

# Dissent on sovereign bonds

## OUR SPECIAL CORRESPONDENT

New Delhi: Rathin Roy, a member of the Prime Minister's Economic Advisory Council, on Monday called for a discussion on sovereign bonds instead of an "imperial announcement" of the borrowing programme.

"I have grave concerns about this proposal on grounds of economic sovereignty, and about the macro-economic consequences... the government should instead look at relaxing the rupee bond limits for foreign portfolio investors," Roy said at an event here.

The economist said: "I would pay very careful attention to former governor Y.V. Reddy's argument that these

are sovereign liabilities in perpetuity. I would pay very careful attention to the history of this country, on why we have not gone down this route in 70 years, despite huge provocations to do so."

Roy, who is also a director of the thinktank NIPFP, said: "And I would pay very careful attention to governor Raghuram Rajan's statement, and I would urge, very respectfully, a public consultation on this subject, a public discussion, rather than imperial announcements of borrowing programmes being made without taking account of these facts."

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**Show me one country after the world war which has done a foreign currency sovereign bond and not paid dearly for it. Brazil, Argentina, Turkey, Greece, Indonesia have all paid a price for foreign currency sovereign borrowings**



**RATHIN ROY, member of PMEAC**

Turkey, Greece and Indonesia have all paid a price for foreign currency sovereign borrowings," Roy said.

There are several other voices against the sovereign bonds.

Swadeshi Jagran Manch (SJM) has termed the move as "anti-patriotic" and a risk for the economy. "We cannot

allow this to happen," declared Ashwani Mahajan, the co-convenor of the SJM, the economic wing of the Rashtriya Swayamsevak Sangh (RSS).

He sounded a warning that the move could result in the country falling into a debt trap.

Rajan has said that any plan to issue foreign currency

debt has no real benefit and is fraught with risks. A global bond sale won't reduce the amount of domestic government bonds the local market has to absorb and the country should worry about short-term "faddish investors buying when India is hot, and dumping us when it is not", Rajan had written in a newspaper column.

C. Rangarajan, former RBI governor, has said that borrowing in foreign currencies may expose the economy to risks as the rupee's depreciation or current account deficit cannot be contained in the long run. Former finance minister Yashwant Singh has said that even in the face of the 1991 balance of payment crisis the government did not go for sovereign bonds.

However, chief economic adviser Krishnamurthy Subramanian feels the government should take advantage of the benign interest rate abroad to raise funds through overseas sovereign bonds.

Finance ministry officials said the government could raise about 10-15 per cent of the proposed Rs 7.1 lakh crore government borrowings this fiscal through sovereign bonds.

Roy also urged the government to issue a white paper on the medium-term fiscal framework, arguing that it would be difficult to meet the budgetary tax collection target for 2019-20. He said the economy is facing a silent fiscal crisis owing to a shortfall in tax revenues, and the government's budget suggests it may have grossly underestimated the problem.