Welcome Address

of

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President, FICCI



At the 72nd Annual Session

on

Propelling India Into Global Leadership

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY
NEW DELHI

President's speech at the 72nd Annual General Meeting November 20, 1999 - Vigyan Bhawan, New Delhi

Respected Pradhan Mantriji
Your Excellencies
Distinguished Guests
Ladies and Gentlemen

Sir, the count down has begun - only 998 hours remain to the next millennium - a millennium which will re-define the civilisation of man, at a speed beyond our imagination. The 'cyber human' is already breaking through the shell of tradition, challenging eerily every aspect of our lives. The question is, will this nation of a billion people - one seventh of humanity, seize the moment and propel itself onto a new trajectory? With a leader of your vision, your wisdom and your legendary sensitivity to the grass-root aspirations of our nation, we are confident that the answer to this question is a resounding 'YES'.

The entire global scenario has undergone a dramatic change. The Herculean restraint that you have demonstrated under the most provocative circumstances at Kargil has become a model of statesmanship. Many doubting Thomases have now become ardent admirers of India's sagacity. The US House of Representatives has hailed India as a shining example of democracy. In this supportive global environment the time is ripe for change.

Macro parameters have finally begun to register a robustness not seen in many years. Yes the slowdown of the economy in the past 3-4 years, was terribly painful. But we are about to reach the light at the end of the tunnel much of the credit goes to the substantive economic policies of the last 10 months, and a bold Central Budget.

GDP and industrial growth have re-couped, inflation is low, capital market is buoyant, foreign exchange reserves are healthy and the 'feel-good factor' in corporate India is back. However, we are deeply concerned about the fiscal imbalance, which needs radical correction and your Government is fortunately seized of the matter. On the whole, we are now looking forward to an economic resurgence, provided of course, heightened economic reform initiatives are taken here and now. Difficult and contentious as some of these may be, if any government can grapple with these challenges - your government 'CAN'. We are aware that the next set of reforms are bound to touch the lives of the masses and address conflicting interests. This will require much broader level of consensus, political management and socio-economic leadership. If any government can handle this highly complex and sensitive task with political savvy, your government 'CAN'.

May I now invoke the famous words of a great disciple of Mahatma Gandhi, none other than, Martin Luther King Jr. who from the steps of Lincoln Memorial, said " I Have a Dream ". We stand at the cross-roads of history when all Indians must now nurture a dream, a dream that is fresh and fructifiable. I wish to dream this morning, on behalf of the world of business and place before you 'a 10 point wish list':

1) Sir, you have already spoken boldly of completing the unfinished agenda perhaps within 100 days. We wish that the Parliament will rush through the pending bills - Insurance, IPR, Foreign Exchange Management, Money laundering Bill, Companies Amendment Bill and all other bills pending. We seek a national consensus across the political spectrum on this vital matter.

2) The imposition of a statutory ceiling on government borrowings, moratorium on new subsidies, the pending Expenditure and Management Reforms Commission, the switchover to VAT and an immediate completion of the restructuring of Central Excise must receive your utmost attention. Similarly, the radical housing reform measures introduced during the tenure of your previous Government must be completed now.

3) I now turn to the vital area of infrastructure. The expectations of the Indian people in this area still remain unfulfilled. The condition of power, roads, ports and airports, have seen miniscule improvement, if any at all. We wish that in the next few months, your government will push through and clear all power projects, and privatise both, transmission and distribution as promised.

Similarly privatisation of port and port services is yet to take off. The construction of the golden quadrilateral announced by you at the last AGM of FICCI still remains on the drawing board, but for a few hundred Kilometers out of a total of 7,000 kms. We wish that your vision of modern super highways, crisscrossing the Indian landscape gets fulfilled post-haste.

These actions will invoke the process of creative destruction so powerfully described by Schumpeter. "When a caterpillar turns into a butterfly, it first goes blind, then its arms and legs fall off, then its body bursts open and the butterfly emerges" - that is the creative destruction you must unleash.

