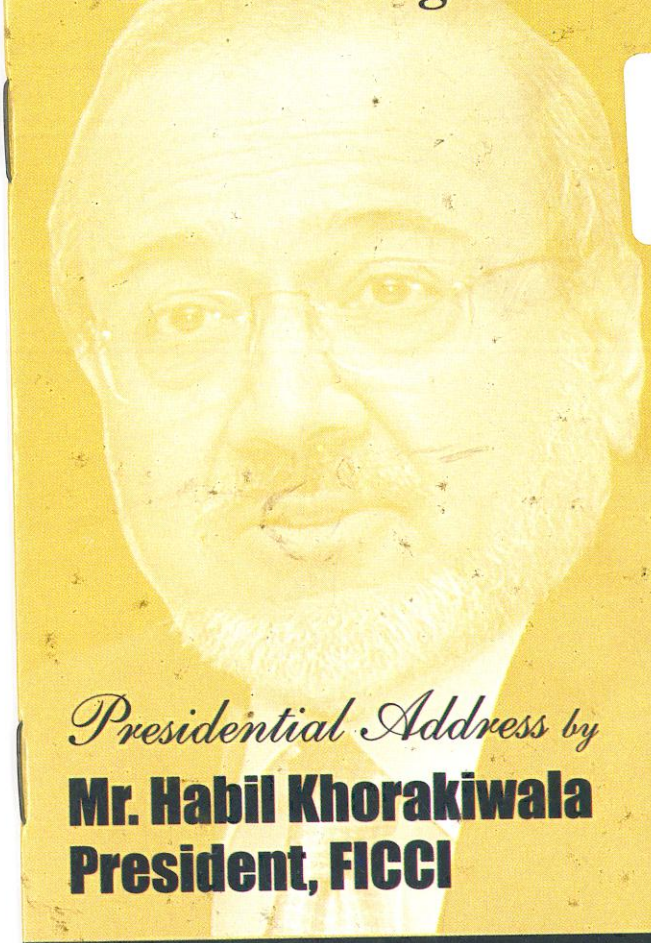
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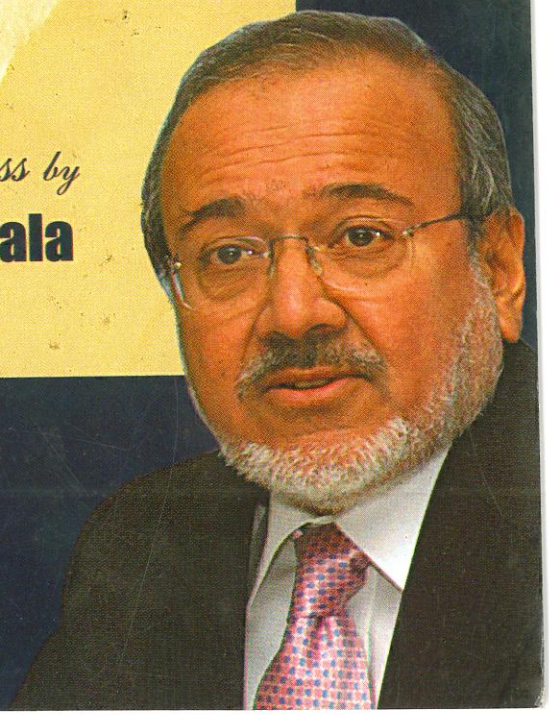
"Propelling India's Growth : The Challenges Ahead"

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Presidential Address by

Mr. Habil Khorakiwala
President, FICCI



at the 80th
Annual General Meeting
February 15, 2008

Speech of Mr. Habil Khorakiwala,
President, FICCI
For the Inaugural Session of the
80th FICCI Annual General Meeting
'Propelling India's Growth – The Challenges Ahead'
15th February 2008 – New Delhi

Respected Prime Minister,
Hon'ble Minister Shri Kamal Nath,
Shri Rajeev Chandrasekhar, President-Elect
Dr Amit Mitra,
Your Excellencies, Delegates,
Ladies and gentlemen,

It was Mahatma Gandhi's belief that "A man is but the product of his thoughts, what he thinks, he becomes."

Gandhiji's faith reflects in the very existence of FICCI. Today, we stand at yet another milestone of FICCI's journey as a catalyst of change – the 80th year of its action packed existence. And what can make us more proud than the presence of our Hon'ble Prime Minister, Dr. Manmohan Singh. Sir, your vision and guidance are of utmost importance at this juncture. We have constantly kept in mind your telling words at the last AGM and I quote *"There is an*

unfinished agenda that is yet to be completed. You have, therefore, much work to do in shaping policy in the years ahead".

We also stand at a time, when the world economy is on the verge of a down turn. On the other hand, we are witnessing the stellar performance of a rising India, like never before, with Indian corporate soldiers leading the charge. The GDP growth of last few years has exceeded 9%. However, the growth this year is projected to slow down to 8.7% and this is not acceptable to FICCI.

Indeed, we should strive for a double-digit growth, and should see it sustain over the next few decades. This growth stimulus, as you would agree Mr. Prime Minister, is a necessary condition for banishing poverty from our great nation. And, my friends, double-digit growth is certainly not a pipe dream. China and Japan are shining examples of clocking such growth repeatedly.

