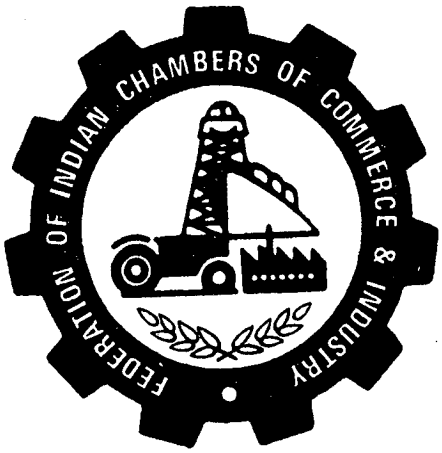
FIFTYFIFTH ANNUAL SESSION

ADDRESS BY THE PRESIDENT

SHRI ARVIND N. LALBHAI

March 27, 1982

FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY
NEW DELHI


FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

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

It is a great pleasure for me to welcome you all to the 55th Annual Session of the Federation.

2. I am deeply indebted to Shri Pranab Mukherjee for accepting my invitation to inaugurate this Session. To this audience, Pranab Babu, as he is affectionately called, is well-known. He joined the Union Council of Ministers in 1973, first in the Ministry of Industrial Development and subsequently in the Ministry of Shipping and Transport, Ministry of Finance and, in the new Government, as the Minister of Commerce, Steel and Mines. Last January, he became the Minister of Finance and on 27th February presented his first Budget. His rise to this coveted portfolio is an eloquent tribute to his qualities as a perceptive economist, an astute politician and efficient administrator. Youthful in appearance but rich in experience, we can look forward to his long leadership which will raise this country to high levels of progress.

3. Already, in the past two years, there has been a remarkable change. National income has been up by 13 per cent, industrial production by 12 per cent, and agricultural output by 18 per cent. These are no mean achievements for a developing country confronted with internal problems and an indifferent world environment. The international economy has been under pressure and is exposed simultaneously to both recession and inflation. Developed countries, which only a few years back were preaching the virtues of free trade, have been wanting to insulate themselves against competitive exports from developing countries; the shift to monetarism, with accent on high interest rates, has created financial distortions; the oil crisis which has only partially eased still weighs heavily on the balance of payments; the stockpiling of arms at our very borders has necessitated some diversion of productive resources

to the reinforcement of defence. Under these conditions, to achieve high growth and defuse inflation is undoubtedly commendable.

4. I am aware that we cannot be complacent. We have to strive for much higher goals, not in a bid to catch up with the developed countries, but only to provide a satisfactory standard of living to our 700 million people. This is as much the responsibility of Government as it is of business, the labour unions and other organised sections of society. Working together, we can surpass even our own expectations; but working at cross purposes we would postpone, almost indefinitely, the bright prospects that are in sight.

5. In an interdependent world, we have to think of development which, while resolving our domestic problems, would also place us in an advantageous position in international exchange. Today, the world is amidst a technological revolution. The invasion of the 'chip' has totally transformed communications, industry and even domestic work. Said Alvin Toffler in The Third Wave, "the world that is fast emerging from the clash of new values and technologies, new geo-political relationships, new lifestyles and modes of communication, demands wholly new ideas and analogies, classifications and concepts. We cannot cram the embryonic world of tomorrow into yesterday's conventional cubbyholes."

6. Advancement of technology is not new; what is surprising is its speed. Even a developing country cannot ignore its impact in spite of the adjustments it calls for. The outcry against technological unemployment has been heard right from the day the steam engine was invented. And yet, technology did not displace labour. It eventually generated more productive jobs. That is the history of human progress.

7. We have been almost untouched by this technological revolution, although many of our scientists and technicians are competent to handle the new knowledge. Our industry, our telecommunications, our banking need to imbibe the new technology even to survive in this competitive world.

8. Import of technology is vital. But import of technology is not the only means of keeping ourselves abreast of the new trends. Our research laboratories have made magnificent strides. But, for lack of commercialisation, the fruits have not reached the people. This lacuna has to be made good.

9. Development is organic. When it is efficient, it serves the domestic consumer and the international customer equally well. Much smaller countries than India have proved how a transformation of the economy can be engineered in a matter of few years. We had the lead among developing countries and yet our per capita income today is less than one-tenth that of Brazil or Hong Kong.

10. We have all the wherewithals to usher in a new industrial State. We have the third largest technical manpower reservoir; our scientists have put satellites in orbit; landed on the Antarctica; our entrepreneurs have established enterprises abroad in competition with the world multinationals; we have natural resources and abundant sources of energy. And, today, 300 million of our people are without daily necessities; our exports are less than $10 billion; more than 1,00,000 of our scientists and technicians are without jobs. Why ?

11. It is only because we have not been able to organise ourselves for rapid development. This is reflected in delays in the implementation of projects, poor maintenance, high costs, less productivity, lower output and employment, and smaller exports. The system does not promote efficiency; it protects inefficiency.

