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Investment Destination

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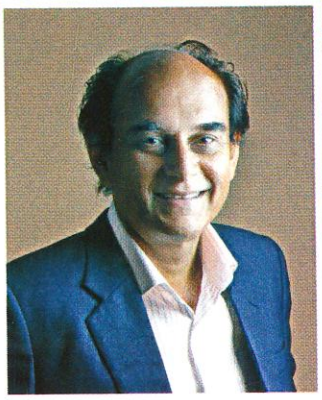
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PPP Initiatives

Procedural Reforms

84th ANNUAL GENERAL MEETING

January 18, 2012



Presidential Address by
Mr Harsh Mariwala
President, FICCI

Empowering India

It is my pleasure to have you with us today for FICCI's 84th Annual General Meeting and it is our privilege to have the Hon'ble Finance Minister among us. He has been a big supporter of Industry and we greatly appreciate it.

I would like to begin on an optimistic note. The India story is still alive. The last few months have not been positive for the world; in India we have seen some slowdown as well. However I think we are at the cusp of a great economic opportunity. We are in a unique position to tap this opportunity if we act in a determined and collaborative manner.

The wave of economic reforms that was unleashed in 1991 has run its course. The nation gained tremendously from economic reforms but now, having consolidated the gains, we need to move forward with a second wave of reforms and we need to do this with agility and speed.

Currently we are living in difficult times; in fact, it is weighed down by uncertainties.

Uncertainty is anathema for business and prospective investors.

To attract investments we must have a degree of certainty on the reforms journey. It's time to introspect and ask - what has caused the current spell of gloom in India?

India must achieve 9% growth. I feel it is not only possible for India to achieve 9 % growth, it is essential that we do so.

I am reminded of the line penned by the poet James Lowell: "Not failure, but low aim is a crime."

PAUSE

A high aim like 9% growth immediately invites two questions- "Why" and "How".

PAUSE LOOK UP AT THE AUDIENCE

The "why" is easy to answer. A high growth rate will increase the size of the pie. With more at our disposal, we can pursue the inclusive approach more vigorously than ever before. High growth is an imperative. Sixty percent of our population is below the age of 25 and 12 million people enter the workforce each year. These are the young aspirants of today and they will shape the future of India. Their aspirations and youthful energies, if channelized, will lead to a vibrant India; if they get frustrated, remain unemployed or under employed, India will never realize its demographic dividend and it may turn into a demographic disaster.

I strongly feel that we have had enough think tanks. We now need action tanks. We need to bring back an emphasis on outcomes. It is important to focus on governance and execution and not just on allocation of funds which sometimes languish at great cost to the nation.

But "How" do we get to a high growth trajectory.

I have in mind a five-point approach:

From	To
Being Self Centered	Sharing Prosperity
Turf battles	Working Together
Entitlement	Empowerment
Disjointed governance	Empowering India
Cynicism	Trust

Let me elaborate on each of these five points:

Sharing Prosperity

Sharing is an important attribute of an evolved society. The strongest characteristic of an evolved society is reduced disparities of wealth and opportunity. It is critical for business leaders in this country to think about sharing. The phrase "inclusive growth" is much talked about today, let us put it into practice now.

It is good to remember what Mahatma Gandhi said and I quote, "Supposing I have come by a fair amount of wealth either by way of legacy, or by means of trade and industry I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community."

The philosophy of giving is not new to India. Examples of philanthropy exist in India with groups like Tatas, Birlas and many families present here in the audience contributing to CSR and philanthropy. We now need many more business leaders to get engaged in Social Responsibility at a personal level let us call it Personal Social Responsibility (PSR). My appeal to Indian Industry is to integrate CSR and PSR into their business plans. These should not remain as fashionable vision statements.

Our Prime Minister has said "India has made us. We must make Bharat. Vulgar displays of wealth insult the poverty of the less privileged." Given the disparity in India, there is discontent across masses and therefore this statement makes eminent sense.

