

"SECRETARY GENERAL'S DESK"

- **FICCI COMMENTS ON THE RBI MONETARY POLICY**

Commenting on the monetary policy, FICCI said that Reserve Bank has maintained status quo on the policy rates. While this is on expected lines, we do hope that continuous focus of the central bank on improving the transmission of the previous rate cuts into lower lending rates would yield effective results and that we will see a greater pass through going ahead.

The recently announced GDP numbers indicate that the economy has moved to a steady growth trajectory. Further, we expect the capacity utilization rates to improve as both rural and urban demand will note an uptick on back of good monsoons and the pay commission announcement respectively. As capacity utilization rates improve and fresh investment plans come on to the drawing board, it will be important to have a supportive monetary policy to sustain the momentum.

- **FICCI COMMENTS ON WPI INFLATION NUMBERS**

Commenting on the inflation numbers, FICCI said that the latest numbers report prices edging up on the back of elevated food prices. Upward pressure in prices is noted in the case of fruits and vegetables and protein rich items. This clearly calls for a more proactive management from the supply side. Several steps have been taken by the government to augment supplies and improve distribution of such items. We hope that the situation would be managed well and that inflation will remain within RBI's indicative trajectory.

Industrial growth, particularly the manufacturing sector, continues to remain under pressure with limited signs of improvement in a few sectors. We need to broad base the growth impulses and this calls for support by way of an accommodative monetary policy. FICCI'S latest Business Confidence Survey indicates some improvement in capacity utilisation rates and for this to translate into higher investments there is a need to strengthen demand further. Investments in the industrial economy will be the key driver for sustaining a higher growth path & creating jobs and the current situation calls for all measures to be deployed towards this end.

FICCI's Voice – SG's Desk is a service to all our members and also shared with key policy makers and thought leaders. The document is a compilation of major topical issues that we take up with the Central, State governments and other concerned authorities. These issues come to us directly from members, or through deliberations in conferences, seminars etc. on sectoral issues, as also through Government notifications.

**** This issue of FICCI's Voice is a compilation of issues taken up by FICCI in the month of June 2016**

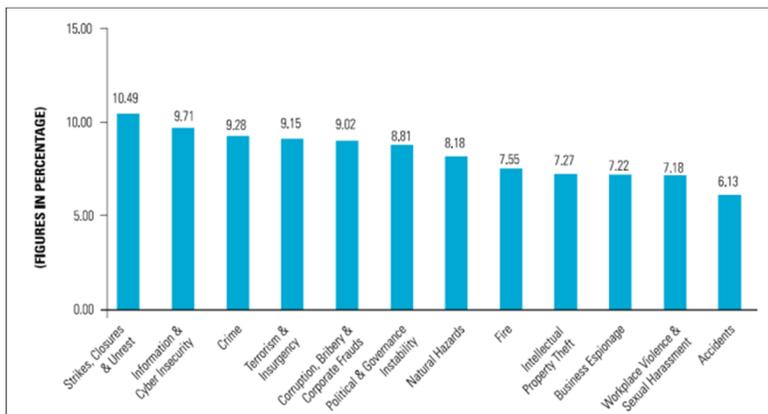
- **FICCI COMMENTS ON IIP DATA**

Commenting on the release of IIP numbers, FICCI said that the manufacturing sector performance is on the expected lines as predicted by FICCI survey too last month. The growth in manufacturing may take some more time to pick up as the measures taken by the Government in the last few months start yielding results. There is an unfinished agenda of the reforms which the present Government is trying to address. The manufacturing sector growth is dependent on many other factors too like the overall demand scenario in the economy which needs to be further encouraged.

- **FICCI'S INDIA RISK SURVEY 2016**

FICCI has released its annual India Risk Survey 2016 (IRS 2016). This is an attempt to showcase the views and perceptions of business leaders, policymakers, experts, as well as professionals across various sectors and geographies, regarding strategic, operational and safety risks to business establishments. The survey covers the entire industry spectrum covering different geographical zones of the country. The results of the survey provide industry experts and government decision-makers with an important tool to holistically analyse the impact of various risks, so as to plan and execute strategies to prevent, mitigate or control the impact of these risks to business establishments.

