India succumbing to western pressure. The Government declared a plan holiday. The fourth five-year plan was abandoned in favor of three annual plans in the wake of disruptions in the economy on account of two years of drought, two wars, and the devaluation of the rupee. The annual plans guided development with immediate focus on stimulating exports and searching for efficient uses of industrial assets.

The United States allocated 9 lac tons of grain under PL 480 to help India fight the famine in Bihar consequent on three years of drought. President Lyndon Johnson signed a Congressional resolution on April 20, 1966[1] and said that the Indian government would use the time gained by foreign assistance to mount a determined and effective drive to raise the country's agricultural output. India and the World Bank were agreed on the need for non-project assistance of US $ 900 million annually for three years after the devaluation, in addition to project assistance of US $ 300 million and the latter committed itself to raising the amount. The first US $ 900 million was slow in coming, and was received November 1966. This was followed by protracted delays in the release of the committed funding for the second year resulting from delays in IDA replenishment. India received US $ 295 million in 1967-68 and US $ 642 million in 1968-69. With devaluation, there was a sharp price rise in 1966-67 and growth in industrial production dropped sharply. The failure of the devaluation resulted in slowing down of reforms and moderation of growth targets. India fulfilled its obligations and emerged out of the crisis by 1971-72.

The 1981 Program – De Larosiere supports Dr. M.Narasimham

The Balance of Payments situation changed dramatically in 1979-80. Inflation soared from 3 percent in 1978-79 to 22 percent in 1979-80. The external terms of trade worsened significantly owing to higher prices for imported petroleum and fertilizers. Trade deficit zoomed. Government undertook deficit financing on an unprecedented scale with expansion of credit to trade, commerce and industry. To meet the short term cyclical imbalance, India drew SDR 266 million under the compensatory financing facility (CFF) from the IMF, but even so, the country's international reserves slid down to 3 ½ months of imports.

Dr. M.Narasimham[2] served as Executive Director (India) IMF and was the architect of India's 1981 IMF program. As Executive Director World Bank, he had met a few friends from the IMF and asked them how the Fund would react if a country like India were to approach the Fund for a

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[1] The Hindu dated April 21, 1966 page 1

[2] Dr. M.Narasimham Interview dated June 19, 2017 at ASCI Hyderabad

medium term facility to cushion the structural impact on balance of payments because of the oil price increase. Their response was positive and encouraging. On a subsequent visit to India, he met Prime Minister Indira Gandhi and suggested “Madam, we should get an IMF loan as the balance of payments outlook is not rosy due to the oil price increase.”

At the Fund, Jacques de Larosiere was the Managing Director. De Larosiere had considerable empathy for India and for developing countries in general. M.Narsimham met every single Executive Director in the IMF to present India’s case for a medium term loan under the Extended Fund Facility. The United States said, India can go to the markets instead of IMF. Given US resistance, Ambassador K.R.Narayanan and M.Narasimham went to meet the US Treasury Secretary. The Treasury Secretary said the United States was opposed to the Indian program. They were not convinced about the balance of payments need and felt that the Fund was getting into investment financing contrary to the principle that the Fund resources would have a revolving character. The Treasury Secretary told me that while they were not happy with the loan, they did not wish to oppose it if it came to the Board, the United States would abstain when it came to voting. The November 1981, discussion on the Executive Board took place all day. Every single Executive Director spoke, all 20 of them. At the end of the marathon meeting, the Board formally approved the Indian request, with the US abstaining.

In the run-up to the Executive Board discussions, De Larosiere had an almost personal commitment to the loan and he took great pains to convince other directors, particularly the US about the need for their support for the loan. De Larosiere felt that while the loan was important for India, it was no less important for the Fund as a visible demonstration of its willingness to assist a responsible country and be flexible about it. The second year program was approved without any hitch around the middle of 1982. Even the US which had abstained in the November 1981 meeting, decided to support the program.