Working together

Working together is about realizing the potential of our nation. Working together is another manifestation of inclusion. The

government needs to invite and accept critique from the business community as both are responsible for India's progress. The Indian Private Sector accounts for almost three-fourths of India's GDP.

Business must work with the Government and the Government in turn must work with business. Business must work with society and society must work with both the government and business. Working together would mean that there is continuous dialogue and continuous action between all those who matter for high economic growth.

My submission is to move away from criticism and move toward critique. Between the two, there is a crucial difference. Critique comes from ownership, it assumes a role in improvement; criticism ends with blaming and does not offer solutions.

Entitlement to Empowerment

To sustain India's economic growth the government should empower people by giving them the foundation for a good life in terms of education and skills. It is equally important that job opportunities are created to absorb this skilled population so that they can join the ranks of the middle class and collectively raise the living standards of the country.

Entitlement programmes belittle an individual and make him dependent; empowerment programmes fortify an individual and make him independent.

There is a well known dictum it is better to teach people how to fish than to give them fish. That squarely supports my point about entitlement and empowerment in the former scenario, you only get the fish, in the latter, you learn the skills and feel empowered to earn your own fish.

Now I would like to talk about how FICCI can contribute to all this.

Empowering India

FICCI wants to cooperate with the government to foster a better business environment. India is ranked amongst the top countries in terms of attractiveness as an investment destination, yet, when it comes to the ease of doing business, we lag behind. The latest 'Doing Business' report brought out by the World Bank [2011 edition] ranks India at the 134th position amongst 183 countries in terms of ease of doing business.

To address the critical issues that domestic and foreign investors face in doing business in India, FICCI has launched the Empowering India project. We believe that without improvement in "public governance" and "procedures" it is not possible for India to remain globally competitive and sustain rapid growth. The project, therefore, attempts to bring about improvements in the delivery of public goods and services and in the regulations across states. The Empowering India project will improve some of the critical variables that affect investment activity.

The report will be unveiled this afternoon. If our findings are implemented the business environment in the country will improve. FICCI will hold workshops across states and draw up action plans, tracking mechanisms, together with the State governments.

Trust

In the 90s when the reforms process began Indian companies were fearful about facing global competition. These fears have proven wrong and Indian businesses have thrived in India and overseas. We have seen two decades of spectacular growth with GDP ranging from 7-9% each year. The basis of that growth was trust between government, business, the various political parties; and its alliance partners.

Sadly, today trust has eroded on all fronts and it is important to rebuild trust.

What do we need to do?

Stephen Covey says "Trust is equal parts character and competence... You can look at any leadership failure, and it's always a failure of one or the other."

Indian Industry has reached a certain level of competence. What we now need is to base our economic progress on character-based trust.

Firstly, we should internalize business ethics. We need to execute projects without resorting to underhand means, no matter how tempting.

This implies self regulation and here all business chambers can play a major role. I urge my counterparts in other chambers to come together and create a framework that we all will adopt a framework for self-regulation that will be in the best interest of India and all Indians.

The business of business is more than business. Business is accountable not only to shareholders but to all its stakeholders. These include employees, customers, associates and society. Business needs to add value to each of its stakeholders.

No man is an island and no institution is an island either. The private sector is an integral part of society and it cannot prosper without recognizing the social context within which it operates. Inequities are a scar, a major blot on any society.

It is crucial that the government gives the private sector credit for creating wealth and value for our country. The Indian businessmen often experience envy when we see presidents of other countries taking up issues of business as an important part of their policy dialogue.

In conclusion I would like to say that we need to change the nature of the relationship between government and industry. Industry and government are partners and they must work together on the basis of trust. On its part, industry has to self-regulate but the government must not judge industry by deviants. The Government needs to give strong support to the business community and remove many hurdles inhibiting growth. In other words the government should set up the Private Sector for success.

Hon'ble Finance Minister, I started off by saying that the India story is still alive and that we are in a sweet spot. Let's all work together to change the face of India by executing the SWEET strategy.

Sharing Prosperity

Working together

Entitlement to Empowerment

Empowering India

Trust

Thank You



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