Of course, we, the world of business, are facing real challenges. The rupee has strengthened by 25% in real terms in last seven years making our exports far less competitive. Sir, we expectantly await the lowering of interest rate, which will make many manufacturing projects viable – projects that, today, are sadly languishing on drawing boards.

Rising global food prices and its resultant impact, hang upon us like a Damocles' sword. Oil prices, still at $85 a

barrel, are an undeniable threat to our energy security. The perils of global warming is looming large. The severe winters in warm countries, like we are facing in India now and extreme turbulent and hot conditions in traditionally cold countries are arguably tangible evidence that the severe effects of global warming are indeed upon us. We need to cut our carbon emissions without compromising our own self-interests and at a pace we can best manage.

While these are the big exogenous factors threatening our growth performance, let me look inward and place on the table a set of challenges.

1. We must enhance the competitiveness of the manufacturing sector in India, which has begun to prove its mettle. We must take manufacturing from the current 17% GDP to at least 25% within the next seven to ten years. FICCI's recent Business Confidence Survey identifies hardening interest rates and the appreciating Rupee as major factors affecting our ascendancy. The survey also points to the rising cost of raw materials, hampering profitability and growth, particularly for the SMEs.

   Sir, FICCI's latest Export Survey, completed earlier this week, rings alarm bells for Indian exports. Exporters are already reeling under the pressure of declining

margins. In many cases they are now facing the threat of being driven out of the market with vanishing order books.

I take this opportunity to urge you and the Finance Minister to consider reintroducing 80HHC temporarily, given that we are an Annexure 27 country of WTO and can do so. May I also urge you to look at exempting taxes on all the ancillary services that support the export industry. Could you also consider extending the Subvention Scheme of RBI for export credit, which expires on the 31st March of 2008. And, Sir, with our foreign exchange reserves surging, why not set up India's own Sovereign Wealth Fund.

2. On the physical infrastructure space, we congratulate you for making a great beginning with the three ultra mega power projects and Bangalore and Hyderabad airports on the verge of completion. At last, Delhi and Mumbai airports are beginning to look attractive and will soon be globally competitive. Also, we trust that we will focus on developing 12 major ports with specific guidelines and action plan.

May we point to a recent review by your government, which stated that 301 projects in infrastructure have been delayed up to 96 months, with the cumulative

cost over run of more than Rs. 48,000 crores. Mr. Prime Minister, I am sure you will agree that efficient implementation is the need of the hour and PPP is the model for that.

3. Under your leadership, India has tasted enormous benefits arising out of its economic liberalization. However, reforms have not adequately touched the social infrastructure such as education and health. For example, for a medical college with a 1000 bed hospital, we require 25 acres of land, which is not possible in any urban center. Today, 80% of the healthcare infrastructure is with the Government. But the government spends only 20% of the total healthcare spend in the country. This mismatch beckons an urgent need to reform the education and health care policies and priorities.

   Your Government has brought the Indian economy on a fast track and this Government has now little over 12 months to go. These 12 months could be decisive in finding structural solutions in health and education. At this point in time, I recall the Mahatma's words, "In a gentle way, **you** can shake the world."

4. A quick survey by FICCI on "Emerging Skill Shortages And Indian Industry" showed that in several high

growth-areas of the economy such as pharmaceuticals, biotechnology, textiles, food processing and automotive, there is a severe supply-crunch of skilled workforce. The shortage is not among professionals alone, but it is now permeating to the shop-floor level.

I'm pleased to inform you that many FICCI Corporates present here are also doing their bit. We have already concretized the adoption of 58 ITIs immediately, and we propose to adopt a total of 300 institutes in the next two years. However, Pradhan Mantriji, what we really need is a massive transformation of the entire vocational and higher education space, on a PPP mode. We also need the primary education to be administered by the Panchayats and local communities, with total financial and operational autonomy. Of course, your own Knowledge Commission has already submitted two reports outlining 160 concrete action-points. We urge you, Sir, to push the education reforms with utmost force.

5. Recently, the Government has enacted a new Competition Law. In the draft bill, providing information on Merger & Acquisition was voluntary. However, it was made mandatory, in the final bill. It may seem to be a small change, but actually, it is slated

to make a huge impact on the M&A activities taking place today. I dare say, it takes us back to the days of License Raj and may impede the pace of restructuring and scaling up efforts of Indian corporates.

6. If the nation is to unleash another massive round of investment and employment generation, may I touch on a rather sensitive issue that should not be ignored? In order for industry and services to reach a new trajectory, a big push is inevitable and for this, the requisite land must be made available. We trust that the Government SEZ strategy will be pursued with vigour to harness potential investments and employment. Of course, market price to the farmer and effective rehabilitation package are a must.

In conclusion, may I reiterate the theme of our AGM – "Propelling India's Growth". It is growth and growth alone, which you unleashed, that has resulted in reducing poverty numbers in only five years from 26.1% in 1999-00 to 21.8% by 2004-05. It would have gone below the 20% mark by now.

However, we agree with you and I quote, "We need to reconcile the growth concerns with a large number of other concerns that influence the well being of our nation..." unquote.

Sir, we have not forgotten your missive to us last year that we must stay faithful to the grand vision of our founding fathers. We seek your guidance on how we can propel growth in the years ahead, while aggressively extending the frontiers of inclusion.

Dear Prime Minister and friends, we at FICCI solemnly rededicate ourselves to participate fully in creating New India of 21st Century – free of poverty, rising prosperity, and a beacon of a human civilization.

Thank you