In retrospect it was quite surprising that India went through the 1981 IMF program without major reforms. The domestic program did not yield much ground on the reform front. In the 1981-84 period, the Government did start changes e.g. Export Oriented Units and SEZs were established. But the pace of reforms was slow. Following the 1984 elections, the reforms continued. But there were no major overhauling reforms. Gradualism ruled.

Expansionary fiscal policy continued in the 1980s, and the automatic monetization of budgetary deficits by issuing adhoc Treasury bills strained credit policy. India entered the 1990s with structural rigidities and imbalances in the economy, pronounced macroeconomic imbalances despite a significant growth rate of 5 percent. Several adverse domestic and external developments precipitated in the balance of payments (BOP) crisis in 1991. From this crisis, emerged a comprehensive reform agenda backed by an IMF program which was effectively implemented.

The 1980s

The 1985-86 Long Term Fiscal Policy(LTFP)[3] was formulated in pursuance of a commitment given by the Government as part of Union Budget 1985-86. The long term fiscal policy was to impart a definite direction and coherence to the annual budgets. Secondly it was envisaged to shift to rules based fiscal and financial policies and less reliance on discretionary case-by-case administration of physical controls. The LTFP projections could not be sustained. The budgetary deficits for the 5 years were significantly off target, there was an expenditure boom and the tax collections were off targets. Although the Economic Surveys kept maintaining that the fiscal management in immediate future must aim at correcting these imbalances to step inflation, contain balance of payments pressures, the policy pronouncements did not translate into effective implementation.

Should India have gone to the IMF in 1988? Dr. Nitin Desai, the then Chief Economic Advisor felt that the major problems did not surface till 1989 when the rupee trade with the Soviet Union for commodities had collapsed. He also felt that in 1988, while there was no ideological objection in going to the IMF, but the political judgment was that the sharp fiscal correction advised by the IMF can only be done after the elections. Following the elections in 1989, an IMF program was not pursued as Government feared capitalist conditions would be imposed. The public image of the IMF as a ruthless condition setter, as one that would reduce social expenditures dissuaded the Government. As Dr. I.G.Patel[4] pointed out, India had placed

[3] Long Term Fiscal Policy December 1985, Ministry of Finance (Department of Economic Affairs)

[4] Patel I.G.., New Economic Policies: A Historical Perspective, Economic and Political Weekly January 4-11, 1992 pp 41-46

short term political gains ahead of National interests. He advocated that there was no need to be afraid of IMF conditionality as the IMF reasoning was sound.

The Economic Survey[5] for the year 1991-92 said thus:

> The first signs of the current payments crisis became evident in the second half of 1990-91 when the Gulf war led to a sharp increase in oil prices. Foreign exchange reserves began to decline from September 1990. They declined to a level of Rs. 5480 crores (US $ 3.11 billion) at the end of August 1990 to Rs. 1666 crores (US $ 896 million) on 16th January 1991. In January 1991, the Government made a drawing of Rs. 1884 crores (US $ 1.025 billion) under the compensatory and contingency financing facility (CCFF) and a drawing of Rs. 1450 crores (US $ 789 million) under a first credit tranche arrangement (FCT). The purchases from the International Monetary Fund in January 1991 amounted to Rs. 3334 crores (US $ 1.814 billion).

The 1991 Program and Economic Reforms

On August 27, 1991, the Finance Minister addressed the Managing Director IMF for an 18-month stand-by arrangement in an amount equivalent to SDR 1656 million. A memorandum of economic policies setting out the economic program of the Government of India for the period 1991/92 and 1992/93 was also submitted. The Government indicated its willingness to enter into a comprehensive structural adjustment program, supported by an arrangement under the Extended Fund Facility. Government agreed to formulate a comprehensive program for tax reform and introduce a detailed tracking system of quarterly expenditure reviews.

