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BUSINESS &

Capital flight of \$4.4 b from India: Study

STATESMAN NEWS SERVICE

NEW DELHI, Oct. 17. — There is a capital flight of over \$4.4 billion from India to the USA through abnormal pricing in international trade with serious implications for the Indian economy, according to a study undertaken by three American professors, of Florida International University.

According to the study, there was an estimated capital flight of \$4,423 million to \$1,622 million during 1993 from India.

However a comparison of India's bilateral trade with the USA to the average and adjusted average Indo-U.S. trade figures showed a capital outflow ranging between \$1.065 million and \$370 million.

However, it says India lost more due to under-valued exports than to over-valued imports. Accordingly, the estimated value of under-invoiced Indian exports to the USA was in the range of \$3,381 million and \$834 million compared to value of over-invoiced Indian

imports from the USA in the range of \$1,042 million and \$788 million.

In 1993 the total Indian exports to the USA were to the tune of \$4.551 million, while imports from the USA were in the region of \$2.761 million.

The study says that a major problem facing India, was capital outflow and its resulting economic, political and social impact. Capital outflow through abnormal trade pricing, results in destabilizing domestic financial markets and efficiency

of monetary policies. It lowers domestic investment, erodes tax base and increases the public sector deficit.

The focus of the study is on the development of a global matrix that enables an analysis of every aspect of Indo-U.S. bilateral trade.

Based on the estimates of capital flights from India to the USA, the economic benefits of detecting and deterring the abnormal transaction prices, related to these capital outflows, appeared to be substantial