56TH ANNUAL SESSION OF FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

Saturday, the 2nd April, 1983

FORENOON SESSION

The Presidential Address of Dr. Cav. G.K. Devarajulu is reproduced below :

Respected Pranab Babu
Your Excellencies, Delegates,
Ladies and Gentlemen,

It is a great pleasure for me to welcome you all to the 56th Annual Session of the Federation.

2. We are indeed honoured by the presence of Shri Pranab Kumar Mukherjee, Union Minister of Finance. To formally introduce him to this gathering would be presumptuous on my part. I would only say that the Prime Minister has very wisely entrusted the managemeat of the economy to a man whose dynamism, foresight and judgement are unquestionable and on whom we can depend to take the economy forward

3. Sir, the theme of our Annual Session this year is 'Strategy for Economic Revival'. We are not alone in this big task. At the recent historic meeting of the Heads of State and Government of Non-Aligned Countries, concern was expressed about this very problem. The occasion brought India into the limelight and established the unqualified leadership of the Prime Minister, Smt. Indira Gandhi, to guide this Movement for world peace and prosperity.

4. In recent months, the world economy seems to be pulling out of the longest recession since World War II. There are many signs that a new development wave is beginning to emerge. This wave will be different. During the recession, companies have not been just lying low. They have embarked on new technology and new products. This will transform the international structure of industry and necessitate long-term adjustments.

5. Besides, international prices of oil have dropped by $ 5 per barrel and will certainly ease the balance of payments of all oil importers We hope that the developed countries will take the earliest opportunity to lift trade barriers and revert to an open system.

6. This, however, is not the moment to relax. We, as a country, have to participate in this expanding trade on a much larger scale to increase

our share and improve our balance of trade. If we are vigilant, we can do both.

7. Our trade gap has widened and is mainly financed from IMF loan. With further repayment liabilities, it is likely that, by 1986, our foreign exchange reserves will fall to a very low level. Let us not look to the West or the East to borrow to support the balance of payments. Aid is no solution. Self-reliance, which we planned for, has to be achieved.

8. Our only choice is to export. Progressively, we have to shift to higher value-added products which have an elastic world demand. Let us not forget that exports are not a surplus which can be disposed of abroad. Export is a total activity. We have to plan export production according to world standards, build an efficient transport network, mechanise ports, provide cheap export credit, evolve a system for market information, and so on. We cannot escape the fact that we have to build a strong export base.

9. No export industry is able to stand on its own. Every export activity must have its roots in the domestic market. A 100-per cent export unit is a 100-per cent risk. That is why business has been pleading that the 100-per cent export units should be allowed to sell at least 25 per cent of their output in the domestic market.

10. A more powerful and stable industry, which can promote exports, will, however, be the one which sells 75 per cent in the domestic market and 25 per cent abroad. Such an industry has a high back-up power to withstand international competition.

11. In a changing world, industry can be viable only when it is technologically up-to-date, In the 1960s, our industry was pretty close to the world technology level. Today, it is at least 10 years or more behind. We have to modernise to be able to reduce costs, improve quality of products and generate employment by creating larger surpluses for investment. The Productivity Year was a careful attempt on the part of the Prime Minister to make industry conscious of this responsibility. The message has been well taken.

12. Modernisation, I believe, is the central problem today. It takes time and needs money. In the last Budget, you, Sir, permitted faster write-off of assets and lowered the rate of interest on bank credit. These measures are a good gesture, but these are not adequate to overcome the present difficulties. In five major industries—textiles, sugar, cement, paper and engineering—, the requirements of funds are over Rs. 500 crores per year. Wherefrom are such large finances to come ? With the high tax rates and the dilution of incentives, the corporate sector will lose every year another Rs. 100 crores to the Exchequer. On the contrary, it requires Rs. 1,000 crores more annually to fulfil its Plan obligations.

13. I get the impression that while the corporate sector is assigned production targets in the Plans, it is not allowed recourse to corresponding finance for investment. Naturally, development suffers. Whether it is the public or private sector, small or large enterprise, that fails to measure up to expectations, makes no difference to the people. They are concerned with employment, income, prices and availability of goods.

14. I do not at all minimise the financial needs of Government. There is defence, infrastructure, social welfare to be looked after. Without power, industry cannot run. Without coal, power cannot be generated. Without wagons, coal cannot be moved. All these require funds. The anxious thought which has bothered me is, whether the public sector investment that is made is producing the output that is expected. Perhaps, not. With better management, the output, I am told, can be almost doubled. With the power generating capacity that has been installed, there need not be any power shortage. The NTC mills need not make losses. Management is the prime issue to which Government has to find an answer. It is not always appreciated that management is a more important factor of production than capital. That management input is precisely what is lacking. With better use of the same resources, our per capita income could have been nearly Rs. 4,000. Today, it is only Rs. 1,800.