The Finance Minister clarified the role of the IMF and the World Bank in the Indian economic policy making in his budget speech. He said

> "It has been alleged by some people that the reform program has been dictated by the IMF and the World Bank. We are founder members of these two institutions and it is our right to borrow from them when we need assistance in support of our programs. As

5 Economic Survey 1991-92 pp 4-17

> lenders, they are required to satisfy themselves about our capacity to repay loans and this is where conditionality comes into the picture. All borrowing countries hold discussions with these institutions on the viability of the programs for which assistance is sought. We have also held such discussions. I wish to state categorically that the conditions we have accepted reflect no more than the implementation of the reform program as outlined in my letters of intent sent to the IMF and the World Bank, and are wholly consistent with our national interests. There is no question of the Government ever compromising our national interests, not to speak of our sovereignty."

The IMF history says the following:

> "The politics of borrowing from the IMF is always complex, but in India it was especially so. On the one hand politicians had long viewed the IMF conditionality with some disdain. As soon as it became know that the government was applying for a stand-by arrangement, its leaders would be attacked in Parliament, and in the press for subjugating the interests to foreign domination. On the other hand, most of the countries' economic and financial officials had good relations with the IMF and an unusually high degree of trust had developed on both sides over the years.
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> The working relationship was a little unusual, in that the authorities knew full well what they needed to do to qualify for the Fund's seal of approval and financial support. The decision to devalue for example was not made at the insistence of the Fund but on the understanding that the Fund would approve it and that both sides believed that it was necessary and was in India's interest. As had been true for the 1981 negotiations, these discussions were amicable and collegial."

The adjustment strategy entailed a set of immediate stabilization measures adopted in July 1991 most notably a 18.7 percent depreciation of the exchange rate and further tightening of monetary policy including increase in interest rates, designed to restore confidence and reverse short term capital outflow. The implementation began with the final 1991/92 budget, of a comprehensive program built around the twin pillars of fiscal consolidation and a radical structural reform to shift away from the policies of the past. India had also committed to mobilization of substantial exceptional financing to maintain a minimum level of imports so as to avoid a major disruption to the economy. The initial stabilization package was accompanied by a special action to maintain reserves at a minimum working level, including gold backed external borrowing, purchases from the Fund and the provision for quick disbursing aid from the World Bank, the Asian Development Bank and several bilateral donors.

The Fund recommended that the key macroeconomic objectives of the program include an easing of the payments situation and a rebuilding of gross international reserves to over 1½ months by the end of 1992/93; economic growth of 3-3 ½ percent in 1991/92 followed by a gradual recovery in 1992/93 and a reduction in inflation to no more than 6 percent by end of 1992/93. The current account deficit was targeted at about 2 ½ percent of GDP in 1991/92 and 1992/93. The structural benchmarks for the program were in the areas of industrial policy, trade liberalization, domestic pricing policies, public enterprises reforms, financial sector reforms, tax reforms and expenditure control. The crisis management measures adopted included utilization of gold to raise foreign exchange resources, liberalization in the policy for import of gold, India development bonds and non-resident deposits, liberalization of import licensing, liberalization of tariffs, industrial deregulation, foreign investment policy and significant steps in the exchange rate policy. In many ways, the IMF program of 1991/92 ensured India's integration into the global economy.

India was a poster child for the IMF. Each of India's 3 programs terminated earlier than projected. Post program growth rates were always higher than pre-program growth rates. The repayments were always on schedule. Economic History will remember the flag bearers of India's economic reforms well.

India and IMF – The Growth Years

The Indian economy witnessed an average growth of 8.5 percent for 5 years between 2004-08 during which period there was a strong momentum in investment, buoyant corporate profits and high business confidence along with a rise in productivity, surpassed only by China. Inflation was low and export growth remained robust at 20 percent. The country witnessed strong capital inflows adequate to finance an increase current account deficit of 1.5 percent. India's favorable outlook attracted record capital inflows. It was a period when the Fund needed India than India needed the Fund. India became a creditor country in the IMF Financial Transactions Plan which was a major step forward.

