

Speech of Prime Minister Shri Atal Bihari Vajpayee, Annual General Meeting of FICCI

December 16, 2000, New Delhi

Shri G. P. Goenka, President, FICCI, Shri Chirayu R. Amin, Vice President, FICCI, Dr. K. K. Birla, Dr. Charat Ram, Dr. Amit Mitra, ladies and gentlemen,

I am happy to be with you this morning. I hope the unnecessary political controversy of the week gone by is behind us. It is time now for all of us to refocus our attention on the most important agenda before the nation — namely, development. Faster, more balanced, and more equitable development.

Your annual general meeting comes at an opportune moment. The economy continues to show a mixed picture, which is why both Government and Industry need to introspect.

There are many positive indicators. Macro-fundamentals continue to be strong. Inflation is modest, despite record oil prices. Our external reserves are at an all-time high. Exports have exceeded targets. The current account deficit is within manageable limits. The fiscal deficit is lower than in the previous two years. In addition, as you know well, sectoral reforms are continuing in many areas.

Yet, there are worries. In many areas of the economy, there are problems of unmet demand. At the same time, there is also excess capacity in some segments. I know that there are widespread concerns about the impact of dismantling of quantitative restrictions.

The high cost of finance for Indian business continues to worry us, as much as it worries you. This problem is compounded by persistent weaknesses in infrastructure, which further adds to the cost of doing business in India.

Some of these problems are a part of the normal business cycle. Others, however, are endemic. They need stronger measures to overcome them.

I would like to take this opportunity to reassure you that my Government believes in solving the problems at hand, and not in evading them. You know how, despite all the odds, we have continued to move forward. The pace may be slow. Indeed, I am as concerned about the slow pace of the resolution of problems as you are.

We are not lacking in the political will to carry forward the reform process. The senior levels of the bureaucracy are wedded to the reforms agenda. I am, however, disheartened that, overall, the system of implementation still works with the same old mindset.

A mindset in which there is no transparent accountability and no drive to meet stipulated targets and deadlines. Our people are impatient for results. The Government machinery, however, shows no such sense of impatience and urgency.

Reforms in India are now nearly a decade old. And all the four different governments in this period have pursued the reforms agenda without major deviations. All of them, however, have been disappointed at the slow pace with which decisions get translated into actions.

If the experience of the past ten years has taught us any one lesson, it is that reform of the implementation system must be made an integral part of the reforms process itself.

I am aware of the enormity of this task. But we have begun to address this imperative. The Strategic Management Group, which has been recently set up, has begun its work in right earnest.

We are committed to carry forward the next and more difficult phase of our reforms. These include removing all the remaining bottlenecks to the faster growth of infrastructure.

Power-related issues require greater co-ordination with State Governments. They also require project-specific solutions. The Group under the Power Minister is sorting these problems. I have been assured that quite a few of these problems have

been resolved and many projects will reach financial closure by March 31 next year.

I also propose to convene a special meeting of Chief Ministers so that an Agreed Programme for Power Reforms can be finalized.

The subsisting problems of the telecom sector are being resolved. We shall take further measures to accelerate the work of the National Highway Development Project. Civil Aviation, too, will see some important reforms in the coming months.

In Information Technology, the biggest challenge is to quickly increase the number of well-trained professionals to meet the growing demands of both the domestic and foreign markets. A high-powered Task Force is looking into this matter.

We shall also initiate necessary action to promote the pharmaceutical and biotechnology industries, where we have a strong competitive advantage.

Railways are a key infrastructure, whose better functioning will help the economy in a big way. However, they need urgent reforms. The management of the Railways needs radical restructuring to separate rail operations from planning and policy making. Large investments in renovation and modernization are required to improve safety standards.

Clearly, we need to increase the investible funds for the Railways through innovative, non-traditional, and commercially oriented methods. The creation of RailTel Corporation is the first step in this direction. The Government will soon take several other measures to increase efficiency and productivity in the Indian Railways.

We are awaiting the comprehensive recommendations of the Rakesh Mohan Committee on Railway Reforms. The Government will study the report and quickly implement the accepted recommendations.

I wish to touch upon two more important points.

The first is the non-productive expenditure of the Government. This continues to be a source of worry. It is linked with the question of downsizing of Government. While everybody in my Government agrees that the size of the bureaucracy is bigger than it should be, and Government is not about giving jobs, very little has been done to actually reduce its size.

We have now received recommendations of the Expenditure Reforms Commission. It has given specific suggestions to reduce staff size through attrition and how to treat surplus staff. We need to announce a timetable and set milestones for each department to reduce the sanctioned strength of their staff at least by 10 percent by 2004.

Many Government-run companies have adopted an attractive Voluntary Retirement Scheme. We need a similar one for the Government too. We also need to actively encourage educated people to look for private-sector jobs or to set up their own businesses rather than somehow trying to secure a government job.

The second is about reworking our labour laws and rules. It has often been argued that many of our present labour laws and regulations are, in effect, anti-labour, because they inhibit the growth of employment. While they may provide protection to the existing labour force, the inflexibility of laws hinders new employment.

We need to modernize our labour laws for the larger benefit of the economy. Laws also need to be unified and made more harmonious. Efficiency and productivity are necessary for enabling us to reach our growth potential. I urge all those associated with this issue to give it a serious consideration keeping in mind the interests of the nation as a whole, and not of any section.

I am confident that the measures that the Government is taking will accelerate our economy's growth rate. They will also spur investment and demand. However, I must frankly tell you that Indian industry also needs to do a lot of soul searching.

The track record of Indian industry in adjusting itself to the forces of global competition has been a mixed one.

Many manufacturing industries, for instance, have not significantly improved their production process to make good quality products at affordable prices to enhance consumer satisfaction. This should change.

Except for pharmaceuticals, very few companies have invested four to five percent of their revenue on research and development to create world-class products and processes. This too must change.

Indian companies should adopt high standards of transparency, disclosure, and corporate governance to sustain investor and shareholders confidence.

In this context, I must also express my dismay that there are some companies that have taken money from shareholders, banks, and financial institutions and misused it. This does not create any public goodwill for business.

The partnership between Government and Industry must be strengthened. It is the most important precondition to accelerate our growth rate to meet the 9 percent yearly target that I had set in my Independence Day speech this year. Only this will allow us to double our per capita income in ten years and make India a global economic power.

In this, Government must respond to new challenges quickly and flexibly. At the same time, industry must also recognize its responsibilities by putting its house in order and act with vision and foresight.

I have often urged Indian business to discharge its social responsibility in a more visible and effective manner than has been the case so far. It is an appeal that I make again today. The challenges of India's social sector development are daunting. As all of us know, the resources of the Central and State Governments are insufficient to meet these challenges.

Indian businesses should set aside a significant part of their earnings as well their human resources to improve the conditions of education, healthcare, sanitation, and community welfare. I know that many of your members are already doing it. I commend them for this good work. But, since the challenge is so great, your response should be commensurate.

In this context, I am reminded of the positive interaction I recently had with representatives of Indian business on the occasion of World AIDS Day. Many good suggestions and offers were made to enhance the participation of the business community in our battle against this dreaded disease. I urge all of you to draw up a plan of action to supplement the Government's efforts.

I do hope that your deliberations today and tomorrow will result in further cementing this partnership. Together, we have a duty to create confidence among our countrymen, especially among the poor and less-privileged, that economic reforms will benefit them. We should be able to meet their rising expectations for more employment opportunities and a better quality of life.

In other words, the partnership for reforms must include not only the Government and Industry, but also the People of India. I seek your cooperation in realizing this shared vision.

Thank you.