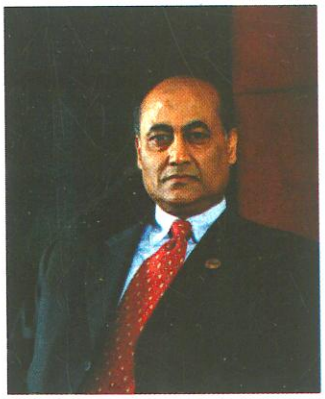


FICCI



President's Address by
Mr Rajya Vardhan Kanoria
President, FICCI

85th Annual General Meeting

Economy, Enterprise & Employment

December 15, 2012, New Delhi

Speech by Mr. R V Kanoria, President, FICCI
FICCI's 85th Annual General Meeting
December 15, 2012

Dr. Manmohan Singh, Hon'ble Prime Minister of India,
Ms. Naina Lal Kidwai, President – Elect, FICCI,
Mr. Sidharth Birla, Vice President, FICCI,
All Past Presidents of FICCI present here today and my colleagues from Indian industry,
Senior government officials,
Members of the diplomatic corps,
Friends from media,

I take pride in welcoming our respected Prime Minister, Dr. Manmohan Singh ji. For me this is a moment of personal and professional satisfaction. I welcome you, Sir, as the President of FICCI, and, in my personal capacity as someone who has always felt blessed by your affection for me.

India is fortunate to be led by a statesman who has integrity, sincerity and commitment towards nation building.

Your presence bears testimony to your desire to engage business in realising the true economic potential of our great country and put growth back up to the levels that would meet, as you have said Sir "a revolution of rising expectations".

In an atmosphere mired in misplaced political rhetoric, the tenets of the model of parliamentary democracy being severely tested, the moral fabric of the nation under strain, amongst growing inequality and with rural urban divide yet to be bridged, extra resolve and courage is required to push through change.

I shall borrow from what my father had said in 1972 as President of FICCI in the presence of Mrs. Indira Gandhi who was the then Prime Minister and to the best of my knowledge, Pradhan Mantri ji, the same year that you had joined the government. I reaffirm my personal identification with his words as I believe they are as applicable today as they were 40 years back and I quote...

> *"I would like to assure you that businessmen stand ready and willing to play their part. We know that there is much in our society that cries out for change, age old injustice and wide disparities that can no longer be tolerated. It is for the government – assisted, may I add, by enlightened, socially conscious private enterprise – to direct this creative discontent into productive channels instead of allowing it to vent itself in a senseless orgy of destruction. It is true, as Gunnar Myrdal has pointed out, that in underdeveloped countries greater equality is almost a condition for more rapid growth. Let us by all means strive for a narrowing of inequalities of income and wealth so that equality of opportunity may be assured to all. But let us remember that greater equality, except in a context of growth, will be self defeating, for it will only diffuse poverty instead of generating prosperity. Equality and growth are thus inter-related and complementary."* Unquote.

In order to focus on growth, it is imperative for industry and government to diffuse the disillusionment and disenchantment associated both with business and with politics.

I seek the government's support in recreating the business

friendly atmosphere of the 90s, an era dominated by the positive impact of the deep structural reforms initiated by you in 1991. A reform process that put India on the global economic map and brought dignity to India's standing in the comity of nations. A process that has generated capital and effectively used it to reduce poverty, raise standards of living, create employment and offer more choice, quality, and affordable products to the Indian citizen.

It is the success of these years that probably led to complacency in our self belief that the building blocks for sustained inclusive growth are in place and that the propensity of our savings and entrepreneurial talent will keep the country growing at near double digit rates.

Pradhan Mantri ji, there is a need to formulate, articulate and effectively communicate a new common shared vision between government, business and civil society, with clear definitive goals, both economic as well as social, that channelizes our nation's aspirations and efforts in the same direction.

Whereas bold and politically difficult initiatives have been taken by you in the recent past, I fear that true political consensus on taking the nation forward is eluding us. In this turmoil, proposed new legislations are likely to be driven more by current emotions and be passed through compromise and not conviction and as such could remain incomplete and ineffective leaving scars on the economic landscape and impacting the future.

I urge political parties to shift away from party based politics to issue based politics. Coalition governments are here to stay. We need to mature as a democracy and ask ourselves, not what is good for a party, but what is good for the country. Let each one of us put nation before self.

Over the last year, FICCI has worked on an economic agenda and some of the issues iterated are –

- The need for creation of an integrated Indian Economic Union by introducing GST and following up by subsuming all state level taxes and duties within one transparent and easy to administer self regulating framework.
- To stimulate investment by reviewing the role of Minimum Alternate Tax and its negative impact on capital formation and re-investment.
- To shift from consumptive to productive expenditure as the consumptive component of the fiscal deficit is at cross purposes with the monetary policy as much as one seeks to control inflation whilst the other fuels it. Fiscal and monetary policy need to move in tandem to ensure that cost of capital for investment is maintained at reasonable levels.
- To introduce labour flexibility as a means to foster employment rather than fear the loss of employment.
- To expedite the introduction of a simpler and effective Direct Tax Code.
- To focus on infrastructure both in terms of policy and in creating financial models which match the long term gestation and stabilisation needs.
- To address the fears associated with decision making at the ground level which is delaying and jeopardising the implementation of projects.