Overall Risk Rating



The survey encompasses 12 key risks that pose a number of threats to the entire economic ecosystem of the country. An interesting trend that emerges out of the survey results is that new risk categories have made their way to the top, but there is not much difference in percentage terms between the top five risk categories (as the above graph clearly highlights).

- **OVERALL BUSINESS CONFIDENCE INDEX INCREASES BY 7 POINTS...HOWEVER CAUTION STILL UNDERLINES THE MOOD OF INDIA INC.**

The results of FICCI's latest Business Confidence Survey indicate an improvement in the confidence levels of members of India Inc. The Overall Business Confidence Index was seven notches higher at 64.3 in the present round, vis-à-vis the value of 56.7 in the last round. This comes on the back of an improvement noted in both Current Conditions Index and Expectations Index. The proportion of respondents citing a 'moderately to substantially better' performance vis-à-vis last six months noted an increase at all the three levels – economy, industry and firm level. Also in the current round, participants seemed more positive about the near term prospects.

The Indian economy has moved into a zone of stability with key economic parameters strengthening. The reform process initiated by the Government has been noteworthy. The efforts made towards providing a conducive business environment have started yielding results and have improved the overall business sentiment.

However, what remains a concern is muted recovery in the industrial sector. The manufacturing growth numbers have not been very encouraging and the same is reflected in the financials of the companies as well. The latest survey results indicate not much improvement in the operational parameters of the companies. While the outlook with regard to parameters like sales, exports and employment did note an improvement; the respondents didn't seem optimistic about investment prospects and improvement in profit levels.

- **FICCI COMMENTS ON THE CABINET APPROVAL ON THE MODEL SHOP & ESTABLISHMENT ACT**

FICCI welcomes the Cabinet approval on the Model Shop & Establishment Act. This has been one of the key asks of the FICCI Retail & Internal Trade Committee for the overall benefit and growth of the Indian retail sector. It is a very progressive move, as it would enable states to choose to keep shops and other such establishments open 24x7 all through the year. This would give substantial boost to employment generation and will also benefit the consumers in terms of more convenience and accessibility said FICCI.

- **FICCI COMMENTS ON THE CABINET APPROVAL TO PAY COMMISSION RECOMMENDATIONS**

Welcoming the Cabinet's approval to Pay Commission recommendation of 23.5% hike in salaries, allowances and pension for government employees, FICCI said that the pay hike of nearly Rs 1 lakh crore for government employees will give a strong boost to the consumer demand and help uplift the growth of the economy. This combined with continued public push to the capital expenditure will help steer the economy to higher growth levels of 8 percent and above, which is much needed amidst the current global headwinds.

- **FICCI MEETS FM REGARDING INCOME DECLARATION SCHEME 2016**

A team from FICCI met Finance Minister, Shri Arun Jaitley, to discuss issues related to the Income Declaration Scheme, 2016. FICCI is fully committed to the scheme, which will help in declaring the undisclosed income. The Finance Ministry has been extremely co-operative in terms of issuing clarifications and has promised another set of FAQs to address some of the concerns expressed in the meeting, most importantly relating to confidentiality, valuation and immunity under other Acts like Companies Act, Excise Act, Service Tax Laws, etc.

- **FICCI COMMENTS ON INDIA'S JOINING THE MISSILE TECHNOLOGY CONTROL REGIME**

FICCI welcomes India's membership to the Missile Technology Control Regime (MTCR), one of the four multilateral export controls regimes that it is committed to enter as part of its international obligations. India's missile technologies have been home grown and developed over past three decades resulting into some of the benchmark weapon systems.

With India's exemplary non-proliferation record, membership of MTCR will facilitate access to niche technologies to Indian Industry in sensitive sectors like defence, aerospace and nuclear which will earlier

being denied to be transferred to India. This inclusion also augurs well with India's position as an important Player in the world order and fitting an emerging economic superpower, said FICCI.