Sir, may I remind you that in our last AGM, you had also made the bold commitment that all the outstanding issues between the Department of

Telecommunications and the regulatory authority will be resolved to strengthen the latter's regulatory role. Unfortunately, the contentious issues between the two have since snowballed and now needs your direct intervention.

4) We are poignantly awaiting your bold initiatives on the disinvestment front, but this time, with the use of the magical 'P' word, namely 'Privatisation'. Research suggests that disinvestment and privatisation have worked only when the integrity of the government is beyond question in the public eye and credibility is at its zenith - as demonstrated historically by Margaret Thatcher. Today your government possesses both, therefore, you must strike now. Our wish is that you propose a clear and unambiguous disinvestment plan of the public sector undertakings and banks to the tune of at least 51 per cent, so that there is a distinct shift in the management of companies resulting in the re-discovery of the pot of gold in our own backyards.

5) We wish that you consider lowering the rate of interest on government borrows, the deposit rates and provident fund rates. This step alone can assure the lowering of lending rates so as to promote a much higher level of capital formation and thus economic growth. Only then will Indian industry be able to

compete with Global forces without being shackled by the nagging disadvantage of the high cost of borrowing.

6) We have a more searching issue to raise here. Sir, is it possible to truly globalise our economy and compete in a tariffless world without restructuring our labour laws, albeit with social safety net? It is our considered view that the pace of change in labour laws and social security measures must be synchronized with the pace of globalisation. We need to embark on the path of reforming our archaic labour laws to put them in tune with our times.

We urge you to begin a process of national dialogue and seek consensus across political parties perhaps with a modest first step. Can we now allow companies to replace 5 % of the non-performing work force with equal number of motivated workers? This step itself will have an electric effect on efficiency, labour productivity and begin the process of inducting labour intensive technologies and a more labour friendly environment.

7) Unfortunately, distributive trade still remains untouched by the reform process. We urge you to recast the entire Essential Commodities Act to facilitate a win win outcome for the consumer as well as the trader.

8) At this juncture a spurt in exports is critical. The fundamental bottleneck to exports is the festering transactions cost of the exporters. Even if this cost can be radically reduced, the exporters will rebound with fresh impetus.

9) The cutting edge industries in the 21st century would undoubtedly be those which are knowledgecentric and those which offer value added services. Knowledge is the new currency of today's business. The key among these would be information technology, research driven pharmaceuticals, biotechnology and entertainment and tourism. Many Indians have made us proud leading large organisations outside India, like Mckinsey, US Airways, Standard Chartered Bank, etc. However, we should recognise that this is only the tip of the iceberg. But where lies the iceberg? - It is right here, in India - the fountain head of knowledge.

10) While we seek a second green revolution in the area of grains and cash crops, our rural quest today is towards value added agriculture through agri-business and food processing. Not only are these industries highly employment intensive but these industries also form a bridge between rural India and, the growing urban middle class - Bharat and

India. Your Government has rightly begun to focus on this bridge but we wish that you intensify this process further.

I have exhausted my wish list for the moment and pause to express my gratitude to the many who made my term as President of FICCI rewarding and deeply fulfilling. The Past Presidents, the Members of the Executive Committee, the dynamic youth, professional CEOs and intellectuals of India who gave a pluralistic character to FICCI activities, I thank them all. I express my gratitude to President-Elect, Mr G P Goenka, Vice President, Dr A C Muthiah, my Advisor Mr P Murari and the committed and motivated colleagues of FICCI Secretariat lead by the erudite Dr Amit Mitra.

To sum up, we all have to join shoulder to shoulder, government, business and civil society to Propel India Into Global Leadership. The doubts arise from our repeated incapacity to implement. May I submit that the mantra for the next decade must be implement, implement, implement. In conclusion, I recall the worlds of President John F Kennedy, I quote "All of this will not be finished in the first 100 days - perhaps not even in the first 1000 days - possibly not in the tenure of your government.... but let us begin."

Thank you.