FICCI



Presidential Address by

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INDIA on the MOVE...

Speech by Ms. Naina Lal Kidwai, President, FICCI
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Hon'ble Minister for Commerce & Industry, Shri Anand Sharma,
Sidharth Birla, President – Elect, FICCI,
Jyotsna Suri, Vice President, FICCI,
A Didar Singh, Secretary General, FICCI and the talented team at FICCI,
Members of the diplomatic corps,
Senior government officials,
Members of the FICCI National Executive Committee,
Colleagues from industry from across India,
Members of media,
Ladies and gentlemen,

Good morning and welcome to the 86th Annual General Meeting of FICCI.

Ladies and gentlemen, the last two years have been particularly difficult for the Indian economy. It is imperative that we get back to the 8 to 9 per cent growth mark. As the Finance Minister, Mr Chidambaram, said in March when he announced the budget *"Growth is a necessary condition and we must unhesitatingly embrace growth as the highest goal. It is growth that will lead to inclusive development, without growth there will be neither development nor inclusiveness."*

So what is the impetus for growth? What drives the Indian economy? Here, I am reminded of Winston Churchill's statement *"the empires of the future will be the empires of the mind"*. His words resonate in the age of the knowledge economy.

All of us here are familiar with the way the IT and BPO sectors have grown in India. This industry has raised our profile at the global level. It has become amongst our best known strengths where IT and BPO are practically synonymous with India.

But how did this come to be? The economist Thomas Friedman traces it to the 1990s, when a combination of India's excess of highly skilled technology workers and an abundance of fibre-optic cables converged to give India an edge in the technology market. He, in fact, cites this as one of those events that 'flattened the world', creating a more level global economic playing field.

So what is the next disruptive wave for us? Could it be in agriculture and food processing as we are already amongst the largest food producers in the world, the largest milk producers, second largest fruit and vegetable producers? After all land and water are a scarce resource and yet our productivity in agriculture as a huge user of these resources is substandard. Or could it be in the energy or in the water sector, as we need to devise innovative solutions to meet these twin shortages? Or may be in the export sector, as China vacates some of this space? We need to look into the future, identify the potential wave beforehand and build a supportive eco-system for the same. FICCI has prepared vision documents for key sectors which tell us what the industry should look like in the next 10 to 20 years and what steps we need to take to reach there – we need to work together to achieve this.

Let me now turn to another important segment of our economy - the manufacturing sector. FICCI published the Manufacturing Handbook 4 months ago and the government has come out with an agenda for this sector - but we are far from progressing at the pace we should. What we need essentially is an enabling environment that encourages more investments in the manufacturing sector. As Nelson Mandela said *"Money won't create success, the freedom to make it will"*.

These days, when we speak about investments and India, there is a general mood of despondency. We need to remind ourselves that our

consumer market is growing and we are on course to become the fifth largest consumer market in the world by 2025. There is huge demand for automobiles, consumer durables, FMCG products, pharmaceuticals, textiles, housing, telecom equipment...the list can go on as the population gets more prosperous and seeks to fulfill its aspirations. This explains why companies from across the world – GSK, Unilever, PepsiCo, Coca Cola, Hitachi, Hyundai, Samsung, Toyota just to name a few – remain committed to the Indian market and see India's attractiveness as an investment destination. It is no surprise that the highest investments this year are from Unilever USD 3.2Bn and GSK USD 1Bn, companies that know India well and therefore see the opportunity.

A latest global survey by EY ranks India as the most attractive investment destination, followed by Brazil and China. In terms of investments, USA, France and Japan are the top three investors most likely to invest in India. The sectors which are likely to attract most deals include automotive, technology, life sciences and consumer products.

There are a number of other factors that impact India's economic fortunes, including our relationship with other countries. The dynamics in Asia, for instance, are changing. Japan is actively investing in India and India has repeatedly come up as a preferred choice for Japanese multinationals. China and India too are finding more and more ways to collaborate as the recent visit of our Prime Minister to China highlighted.