As Indian industry we have opportunity to rise to the occasion and put in place checks and balances compliant with the obligations that this regime entails. FICCI is committed to Capacity building especially in MSMEs to be compliant with this export control ecosystem.

- **TIME TO TAKE PROACTIVE APPROACH TOWARDS BIO-DEFENCE PREPAREDNESS**

It has been witnessed in the past that bio-threat and bioterrorism have the ability to deeply impact the socio-economic status of a country; therefore it is essential to anticipate potential threats in advance and take necessary steps to combat these bio-threats.

FICCI said that the focus has to be on preparedness by having a plan before bio-terrorism strikes. The possible avenues for bio defence, including the impact of developments in synthetic biology were discussed, giving an inside view on the bio defence industry and its unusual business model.

There is a need for long-term planning to resolve an outbreak of an infectious disease. The time is to be proactive, not reactive in developing preparedness against bio threats. The leading companies and their experts should engage themselves in multiple development programmes with governments, the more success stories there will be, and eventually innovation will create a more substantial market with more players.

- **FICCI COMMENTS ON THE CABINET'S APPROVAL FOR A SPECIAL PACKAGE FOR THE TEXTILE SECTOR**

Commenting on the Cabinet's approval for a special package for employment generation and promotion of exports in Textile and Apparel sector, FICCI said that we welcome the special package which addresses the issues of textiles industry holistically. This is timely and would provide a much needed impetus to the value addition and employment in the country.

The proposal to provide flexibility to the garment industry which is seasonal in nature, under various labour laws would help the industry to meet their orders timely and be competitive too. This would attract large investments and create more job opportunities especially for the women in the sector.

As the Indian textiles and garment industry is facing tough competition in the global market, the refund of State levies come as a breather and would help them to gain more competitiveness in global markets where we have to compete with other countries that enjoy duty free regime.

FICCI added that such a package could also be extended to made-up sector that is high employment generating sector and also a value added segment of the textiles value chain.

- **FICCI HOPES RBI WILL CONTINUE WITH THE REFORMS PROCESS**

With the Indian economy slowly steering towards a higher growth path, it is important that the recovery process underway is given a push and support through all policy levers. We are happy to note the alacrity with which the Government is actioning a spate of policy and procedural reforms to make doing business easier for firms. The recent overhaul of the FDI policy framework is again an attestation of the government's commitment to make India a magnet for investors, said FICCI.

Foreign direct investment flows are increasing and FICCI's latest Business Confidence Survey shows that capacity utilization levels for firms in the country are also improving. As this happens, the appetite for new investments amongst domestic investors will also start increasing and it will be the right time for the central bank to aid the flow of funds to the industrial sector as well as make the same available at a lower cost than what is available today. We hope that the Central Bank will continue with the reforms process in the banking sector and at the same time enable flow of funds to the industrial economy for productive use at reasonable rate of interest, said FICCI.

- **49% FDI UNDER THE AUTOMATIC ROUTE SHALL ADD TO EASE OF DOING BUSINESS AND INVESTMENT IN THE PRIVATE SECURITY INDUSTRY**

Expressing happiness on the government announcement on liberalisation of FDI in private security industry FICCI said that the private security industry welcomes the announcement towards relaxation of foreign investment in the sector. Allowing up to 49 percent FDI under the automatic route shall add to ease of doing business significantly and is expected to expedite the investment process in the sector substantially.

However, the private security industry shall be engaging with the DIPP & MHA to understand the announcement regarding allowing up to 74% FDI in the private security sector under government approval route. Given that investment in the private security sector is capped at 49 per cent as result of the provisions under the Private Security Agencies Regulation Act (2005), the Government decision to allow majority foreign ownership in private security industry up to 74 percent would require amendments to the PSAR Act (2005) prior.

- **FICCI COMMENTS ON THE LIBERALIZATION OF FDI REGIME**

Liberalization of the FDI regime has been key focus of the government. Commenting on the announcements by the government FICCI said that the simplification in the policy framework governing investments in a whole host of sectors including strategic sectors like defence and aviation is a huge positive for the economy. The Modi Administration through these moves has once again highlighted that reforms is a continuous process in order to capitalise the potential India offers.

