

# Flight from India to US in 94-95

By Business Times Bureau

NEW DELHI: An unofficial estimate by the International Monetary Fund (IMF) saying Indians have stashed away at least \$100 billion in foreign banks seems to get substantiated by the findings of a research study by three US economists. They have concluded that capital flight from India to the United States alone in 1994 and 1995 must have ranged from a maximum of \$11,300 million to a minimum of \$3,875 million.

Even by taking the minimum figure, the study indicates that there is nearly 20 per cent underinvoicing of India's imports from the US while the extent of overinvoicing of India's exports to the US market is as high as 40 per cent. India's total trade with the US was \$7,598 million in 1994 and \$9,032 million in 1995.

Considering that the US accounts for about 20 per cent of India's foreign trade, with other hard currency areas accounting for another 35 per cent, the total capital outflow in the two years — 1994 and 1995 — may have been at least double the minimum figures estimated by the researchers.

This in turn would imply that India's trade gap is artificial. Had the export earnings been correctly reported, India would be enjoying

the US with average prices for products with identical characteristics purchased from the US by the world during 1994 and 1995.

While this indicates overinvoicing of imports, a similar analysis of export transactions between India and the US during the same period shows the degree of underinvoiced exports.

By comparing India's import prices from the US, to an average and adjusted world import prices from the US, the study shows the value of overinvoicing ranged from a maximum of \$660.8 million to a minimum of \$481.7 million during 1994 and \$840.4 million to \$587.1 million (minimum) during 1995.

Under similar comparison of India's export prices to the US, the value of India's underinvoiced export prices ranges from \$5,232.8 million to \$1,593.6 million during 1994 and \$4,743.9 million to \$1,214.0 million (minimum) during 1995.

The study thus concludes that even according to the most conservative estimate based on 50 per cent plus/minus deviation from the US-world average prices, the capital flight from India to the US in 1994 must have been at least \$2,074 million and in 1995 \$1,801