12. On the Motion of Thanks on the Address by the President of India to Parliament about three weeks back, the Prime Minister, Smt. Indira Gandhi, said, "All countries—capitalists, communists and socialists—are stressing production today and with good reason. Regulations, whose only virtue is restriction on production, do not make us more socialist."

13. This constructive thinking has informed Government

policies in recent months. The declaration of 1982-83 as the "Productivity Year" and the emphasis on liberalisation of investment procedures and streamlining of industrial policies in the 20-Point Programme to ensure timely completion of projects, express the concern for Government, and of the Prime Minister personally, for expediting economic growth to bring about a better future to our people.

14. Time is of the essence. Delays cost. In the past 30 years, the cost of delays amounted to Rs. 150,000. crores. It is seldom realised that a file that rests on the desk of an officer in Government for clearance of a Rs. 100-crore project means a loss, per day, to the company of Rs. 2.5 lakhs, to Government, by way of revenue, of Rs. 16 lakhs and to the country, by way of production, of Rs. 27 lakhs. This is too heavy a price to be paid. And for what purpose ?

15. Controls and regulations were designed to promote balanced development. But now development itself is denied because of controls. It would be prudent either to remove controls which have become redundant or to devise means by which the delays implicit in procedures are eliminated. The Prime Minister has assured, "Large houses now can operate in areas of our social priority, the core sector. The industries which generate exports are areas with the largest impact on economic development and generation of employment. Similarly, foreign investment is welcome, though in areas of high technology, in consonance with our policy." Only a liberal policy can open up areas of development and accelerate growth. Each sector of the economy has its own place. And, in that sphere, it should function with relative freedom if the best results are to be achieved.

16. These results are contained in the Sixth Five-Year Plan. The first two years have been completed fairly successfully, going by the rate of growth. Much of this was made possible through better utilisation of capacity. However, to achieve the Plan targets, it is important that new investments are undertaken expeditiously. Farmers have to be provided with irrigation facilities; new factories and power stations have to be built; ports modernised, or

railways expanded. Unfortunately, neither in the public nor in the private sector have investments kept pace with Plan requirements. In the first two years of the Plan, public sector would have fulfilled only 26 per cent of the investment target, in real terms. The performance of the private sector may be even less. In the private corporate sector, for instance, investment will have to be stepped up from an average of Rs. 2,000 crores in the past two years to an average of Rs. 6,000 crores in the next three. These resources are nowhere in sight.

17. With the tight money policy, the distribution system has dried up and industry is not able to find resources even for purchase of raw materials, or payment of wages. Banks have no liquidity and are paying penal interest for violating the CRR. The capital market is unable to generate the size of funds which are necessary to undertake planned investment. Nor have the term-lending institutions the resources to finance eligible projects.

18. I am told that the monetary policy has been influenced primarily by considerations of price stability. Certainly, the Government, and the Finance Minister particularly, deserve abundant credit for the success in combating inflation. India would be among the very few countries where the price-rise is now less than 5 per cent per annum. From August last, the wholesale prices have been coming down and, possibly from December, the trend is reflected in consumer prices also. The danger is that some of the measures which were deployed to combat inflation are becoming counter-productive.

19. In our country, bank credit is not used to finance consumption, not even housing; it finances working capital. I would rather believe that when credit is tight, production is squeezed and industry is pushed into sickness. It would cost much more to the country to revive a sick unit than to keep it healthy. The importance of timely credit cannot be minimised. I would submit that the liquidity of banks should be restored by lowering the CRR and the SLR, or by releasing the deposits which the Reserve Bank had earlier impounded.

20. The capital market last year had revived mainly due to the interest created by convertible debentures. This trend has to be maintained and in the next two or three years, the capital market should be enabled to generate resources to the extent of Rs. 1,000 crores a year. This is vital to support investment required to achieve the Sixth Plan targets and will be possible when shares and debentures are made attractive by bringing up the rate of return through budgetary measures.

21. At the same time, internal finances of companies have to be strengthened. In an inflationary condition, companies are not in a position to modernise because depreciation allowed on income-tax basis is inadequate to replace machinery. Besides, retained earnings have fallen partly due to the high rate of corporate taxation. It was hoped that the last Budget would rectify this anomaly. I have, no doubt, that the Finance Minister, who is so anxious about promoting healthy growth of industry, will come forward with appropriate measures.

22. I do appreciate Government's need for revenue for development and defence. Fortunately, resources are not a fixed pool which can be shared by one or the other. A higher resource mobilization by the Government is possible with a reduction in tax rates. Our studies have revealed that tax reduction, in a single year, which leaves Rs. 100 crores with the companies, would increase Government revenues, after about three years, by Rs. 134 crores, every year. Tax reduction is a good investment.