There is no doubt that India today is the most preferred investment destination in the world. While the attraction of our market is known to all, there is now even more reason for global investors to commit themselves for making and doing business in India. Our government is translating words into action and after having made a strongest pitch ever to global investors, it is following up with a major overhaul of the FDI framework so that the interest generated is captured in the form of higher investment flows which are on a rise since the last two years. FICCI compliments the government for these moves and stands committed to spread this message globally about the new investor friendly regime in our country.

- **DEDICATED MECHANISM FOR HAND HOLDING KOREAN INVESTORS AND FACILITATING INVESTMENT AND OPERATIONS IN INDIA**

The Government of India launched Korea Plus, a dedicated mechanism for hand holding Korean investors and facilitating South Korean investment and operations in India.

FICCI said that the two countries were well placed to explore the vast scope of partnership and going ahead some very potential areas such as infrastructure, smart cities, defense manufacturing, electronics hardware manufacturing, ship building, energy especially renewable energy could provide room for

further expansion. He assured FICCI's full support, through CEOs forum, Joint Business Council and any other institutional mechanism in promoting India Korea relations. India-Korea is truly a special strategic partnership, which has emerged as a natural corollary of our shared values, and commonality of interests.

- **FICCI COMMENTS ON NATIONAL CIVIL AVIATION POLICY 2016**

Commenting on the National Civil Aviation Policy 2016, FICCI said that it is outstanding that the Cabinet has cleared the National Civil Aviation Policy (NCAP). It's a progressive policy-framework towards ensuring a safe and sustainable development of the aviation sector in India. The comprehensive, well thought out policy will pave the way for a balanced aviation growth in the country.

It would help in stimulating growth and competitiveness of Indian aviation sector when implemented effectively; and would make flying more affordable for domestic flyers and India more accessible to international travellers.

- **FICCI WELCOMES INDIA'S ENTRY TO THE MTCR REGIME AND HOPES US WILL PUSH FOR INDIA'S MEMBERSHIP AT THE NSG**

FICCI welcomes the historic meeting between Prime Minister Modi and President Obama in Washington DC and the operationalization of the India US Civil Nuclear Deal. Indian industry welcomes India's entry to the MTCR regime and hopes US will do the heavy lifting to push for India's membership at the NSG to be decided later this month. Already India looks set for membership at the MTCR regime and now looks for support for membership at Wassenaar Agreement and Australia Group. It will help the India-US collaboration in high technology in critical areas and will enable high value technology embedded trade for 'Make in India' projects. This also opens up opportunities for similar cooperation with countries like US and France.

In this direction, it is commendable to get support for India's NSG entry Switzerland and Mexico too. Irrespective of the end-result in terms of NSG membership, India's bilateral relations with these countries are bound to achieve greater heights.

FICCI stated, that the Indian industry is ready to meet international obligations and licensing norms to ensure that technology acquisition, manufacture and trade of dual use items that will not be diverted or re-exported for unauthorized use. Indian industry is ready to work on Internal Compliance Programs and international best practices to ensure India's non-proliferation records.

FICCI is working with DGFT and the DISA Division of MEA on various industry programs for better propagation of knowledge on risk of diversion of advanced technology products for weapon uses, and take appropriate counter-measures to ensure security of supply chains.

- **FICCI WELCOMES THE INITIATION OF PREPARATORY WORK ON SIX NUCLEAR REACTORS, EXPECTED TO UNLEASH A \$150 BILLION NUCLEAR INDUSTRY IN INDIA**

FICCI welcomes the announcement of the initiation of preparatory work on six nuclear reactors in India between NPCIL and Westinghouse, which is expected to unleash a \$ 150 billion nuclear industry in India thereby creating jobs and ensuring access to clean energy and ensuring our energy security. This step further cements the strategic relationship between the two nations reaffirming the "trusted partner" status that has been accorded to India in Defence & Aerospace.