The Fund had become irrelevant in the mid 2000s with several countries building reserves. The Fund was under severe criticism from leading economists Joseph Stiglitz, Martin Feldstein, John Taylor and George Schultz and also by civil society that the IMF had outlived its mission and the time has come for it to go into oblivion. The clarion call of the critics was “50 years are long enough”. Private capital flows had become much larger. The Fund reinvented itself with a 28 percent allocation for Technical Assistance programs. There was also a realization that macroeconomic stabilization entails more measures than fiscal deficit reduction and exchange rate devaluation. There was inadequate quota and voice for developing countries resulting in imposition of stringent conditionality for borrowings from the Fund. Major issues and policies were not developed in the Fund but in G7 meetings with close to one half of the voting power of Fund. The IMF did not have any major financing requests from members for crisis resolution. To ensure Fund’s financing viability, the IMF Executive Board approved gold sales of 403.3 metric tons, 1/8th of the Fund’s total holdings of gold. The Gold sales program was completed by December 2010. India purchased US $ 10 billion in IMF worth of IMF notes to enhance Fund’s lending capacity.

India and the 2008 Global Economic Crisis

By 2009, India had arrived on the international economic scene. The Indian economy had grown at 8.6 percent for 5 years, and it was opined that if the rate of growth kept up, India would be transformed like China with US $ 1 trillion economy doubling 8 ½ years[6]. It was projected that poverty would be reduced at an unimaginable speed and the 11th Five Year Plan had projected an annual growth rate of 9 percent rising to 10 percent by 2011.

Indian policy makers had reckoned that India may not be severely affected from the 2008 Global Financial Crisis largely because of public ownership of banks, strict prudential rules laid down by RBI and limits on external commercial borrowings. That said, Indian stock markets witnessed

[6] The Economist October 11, 2008

a 60 percent loss in values, foreign portfolio investment slowed down and rupee lost 20 percent value against the dollar reaching Rs. 50/ dollar, with the global financial freeze accelerating the currency depreciation.

Expectations that the Indian economy is ‘decoupled’ from the West were completely belied. The stock markets’ sharp decline in response to global crisis were the first indications of global developments retaining their hold over Indian markets. Foreign institutional investors were pulling out. The current account deficit widened. Remittances and earnings from software exports that had propped up the current account in the past showed signs of declining. Software exports to the U.S. were under strain. India’s IT companies which derived 85 percent of their revenues from exports to United States and Britain, employing 2 million workers witnessed significant job losses.

In the G-20 meeting[7] in October 2008, Governor RBI, Duvvuri Subbarao had urged advance economies to keep the emerging market central banks in the loop on financial market developments as they viewed them and also on their proposed policy responses. The US Treasury and the Federal Reserve had conducted regular briefings for select emerging market economies including India. The advanced economies had to resort to unconventional monetary policies and quantitative easing and large scale asset purchases to flood the system with liquidity. The lowest policy rate India reached during the crisis was 3.25 percent while several advanced economies had reached near zero percent policy rates.

The Government provided a substantial fiscal stimulus through two packages announced by the Government on December 7, 2008 and January 2, 2009 to boost demand and aim at increasing expenditure on public projects to create employment and public assets. The Government renewed its efforts to increase infrastructure investments by approving several infrastructure projects. The Reserve Bank of India took a number of monetary easing and liquidity enhancing measures including the reduction in the cash reserve ratio, statutory liquidity ratio and key policy rates. The objective was to facilitate funds from the financial system to meet the needs of productive sectors.

[7] Duvvuri Subbarao., *Who Moved My Interest Rate*., 2016 pp 21-45

On February 19, 2009 the rupee hit 50/ dollar in a jittery market. The RBI's holding of US T bills rose by US $ 6.9 billion to US $ 23.1 billion in December 2008 as India's forex reserves rose from US $ 247.8 billion in November 2008 to US $254 billion in December 2008. Monetary authorities in China, Russia, Hong Kong, Norway, Ireland and Israel also added the lower yielding dollar asset to their foreign exchange reserves. China had added US $ 218 billion in 2008 while India added US $ 8.2 billion.