In addition to the above, allow me Sir, to make a few points on a broader level.

Transparency and fairness must apply both to the tax collector and the tax payer. The administrative framework related to taxation requires a mindset change. It should promote conciliation rather than litigation. This can happen only when the gap between interpretation and intent is bridged and the adjudication process is independent of the revenue process.

Friends, an economy of the size of India cannot continue to grow unless we ensure reliable supplies of energy. I would say the answer to achieving energy security lies at home and not abroad.

Our dependence on coal will not go down at least for a few decades. It is important to usher in greater competition in this sector. Monopolies are not desirable in any segment of the economy.

The average size of land holdings in the country is going down. This reduces propensity for technology absorption. One of the ways to overcome this problem is to separate ownership of land from cultivation of land without compromising the sentiments associated with ownership.

Our Agriculture Committee and the Ministry of Agriculture have jointly evolved guidelines for promoting Public Private Partnership for Integrated Agriculture Development.

We have launched a national program to work directly with one million farmers. This is a unique initiative, which aggregates and brings together farmers as well as aggregates and brings together private sector players across the agriculture value chain to work together to improve yields. Sir, the key to food security does not lie in conserving land but in increasing agriculture productivity. Furthermore, the impact of farm prosperity in stimulating aggregate demand is yet to be realised.

On the new Land Bill, which has been approved by the Cabinet, we have concerns. We hope industry's view point is taken into consideration before the Bill is passed in the Parliament and that FICCI's detailed submissions are examined keeping the evolving employment structure in the country in mind.

The Land Acquisition Bill in its present form would stop the gradual shift in labour force from agriculture to industry and services. Do we want to impoverish agricultural labour by denying them opportunities? All implications of the Land Acquisition Bill have not been thought through. The Bill should therefore not be passed in its present form and be comprehensively reviewed.

Allocation of natural resources has been a subject of intense discussion. The Supreme Court has given its judgement that auction cannot be the only mechanism. This has been FICCI's position as well. We hope that a transparent and predictable policy will emerge. In this process a justifiable balance between revenue optimisation and socio-economic development objectives will be maintained.

Enterprise requires an environment of predictability. While no country can offer a risk free environment for business, a responsible government must ensure that there is rule of law and that justice is delivered both fairly and timely. It must ensure sanctity of contract, stability in the tax regime and applicability of legislations prospectively.

Sir, India is a land of enterprise. It has been so for centuries.

The flag of Indian enterprise is fluttering around the world. Distant nations solicit Indian talent and enterprise. So let us give a fair treatment to business at home. People ask for rights without talking of responsibilities. I assure you that the Indian

business community would endeavour to balance its rights with responsibilities. We need to move away from an atmosphere of negativity and shun discussions on what we must not do. The focus should be on positives and what we must do.

We at FICCI re-affirm our commitment to work with government to ensure that business lives up to the highest standards of corporate citizenship. The very foundation of FICCI was built on the tenet of 'trusteeship' and we draw our inspiration from Gandhi ji, who had called upon our founding fathers to set up the Federation and make Indian businesses an integral part of our struggle for economic freedom.

Before I close, I would like to again quote my father Shri S S Kanoria, who due to health reasons could not join us today. I quote...

> *"An occasion such as this should not be used only to ventilate our difficulties. I believe that we businessmen should also take stock of our own role in the economy and how best we can fulfil that role. How we discharge our responsibilities now, will largely determine our own future as well as that of the nation. The pace of socio-economic change is increasing. Those who are incapable of understanding the significance of the transformation in the psychological environment and of adapting themselves to it are likely to be overtaken and left behind by the forces of change. I am confident that the business community of India will not be insensitive to the rising expectations of our people."* Unquote.

I reiterate that his words reflect rising expectations in today's context much as it was forty years ago.

I cherish the values I have imbibed from my parents. And I am confident that members of the business fraternity will also embody these ideas and ideals.

As I come to the close of my Presidency at FICCI, I must say that the experience has been both humbling and enriching. I received strong and unflinching support from Naina and Sidharth. I thank you both. I also express my gratitude to the Chairs and Co-Chairs of our several committees. A special thanks to my colleagues at the FICCI Secretariat. And finally, I want to thank my wife for her tolerance through the year. I could not have devoted the time asked from me without her understanding and support.

With these words, I once again welcome our Hon'ble Prime Minister and invite him to deliver his inaugural address.

Thank you. Jai Hind.