

## 'Bitter medicine' necessary to restore health of the economy, warns P Chidambaram

Finance Minister P Chidambaram has warned that some "bitter medicine" is necessary to restore the health of the economy, uncharacteristically using words that signal some tough measures may be in the offing in the government's quest to revive growth and restore fiscal credibility.

"Some bitter medicine has to be taken this year . We have to take some bitter medicine . There is no other way... This bitter medicine is good medicine . It will restore the health of the economy , and next year we can look forward to much higher growth ," he said , winding up discussions on the first batch of supplementary demands for grants in Lok Sabha .

The Lower House later approved a government proposal for additional expenditure worth Rs 32,120 crore in 2012-13 amid a walkout by BJP and Trinamool Congress. Earlier , speaking at the Delhi Economics Conclave , Chidambaram said with rapid globalisation , the external sector of the economy is becoming more vulnerable.

### **GOVT ADDRESSING TAX ISSUES**

Global developments may continue to have a huge impact on the Indian economy, Chidambaram said.

"The present challenge calls for bold and innovative measures," he said, promising more booster shots for the economy in the coming weeks. "India weathered the crisis very well in 2008 and I am confident that the steps we have taken - and some more steps we will take in the next few weeks - will help turn the Indian economy around," he added.

The Delhi Economics Conclave is an annual brainstorming event organised by the finance ministry. The finance minister said Thursday's decision to set up a high-powered Cabinet Committee on Investments will quicken the pace of decision-making in critical infrastructure projects. He also expressed confidence that the steps taken by the government will have their impact.

"It is too early to say whether the measures have begun to bear fruit, although it is our expectation that they will do so," he said. Chidambaram said the government was also addressing tax issues that have created uncertainty in the minds of investors.

"We have made it clear that our objective is to have clarity in tax laws, a stable tax regime, a non-adversarial tax administration , a fair mechanism for dispute resolution , and an independent judiciary," he told the gathering, which included top Indian and foreign economists and policymakers . This year, the conclave has the theme of 'Reviving Growth'.

The finance minister, who inaugurated the two-day conclave, said India and emerging

economy were only by a drop in international demand for their products, but also because of the severely diminished policy space they had to stimulate their economies. Higher inflation and high fiscal deficits were making it hard for emerging economies, with few exceptions, to resort to standard counter-cyclical measures, he said.

*(Economic Times)*