We are also deepening our connect with countries of the ASEAN region as well as the BRICS countries. The work being done by FICCI as part of institutional arrangements like the India-ASEAN Business Council and the BRICS Business Council highlight the development of different groupings where India is a key player. And we have all seen how critical India was in the WTO deliberations in Bali, so ably led by Minister Sharma.

Another key driver for growth is innovation. And this does not only reside in the high end R&D labs of large corporates. Take the case of the '*dabbawalas*'. This simple service available in Mumbai is a model

of efficiency and efficacy and of the Indian work ethos. One of the keys to the system's success is its code of coloured symbols which has been learned and memorised by the largely illiterate '*dabbawalla*' workforce. The system is astoundingly accurate. So accurate, in fact, that Forbes magazine awarded them a 6 sigma rating – accuracy of at least 99.999999. This translates into only one missing '*dabba*' per six million delivered. If this sounds a bit familiar as a business model, one '*dabbawalla*' explained to a reporter, '*there is a service called FedEx that is similar to ours – but they don't deliver lunch*'.

What I think this illustrates is how Indian business innovates and makes extraordinary use of available resources and commodities. This philosophy is best enshrined in the words of Tagore, India's first Nobel Laureate in literature, "*If I can't make it through one door, I'll go through another door, or I'll make a door*" - a little like the Delhi driver!

We can see the effects of innovation on accessibility: the world's lowest telecom costs resulted in increased cellular phone use. The world's cheapest car, Tata's Nano, made headlines around the globe and is seen as a turning point in the global auto industry. The benefits of business innovation permeate all levels of Indian society, and much of it is helping to facilitate employment opportunities, either directly or indirectly.

Just in healthcare, look at the number of innovations we have seen in India:

a) Jaipur Foot recognised by the Time magazine in 2009 as one of the world's 50 best innovations – 99% of the patients are below the poverty line.

b) Or Aravind Eye Care which delivers cataract operations at $1/6^{th}$ of the cost of an Indian hospital and $1/30^{th}$ of the cost of a USA hospital. In 2003, they became the single largest cataract surgery provider in the world.

c) Or Narayana Hrudayalaya which has perfected a low cost approach to heart surgery at 1/2 the cost of an Indian hospital and $1/16^{th}$ the cost in the US.

Forbes has just listed India as 39th in Innovation among 145 countries.

FICCI had highlighted solutions across industries earlier this year when we had partnered with the Ministry of Finance to organise a seminar on the theme '*Innovation for Inclusion*' during the 46th Annual Meeting of the Board of Governors of ADB that India hosted. Our flagship 'Millennium Alliance' project with USAID and Department of Science and Technology, Government of India has been a great success and has helped bring to the fore solutions aimed at addressing India's development challenges.

Let me now touch upon some of the key economic challenges that have been bothering us for a while now.

Starting with INFLATION, we have seen that this has been a perennial problem for the last three years. Food inflation particularly has been very high, driving up overall price levels. RBI has been proactive in ensuring that the situation does not go out of hand. However, the tight monetary policy stance has led to high interest rates and this has adversely impacted industrial growth and the investment cycle in the economy.

Additionally, our companies operate in an environment where considerable time and resources are spent on dealing with REGULATIONS. All of us know that in terms of Ease of Doing Business, India ranks 134th out of 189 countries that are evaluated by the World Bank on certain standard parameters. Procedural reforms are as important for us today as policy reforms. Our businesses are expanding but if we are supported by an enabling environment we could grow faster and better. Easing the process for setting up businesses will most certainly help. It will unleash the entrepreneurial spirit among professionals by encouraging people with ideas and visions to follow their dreams without having to run from pillar to post to turn their dreams into reality. It will also help generate employment, and possibly give birth to future mega corporations.

Then there is the problem of INFRASTRUCTURE. We have a huge deficit here and this impacts the performance of our industrial sector, our competitiveness, our exports and our agri-productivity. Presently

we are engaged in developing some very large and ambitious projects like DMIC. Projects such as these will be the building blocks for our growth in the future and we need to ensure that these take off at the earliest with the necessary technical and financial resources.

