FICCI President-Mr Harsh Mariwala's Statement at the Press Conference on 'The next steps in economic reforms'

Ahmedabad, December 15, 2011: Starting next year, we will be entering the 12th plan period (2012-17) and the target that we have set for ourselves is to achieve an annual average growth rate of 9 per cent over this period. Given that India's economy grew by a robust 8.8 per cent during the period 2003-04 to 2007-08 and that we were quick to recover from the shock of the great recession of 2008, attaining the targeted 9 per cent average growth over the next five years looks eminently achievable. However, it may be noted that while the basic building blocks to support this growth are in place, we do need a strong push on the reforms / policy front to make this growth target a reality.

Recent numbers on the macro-economic performance have not been encouraging. Whether one looks at the latest available GDP growth numbers or the latest industrial production figures, one can draw a clear conclusion that we are in the midst of a slowdown. New investments have virtually stalled and entrepreneurs have become very cautious with regard to expansion plans. Further, while growth is flagging, inflation is not showing any signs of a let up. The occasional dips we see in inflation do not bring out any clear downward trend. With growth stalling, inflation remaining high, fresh investments being put on hold and business confidence being at a low, one can say that we are in for a difficult start as we begin the next five year plan.

If we are to get the growth triggers moving once again then one clear area of work that must be our focus is the policy reforms agenda. Admittedly, for some time now we have seen that the reforms process has slowed down and this has created an impression of there being a 'policy paralysis' in the country. This perception must change fast and the government should bring the focus back on pushing the reforms agenda. Recent developments related to the opening up of the multi-brand retail sector to FDI have created a lot of uncertainty. This is perhaps for the first time that the government has suspended a major economic policy decision. It is imperative that the air be cleared and that the government moves ahead on critical economic reforms that could impart a new lease of life to the economy.

In this context, FICCI would like to make the following suggestions –

1. ***Undertake supply and distribution reforms in the food economy*.** The recent bout of inflation, which has lasted for more than two years, has highlighted a very important weak spot in our planning process. And this relates to shortage of food products whose demand is already on the rise. As income levels in the economy increase, the demand for food in general and protein rich items in particular goes up at a fast pace. We are already witnessing this in India and unless we take appropriate measures to increase supply of food items such as pulses, milk and milk products, meat, fish and eggs etc, food inflation would become endemic and derail the growth process. The 12th plan presents a good opportunity for the government to focus its efforts on enhancing production of such items. Additionally, steps should be taken to improve marketing and distribution of food products in the country. And one of the key reforms here is for the

states to implement the amended APMC Acts in letter and spirit. The central government should consider drawing out an incentive plan for states to encourage them to implement the amended APMC Act. State governments must also remove perishables from APMC ambit.

2. ***Introduce Goods and Services Tax in 2012*****.** Goods and Services Tax will be a landmark reform once introduced. It will be a permanent stimulus for overall economic activity and boost GDP growth, exports and employment generation. The central and the state governments must engage in a positive manner on this issue and ensure that GST is introduced in the country at the earliest.

3. ***Introduce a road map for diesel price decontrol*****.** In June 2010, the government had decontrolled the price of petrol. This was a significant move as it helped in cutting down losses of oil companies. At that same time, the government had announced that it will bring out a roadmap for diesel price decontrol. However, the latter has not happened. Government must move forward on this issue.

4. ***Give impetus to disinvestment*****.**The target for disinvestment for this year is Rs. 40,000 crore. However, till date, just about a fraction of this has been raised by the government. In the remaining months of this fiscal, the government should pursue the disinvestment process in the identified PSU's. This will lead to greater resource mobilisation as well as provide an impetus to the markets.

5. ***Bring in reforms in the coal sector*****.** The power sector in the country is under a lot of stress due to shortage of coal. While importing coal is an option for firms, this is becoming increasingly difficult given the rising transportation cost and the taxes being imposed by exporting countries. The government should immediately look into the issue of coal mining within the country and take steps that would encourage greater coal production. Shortage of coal would seriously affect production of power and this in turn will have a bearing on overall industrial and economic growth.

MEDIA DIVISION

Taresh Arora
Media Relations Officer
FICCI
Industry's Voice for Policy Change
Federation House, Tansen Marg, New Delhi 110 001
T: +91-11- 23357392, 23753117
F: +91-11-23753119
M: +91-9899115719
W: www.ficci.com