

Protectionism must not be allowed to prevail: R.V. Kanoria

Politicians should think global and also act global



R.V. Kanoria, Senior Vice President, FICCI and Convenor of the B20 Group on Development.

“Business around the world is being re-defined. There is a shift in economic power equations. Businesses are thinking global and acting global. Politicians are thinking global but acting local. This is the shift in economic reality taking place and the G20 heads of state and governments only

partially recognize this shift”, says **R.V. Kanoria, Convenor of the B20 Working Group on Development and Senior Vice President, FICCI**, in a conversation with *Sukumar Sah and Anshuman Khanna**.

Back from the B20 Summit in Cannes where he presented the recommendations of the Group for

the consideration of G20 leaders, Kanoria, said, “While the G20 leaders have taken on board the priorities spelt out by the business leaders – that protection is to be avoided and the multilateral trading system reinforced, that coordinated policy and action is needed to boost growth and create jobs and that the battle against corruption has to be stepped up, there is some amount of gap between precept and practice.”

The undercurrent is discernible. “While at the global level, politicians profess and emphasize the need to reform multilateral institutions, at the local level, signs of economic nationalism and protectionism can be seen. The message from the global business community is that there is a need to do whatever it takes to ensure that protectionism does not prevail and inhibit trade”, says Kanoria.

Does he have hopes that the Doha Round of trade negotiations will get going? Kanoria’s optimism comes through when he says, “There is a mindset which dictates the foregone conclusion that the Doha Round will die. The reality is that there is a lack of political will to get the Doha Round moving. The contentious issues need to be discussed threadbare at the G20 level. International trade cannot be totally free of hurdles. But these can be crossed. Mechanisms like the dispute resolution mechanism, rules and regulations already exist to deal with problems.”

Has the capitalist model of governance not worked? “The world has tried several models of governance; socialism, for instance, produced people who were equally poor. Today’s capitalist model produces people who are unequally rich. Business therefore will have to look for a paradigm to find a model in between,” he says.

On the issue of changes being brought in regulations, particularly those affecting the financial sector, Kanoria said that “any move towards over-regulation should be avoided. Regulations should not be onerous. Self regulation is the best.”

The B20 meeting underscores the seriousness with which the leaders of G20 are listening to the concerns of business and this augurs well as key messages can now be carried directly to the G20 heads of state and government.

broader issues of sustainability.

- Make infrastructure a strong enabler for development: Increased investment from the private sector - promoted by governments and multilateral institutions when needed - in cost-effective, efficient and sustainable infrastructure is a clear enabler for sustainable economic growth and development.
- Make corporate social responsibility a key element for growth and development: Promote the adoption, on a voluntary basis, of CSR standards for

B20 Working Group on Development focuses on food security, infrastructure and CSR



R.V. Kanoria with Cristina Fernandez de Kirchner, President of Argentina.

The key recommendations of the B20 Working Group on Development are:

- Set up food security as a global priority: The private sector plays a central role in agri food production systems and in reducing the impact of price volatility across the supply chain, while working to address

businesses in developing countries, which will have a positive impact on development and promote competitiveness.

The members of the Working Group are: Ben Verwaayen, CEO, Alcatel-Lucent; M.K. Sanghi, CEO, M. K. Sanghi Group; M.B. Odebrecht, CEO, Odebrecht; T. Thiam, CEO,

Prudential; Tae won Chey, Chairman, SK Group; J.B Lévy, CEO, Vivendi; Rana Kapoor, CEO, Yes Bank and. Sean de Cleene, Vice President – Global Business Initiative, Yara International ASA. The Working Group is chaired by R.V. Kanoria, Chairman & Managing Director, Kanoria Chemicals & Industries Ltd. and Senior Vice President, FICCI and Paul Polman, Chairman, Unilever.

Development is an important issue on the G20 agenda and the current situation in developing countries requires an adequate response. According to the United Nations, 2.6 billion people lack basic sanitation facilities, more than 1 billion are hungry and more than 900 million do not have access to clean drinking water. The Working Group’s estimates indicate that at least 200 million people lack formal employment. A large part of the underdeveloped world is in sub-Saharan Africa.