At FICCI, we have evolved a comprehensive economic agenda that touches upon some of these issues which we will be releasing today. While I will not go into the details here, I would like to flag a few priorities –

First, dealing with food inflation calls for a quantum jump in food productivity, straightening kinks in agri-supply and distribution and reducing wastages. Given the growing demand for protein and mineral rich food items in the country, we need to have a second green revolution that focuses on fruits and vegetables, meat, fish and eggs and milk and milk products. We need an effective cold chain and warehousing infrastructure.

Second, for reducing the cost of doing business in India, we must usher in a comprehensive Goods and Services Tax. We need ONE COMMON MARKET in India.

Third, speedier implementation of large infrastructure projects calls for action on many fronts. While the Cabinet Committee on Investments (CCI) has done a commendable job by clearing several large projects, we need to now see these going into production.

Fourth, the administration of taxation system of the country requires a mind-set change. As long as actions are driven by a single point agenda of maximising revenues, we will always be drawn towards litigation. We also need to bridge the gap between interpretation and intent of laws. We need clearer laws. Over 70 per cent of litigation cases in India involve the government as either petitioners or respondents. This, in effect, makes Government the largest litigant in this country. This situation must change.

Fifth, on the issue of energy security, we must follow on our diversification strategy in terms of sources of energy as well as geographies from where we will source these. We also need to accept the fact that coal will be the mainstay of our energy mix in the

foreseeable future and we must therefore evolve policies that help us tap this resource in an environment friendly manner.

Sixth, land is essential for industrial expansion and our land related policies should ensure that this resource is available to industry on a long term basis and with certainty.

Seventh, allocation of natural resources has been a subject of intense discussion. The Supreme Court ruling is before us and it mentions that auction cannot be the only mechanism. FICCI believes the process of allocation of natural resources should be transparent and predictable and that there should be a justifiable balance between revenue optimisation and socio-economic development objectives. The rules then need to be followed and action taken promptly when rules are broken. We need regulatory frameworks which look into the long term profitability of industry while protecting consumer interests.

Eighth, businesses require an environment of predictability that can only be ensured if there is sanctity of contract, stability in the tax regime and applicability of legislations prospectively. There have been developments in the past when one or more of these principles were violated. Government has taken corrective measures in some of the cases, but one must recognise that bringing confidence back can be a long drawn process.

Our businesses have a long history of engagement with communities around them and many understand what is good for the community is good for business. Entrepreneurs should therefore be treated fairly and with respect. They should be part of the collective effort involving both the government and civil society that is aimed at realising the true potential of India.

We have set up the Inclusive Governance Council to address some of these issues and bring government, industry and civil society onto a common platform. At FICCI, we re-affirm our commitment to work with the government and civil society to ensure that we always adhere to the highest standards of corporate citizenship. As you are aware, FICCI's foundation 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 entrepreneurs an integral part of our struggle for economic freedom. We need to work together, find solutions through balance and compromise.

Finally, before I come to the close of my address, I would like to point out that while it is necessary to address the structural and economic problems that we face, it is also important to recognise that there are social issues that have to be dealt with as well. We must work to protect the pluralism that is India, to ensure an inclusive India in all we do. I would particularly like to highlight the role of women in society and in business.

We need to embrace the cause of the safety of women at the work place. I hope you have introduced the guidelines that we had issued earlier this year into your companies. Let me also ask are your daughters as eligible as your sons to run your businesses? May the best person succeed – man or woman!

As I come to the close of my Presidency at FICCI, I would like to thank Sid and Jyotsna for your support. I also express my gratitude to all the Chairs and Co-Chairs of FICCI's several committees for the tremendous work you are doing in your respective areas. And of course, special thanks is due to all my colleagues in the FICCI Secretariat led by Didar Singh. May you take FICCI to greater heights with your commitment and efforts.

To quote Maha Sthavira Sangharakshita – "*to know what we do not know is the beginning of wisdom*". I do not know what the future holds for us, what the elections next year mean for us. What I do know is the trajectory is ours to make.

With these words, I would like to now welcome Minister Sharma.



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