FICCI feels these positive developments in Civil Nuclear Energy sector will send the right signals for the reoperationalisation of the domestic nuclear program which has been stalled for last two years on the nuclear liability issue. The finalization of the Indian Nuclear Insurance Pool (INIP) policy for the operator augers well in this positive environment, FICCI now hopes that the Indian Nuclear Insurance Pool (INIP) for the supplier gets IRDA approval at the earliest, so the domestic program can be reinitiated.

FICCI has through it's Civil Nuclear Energy working group has worked over the past few months, in evolving a consensus amongst all major suppliers of NPCIL including foreign technology players to agree on a draft supplier's policy with the aim to put life into the domestic programme which is currently in coma.

- **FICCI SUGGESTS CREATION OF GEOSPATIAL INFORMATION REGULATORY AUTHORITY**

FICCI appreciates the efforts of the Ministry of Home Affairs, Government of India, for taking geospatial information into consideration in view of ensuring security, sovereignty and integrity of the nation. There has been a requirement for a policy framework and well-articulated guidelines to regulate this sector, in order to allow public, private and public-private partnership projects to benefit from the geospatial technologies in a more legal and time-bound manner. An appropriate policy framework will help the geospatial industry to flourish without compromising national security. The industry would also be able to ensure proper planning, monitoring and execution of Government's developmental projects, and more efficient use of public money.

FICCI has recommended that the government should re-consider some aspects of the draft Bill, especially mechanism for acquisition, storage, dissemination and distribution of the data so that, the growth of the industry is not adversely impacted, the benefits of this technology to citizens enjoying is not be hampered, and the initiatives of the Government of India, like Smart Cities and Digital India, do not get adversely affected. The draft bill is a step in right direction but certain sections of the bill need to be looked upon again.

On the issue of Acquisition of Geospatial Information of India, FICCI has suggested that the Government of India may consider replacing the 'licencing' with 'registration', and could also create a 'Geospatial Data Registration Portal' for making the process transparent and time saving.

FICCI notes that the draft 'Geospatial Information Regulation Bill, 2016' is intended to regulate geospatial data pertaining to international boundaries and national security. However, the draft Bill needs certain modifications. The Chamber recommends that the Government of India could take steps to freely provide accurate boundaries for India in order to encourage correct representation of Indian territories.

- **EUROPEAN UNION (EU) BRINGS POLICY AND FINANCIAL EXPERTS, BUSINESS OFFERING TO HELP INDIA ACHIEVE ENERGY EFFICIENCY IN AGRICULTURAL DEMAND SIDE MANAGEMENT**

Agriculture uses about 18% of the electricity consumed in India. This means that to tackle energy security, to implement India's climate commitments, as well as to ensure food security and deal with water challenges, India must consider energy efficiency in irrigation. Hence, the European Union (EU) has brought policy and financial experts as well as European Business to India offering concrete solutions in this regard.

FICCI said that by bringing together stakeholders from the EU and India, a workshop focused on promoting cooperation between the two sides in the area of AgDSM, one of the biggest focus areas for Indian policymakers in the DSM space. The workshop is a stepping stone to build a framework for

implementation of efficient pumping technology and best practices in Indian agricultural sector in cooperation with European partners.

- **FICCI CONGRATULATES THE UK ON A HISTORIC REFERENDUM AND EMPHASIZES CALM IN A PERIOD OF UNCERTAINTY**

The UK has voted in a historic referendum, for only the third time in history with a high 72% turnout. This vote saw high engagement from Indian diaspora across the UK in the referendum process, with strong turnouts in regions with significant Indian populations.

FICCI respects the British public's choice to leave the EU. At the same time, the world is an increasingly globalized one and this is an important result not just for the UK, but for world markets also. It is important for business to have certainty and stability, both in a political and economic context. We expect a greater period of volatility in the days ahead while the trade and investment implications for India and the rest of the world become evident. We expect this to stabilise soon.

We would like to reiterate our strong commitment to work with UK business as the UK remains an important economic partner for India, and with 1.5million Indian diaspora, strong links between the two countries will continue.

In this period of uncertainty, as investors look for safe havens globally, we would like to emphasise the Indian growth potential and reforms that have resulted in a stable policy and economic environment, and FDI policies that have made India more attractive for foreign investors.

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