15. Development is a matter of discipline. With that goes coordination which is so vital for achieving higher growth. When different sections pull

in opposite directions, the result is disaster. For 14 months now, the textile industry in Bombay has been on strike. I do not know whether it is a tribute to the tenacity of labour leaders or the patience of managements. The fact remains that Rs. 1,500-crore production is lost. Workers are out of jobs. Industry is in the red. Financial institutions have been denied repayment of loans. Government has to forgo revenne. Exports have dropped. And, the consumer has to look for inferior substitutes. Should we passively watch such tragic drama ? Should we not ask ourselves what is wrong with our labour laws which permit such abuse of freedom ?

16. A related matter is about holidays. Surprisingly, a poor country like ours enjoys a far greater number of holidays than the rich industrialised countries. It is not realised that one closed day means a loss of Rs. 200 crores in industrial production alone. Our immediate task is to produce more. Until the per capita GNP is respectable and unemployment is removed, all sections of society should adhere to a work ethic which matches our economic ambitions.

17. Development is for everyone to contribute to and to share. That is the only answer to poverty which the country sought to abolish long ago. Unfortunately, it persists with the same intensity. We, in business, are conscious of our responsibility and would like to do our bit in the fulfilment of rural development and family planning which are the two key elements in the 20-Point Programme. As the Prime Minister has suggested, business will endeavour to provide drinking water facilities to as many villages as possible. More than that, business will like to offer its management and technical know-how to rural areas to improve productivity and per capita earning. I hope the Finance Minister will not discourage this effort.

18. Of course, development to be high has to be balanced. We cannot admit that it has indeed been so. It appears to me that the 'green revolution', which started in 1967, has somewhat lost its punch and agricultural growth has consiberably slowed down. In the last three years, for instance, foodgrains production was almost static at around 130 million tonnes. This has very serious implications. Government should have a hard look at the underlying trends and correct any imbalances that may have arisen.

19. Agriculture has close nexus with industry. Last year, production increased by 8 per cent. And, to its utter surprise, industry found that it was unable to sell. This is not a freak situation. In fact, in the whole of 1970s, growth did not exceed 4 5 per cent, on an average. This is not merely due to shortage of power. A disturbing feature is that demand does not expand fast enough. In a country of 700-million people, the market for industrial goods is less than 70 million. More and more goods have to be brought within the purchasing power of more and more people. Partly, this is the job of industry itself. The consumerism of the urban sector has not spread to the rural areas where the new markets will be located. Invasion of the domestic market by artificially cheap imports has to stop. Costs and prices have to be reduced by enlarging the scale of production, and reducing excise duties. Facilities for consumer credit need to be established. These are not alternatives. They supplement each other. All they mean is that demand will create its own supply. When demand is high, growth is bound to be fast.

20. I appreciate the steps taken by Government to liberalise industrial policy. Maybe, Government cannot go too far too soon. Changes in policy are often slow. Business would like to see that controls are eased and regulation is made automatic. The MRTP delays implementation of projects. The convertibility clause imposed by financial institutions discourages many enterprises from borrowing. The high rate of corporate taxation and the disallowance of legitimate business expenditure sharply cut into the internal resources available for investment. These need to be reviewed to speed up industrial progress.

21. While industry must produce, trade has to market. I am proud that trade has performed its functions well. Yet, lately, the number of Government regulations to which it has to conform has very much increased. Quite a few laws, which have been enacted to protect consumer interest, have actually led to inconvenience to public and

harassment to trade. I hope that the recommendations of the Tripathi Committee regarding inclusion of vanaspati, drugs & medicines, paper & paper products, cement and petroleum products in the scheme of additional excise duties would be implemented as early as possible. Definite guidelines have also to be laid down to ensure that the Constitution (46th Amendment) Act does not give rise to additional administrative problems. At the same time, trade has to adopt modern marketing techniques, pay greater heed to consumer needs, and attend to consumer grievances. Its direct exposure to the public makes this obligation all the more important.

22. Before I close, I would like to mention that, during the year, we had the privilege of receiving 25 delegations from different parts of the world. We were honoured by the presence of the Nigerian President and His Highness the Aga Khan. FICCI also sent delegations to 11 countries, three of which I had the occasion to lead. This international dimension of our work has gained ground and has proved to be an important instrument for enlarging international trade, investment, and technology exchange.

23. There is a hard task ahead. Not the Government alone, not the industry alone, not the farmer alone, can achieve it. We all have to work together with utmost understanding and in a spirit of cooperation. If we succeed, progress will be high and unemployment will disappear. I have no doubt that we will succeed.

24. During my year of Presidency, I offered some suggestions to Government with this very intention. I must say I received the utmost cooperation from the Council of Ministers, the senior officials of Government and other organisations. I am deeply grateful to all of them.

25. I must express my sincere thanks to my Vice-Preident, Shri Ashok Kumar Jain, who came to my support whenever I was unable to attend to my duties. To the Executive Committee of the Federation, the Standing Advisory Committee, Chairmen and Vice-chairmen of the Sub-Committees and Chairmen of Joint Business Councils, I am indebted for their generous support.

26. The Secretariat and the Staff under the able leadership of Secretary-General, D.H. Pai Panandiker have shouldered large burdens during the year. My thanks and good wishes to them all.