

Will FM exceed Survey parameters?

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Minister were at the receiving end at the World Economic Summit at Davos on the issue of opening up of the insurance sector. Within the UF, the two Communist parties are opposed to the opening up of the insurance industry. Mr Chidambaram may announce some new measures on insurance reforms but the issue of opening up of this sector may remain unaddressed in the Budget.

The Finance Ministry is concerned over slowing down of industrial production in certain sector. Some new measures are expected to check this distortion.

This will happen both in customs and excise front giving in the process some leeway to the domestic industry to adjust to the competition.

The survey makes it clear that the capital account convertibility is not on the agenda though some liberalisation is expected in foreign exchange management system. Capital account convertibility entails risk of capital flight and possible macro-economic instability arising from movements of short term, cross border capital flows.

Since fiscal deficit is still high and the inflation level has touched 8 per cent, the Government may well wait for some more time as a cautionary measure. The Finance Minister had said at Davos, that the UF Government will decide on the pace of reforms based on its own priorities and macro-economic environment.

But still the budget could be a bold and innovative one holding promises for both the foreign and domestic investors.