India calls for fair trade rules

India, which attends the G7 meeting of seven leading industrialised nations on Friday, is unlikely to be cowed by its newcomer status.

In London on Thursday ahead of the meeting, India's finance minister, lashed out at the restrictive trade policies of the G7 nations. He objected to subsidies on agriculture that make it hard for developing nations like India to compete. He also called for reform of the United Nations, the World Bank and the IMF.

Palaniappan Chidambaram, India's finance minister, argued that these organisations need to take into account the changing world order, given India and China's integration into the global economy. He said the issue is not globalisation but "the terms of engagement in globalisation." Mr Chidambaram is attending the G7 meeting as part of the G20 group of nations, which account for two thirds of the world's population. At a conference on developing enterprise hosted by UK finance minister Gordon Brown on Friday, he said that he was in favour of floating exchange rates because they help countries cope with economic shocks. "A flexible exchange rate is one more channel for absorbing both positive and negative shocks," he told the conference. India, along with China, Brazil, South Africa and Russia, has been invited to take part in the G7 meeting taking place in London on Friday and Saturday. China is expected to face renewed pressure to abandon its fixed exchange rate, which G7 nations, in particular the US, have blamed for a surge in cheap Chinese exports. "Some countries have tried to use fixed exchange rates. I do not wish to make any judgements," Mr Chidambaram said. Separately, the IMF warned on Thursday that India's budget deficit was too large and would hamper the country's economic growth, which it forecast to be around 6.5% in the year to March 2005. In the year to March 2004, the Indian economy grew by 8.5%.