The IMF projected India's growth to moderate to 6 ¼ percent in 2008-09 and further to 5 ¼ percent in 2009-10. Headline inflation came down from 13 percent to 4.4 percent in January 2009 and was projected to further drop to 3 percent by March 2009 and to 2 percent on average in 2009-10. Current account deficit was projected at 3 percent of GDP primarily due to oil import bill and deterioration in exports. The foreign exchange reserves declined from a historic peak of US $ 315 billion in May 2008 to US $ 252 billion in February 2009. The stock market declined by 50 percent and the rupee declined by 23 percent.

In 2009-10, the IMF commended the Reserve Bank of India for commencing the first phase of exit from monetary accommodation and generally considered that conditions were right for a progressive normalization of monetary stance. The withdrawal of the monetary stimulus was to be done in a gradual manner to soften the impact on long term interest rates and help anchor inflation expectations. India faced challenges in managing capital flows and the IMF recommended sterilized intervention to help reduce exchange rate volatility. The RBI's approach to use prudential measures in case of asset bubbles was also supported by IMF and tightening of capital controls was to be an instrument of last resort. India's financial system had weathered the global crisis well. The strengthening of capital of public sector banks and financial regulation, the higher provisioning arrangements introduced had all proven successful.

IMF Reforms

Following the 2008 Global Financial Crisis, the implications of IMF Quota reforms were significant for Global Economic Governance. There was a large gap between economic reality and quotas. Dissatisfaction among global opinion could only be reduced if quota shares were changed to reflect the fast changing economic reality. In December 2015, the US Congress adopted legislation to authorize the IMF 2010 quota and governance reforms and all the conditions for their implementation were met in January 2016. The Implementation of Quota and Voice reforms enabled a more representative and modern IMF better equipped to meet the ends of member countries in the 21st century. More than 6 percent of the IMF quota shares were shifted to dynamic emerging market economies and developing countries and from over-represented to under-represented members. The advanced European economies agreed to reduce their combined Executive Board representation by 2 chairs. Multi-country constituencies were permitted to appoint a second Alternate Executive Director so that their constituencies are better represented on the Executive Board. The top 10 Quota shares on the IMF Board are United States - 16.66, Japan- 6.21, China 6.14, Germany 5.37, United Kingdom and France 4.07, Italy 3.05, India 2.66, Russia 2.61 and Brazil 2.24 percent. The RMB was introduced into the SDR basket of currencies and China got a 4th Deputy Managing Director's position on the IMF.

The other major IMF reforms were undertaken in Fund Surveillance Activities to address the inconsistencies in Fund surveillance exposed by the 2008 Global Financial Crisis. The steps included integrating bilateral and multilateral surveillance with enhanced scope of coverage and careful choice of topics to be covered. One of the biggest shifts in positions was the Fund adopted a flexible approach to capital account liberalization so as minimize the possible adverse domestic and multilateral consequences.

Conclusion

On October 8, 2016 the Indian Finance Minister addressed the International Monetary and Financial Committee (IMFC) during the Fund-Bank Annual Meetings presented India as the fastest growing major economy globally with GDP growth at 7.2 percent, foreign exchange reserves of USD 372 billion, current account deficit of (-) 1.1 percent and CPI inflation at 5.05 percent. The economic transformation from an IMF program country to the world's fastest growing major economy in a period of 25 years represents a significant success story for India-IMF relations.

The IMF remains very relevant to India. The IMF is an Institution of high credibility whose voice is heard and heeded across the world. Today India is a moderately open economy. In another 5 years we will be more open. India's financial systems are integrating with the global economy quite rapidly. India's economic prospects depend on global growth and global welfare more than ever before.

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