The challenge is to implement good governance, to stress the development of a strong, organized private sector and, above all, to create the transport, power and telecommunications infrastructure needed to accelerate economic growth and improve well-being, while respecting the criteria for responsible sustainable development.

The B20 Working Group notes that the private sector plays a central role in agri-food production systems and in reducing the impact of price volatility across the supply chain, while working to address broader issues of sustainability. It has therefore suggested the following measures to achieve global food security:

- Improve functioning of markets to ensure a stable and sustainable global food system. Coordinate agricultural policies at the global level, particularly focusing on export restrictions. This requires extensive improvements in food security policies, as well as increased transparency through improved data collection, sharing and monitoring.
- Improve productivity by increasing investment from public and private sources by 50 percent by 2015. With these investments, agricultural productivity should increase by 20 percent per decade in order to meet food and feed demand.



Business leaders at the B20 meeting in Cannes.

- Integrate environmental sustainability into domestic food security policies. Water resource management and the expansion of sustainable sourcing practices to smallholding farmers should be an integral part of public-private collaboration.
- Enable affordable and easier technology transfer and capacity-building from developed to developing countries in the area of food and nutritional security.

The Working Group emphasizes that in order to make infrastructure a strong enabler for development, there is an imperative need for increased investment from the private sector, promoted by governments and multilateral institutions when needed. This has to be accomplished in a cost-effective, efficient and sustainable manner so that sustainable infrastructure becomes a clear enabler for sustainable economic growth and development.

The other vital elements are:

- Strengthen project design and preparation to ensure the availability of quality projects: design a model of a 'Well-Prepared Project' (e.g., taking into account life-cycle cost analysis) and create conditions for successful PPP projects. Both entail strong local capacity building. The WPP concept clearly establishes the requirements for a successful project in terms of quality of the work as well as respect for budgets and schedules.
- Prioritize financing, project development and implementation, over an increase in ODA. The main challenges are: to better leverage existing public resources – notably from Multilateral

Development Banks - in order to attract other sources of funding, particularly from the private sector; to improve the relevance, quality and management of the projects to be implemented, and to reduce the extent of differences between contracts and their implementation.

- Change the way multilateral development banks operate to facilitate the private sector's involvement in project development and implementation. The most important changes should be in the way procurement rules are designed as they need to better reflect the reality of infrastructure investment and take into account the significant contribution that the private sector may have in helping the emergence of well designed projects.
- Improve information flow, as availability of information is a condition for the private sector to be ready to invest. Amongst the various initiatives that could be sought, the B20 would like to highlight value of developing in a coordinated way an infrastructure-attractiveness index managed by a public-private partnership.
- Encourage governments to engage in a multi-stakeholder dialogue in all phases of infrastructure planning, development and implementation to enable more cost-effective and efficient development of infrastructure that also addresses environmental and societal concerns. This will contribute to the emergence of well designed and locally owned projects.

The Working Group strongly feels that a key element for growth and development is Corporate Social Responsibility (CSR). To optimize

the CSR, the following steps have been suggested:

- Promote the adoption, on a voluntary basis, of CSR standards for businesses in developing countries, which will have a positive impact on development and promote competitiveness.
- Create a public-private dialogue to define economic, social and environmental guidelines at the country level. The public and private sectors in every country should be able to decide which aspect of development they want to prioritize.
- Encourage IFIs and bilateral development institutions or agencies to lead the way in the implementation of CSR standards. IFIs and bilateral development banks or agencies have an important role in defining a sustainable level of CSR in connection with their infrastructure tenders. ☺

**Sukumar Sah is Managing Editor of FICCI Business Digest & Anshuman Khanna, Additional Director, Economic Affairs, FICCI.*



R.V. Kanoria addressing the B20 meeting. On his right are: Cristina Fernandez de Kirchner, President of Argentina and Paul Polman, Chairman of Unilever.