23. I would like to say a word about trade. It is not generally known that private distribution in India is the cheapest in the world. Our trade in vanaspati, at wholesale and retail levels together, operates at a margin of nearly 4 per cent, and in popular soaps at a range varying between 3.5 and 5 per cent. The same is the case with other essential commodities. Unfortunately, the efficiency of private trade has, over the years, been stifled because of a number of restrictions placed on its working. The Essential Commodities Act, the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, the Prevention of Food Adulteration

Act, Agricultural Produce Market Act, etc. can lead to a good deal of abuse even on the part of minor officials. Sales tax is another irritant. We welcome the appointment of the Committee to work out the modalities for including vanaspati, drugs and medicines, cement, paper and paper board and petroleum products in the scheme of additional excise duties. When this is accomplished, nearly 50 to 60 per cent traders will be relieved from the harassment of sales tax. Government have also introduced in Parliament the Constitution (46th Amendment) Bill, 1981 with a view to bringing branch transfers, hire-purchase, works contracts, etc. within the sales tax net. If passed, the Bill will lead to a situation in which sales tax will come to be imposed when there is no sale at all. I hope such anomalies will not be permitted to arise.

24. I mentioned earlier that it is not enough for industry and trade merely to serve the domestic economy ; they have to concern themselves with balancing the external payments and receipts. Last year, the Reserve Bank of India was forced to draw down foreign exchange reserves to the extent of Rs. 1,400 crores to finance the payments gap. The IMF loan is a temporary relief, not a permanent solution. Ultimately, we have to build our exports to make the economy self-reliant.

25. Export is no longer a question of disposal of surpluses ; it really presumes producing the kinds of goods other countries demand. This means that we have to make production itself a part of the overall export strategy. We have to invest today to have the goods which we propose to sell abroad five years hence. But production is more than a matter of setting up capacities. There has to be power and coal, industrial harmony and raw materials. I am mentioning these because currently prodcution has been hampered precisely by power cuts, labour strikes and indiscipline, as also shortage of raw materials. Government are, no doubt, aware of these problems, and steps have been taken to alleviate them to the extent possible. Even the Budget provides for a 38-per cent increase in the outlay on energy. But that is not enough. A lot more needs to be done, and done fast.

26. Equally, we need an effective marketing system. For this purpose, we shall have to strengthen our commercial representations abroad by making it more professional in character, besides encouraging trading and export houses to set up a network of offices in important world centres. If we plan in a long-term perspective, right from production to after-sales service, our exports by 1990 will exceed $40 billion at current prices, apart from the possible large earnings from tourism and export of skills.

27. It is with a view to promoting closer economic relations that the Federation has entered into Joint Business Council arrangements with 24 countries. Last year, more than 40 foreign delegations were received by us and 12 delegations from the FICCI visited 25 countries. The interchange of ideas and information and the personal contacts that have been built have created greater awareness abroad about India's capabilities as an industrial country and as a partner, not only in trade, but in joint ventures and construction activity. This work of the Federation has been growing in recent years and, I am sure, will be instrumental in promoting greater international cooperation.

28. Development is multi-dimensional. Policy has to be right, procedures quick, business alert, workers responsible. A partnership involving different development agencies, if properly fostered, can bring about a total transformation of our economy. There are vast potentials which have not yet been tapped. It is important that initiative and enterprise are given opportunity, that effort and efficiency are appropriately rewarded, and that ingenuity and capability receive due merit. We have excellent talent, whether in business, science, or arts. It has to be organised to contribute in the highest measures to the progress of society. I have no doubt at all that the entrepreneurship, and management that we possess in the public and the private sectors, can, in cooperation with Government, make India an industrial power by the end of this decade.

29. I have endeavoured during the year to convey this message to my colleagues in business and to my friends in Government. The Prime Minister herself has said, "Our industry has become strong; our economy has become

self-assured; we now compete with some of the most developed countries in major areas of economic activity. We can absorb the most sophisticated technology without deviating from self-reliance. The liberalisation of controls and regulations provides a positive support to our strategy of growth and development. We intend to pursue our all-out efforts to produce more oil, more electricity, more fertilisers, more foodgrains and more of everything else which can constitute the basic needs of our people." We in the FICCI have something to offer to the country, whether it is larger production, greater employment, higher exports, or participation in welfare programmes like family planning and rural development. I can assure that the business community will respond fully and faithfully to the call given by the Prime Minister to take the country forward on its path of progress.

30. Before I close, I would like to express my sincere thanks to Government, at all levels, for the generous co-operation I have received during the year. I owe a deep debt of gratitude to the President-elect, Shri G.K. Devarajulu, who has given me unstinted support. To the Chairmen of the Sub-Committees, and the Chairmen of the Joint Business Councils, I am extremely beholden for sharing the burdens of office with me. I have received abundant sympathy and assistance from my colleagues on the Committee. To them, I am grateful.

31. The secretariat and staff throughout the year have functioned under heavy pressure. This will be evident from the work that has been done. I would, therefore, like to place on record my deep sense of appreciation for the leadership demonstrated by Shri D.H. Pai Panandiker in the very first year as Secretary-General. All his colleagues have worked hard with zeal and dedication and in the best of team spirit. My thanks to them all.

32. May I now request Shri Pranab Mukherjee to address the gathering and inaugurate this Session?