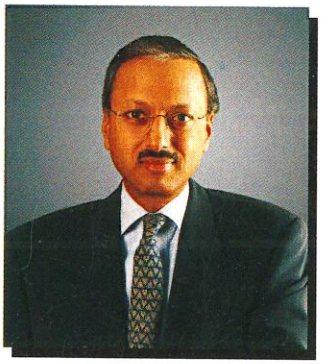
FICCI

82nd Annual General Meeting
February 27, 2010



Presidential Address by

Mr Harsh Pati Singhania
President, FICCI

Positioning India in the New Decade

Speech of
Mr. Harsh Pati Singhania, President, FICCI
at the Inaugural Session of FICCI's
82nd Annual General Meeting

Theme : 'Positioning India in the New Decade'

Shri Pranab Mukherjee, Hon'ble Minister for Finance, Government of India,

Shri Rajan Bharti Mittal, President Elect, FICCI,

Shri Harsh Mariwala, Vice President, FICCI,

Dr. Amit Mitra,

Members of FICCI and senior industry representatives from across the country,

Members of the Diplomatic Corps,

Senior government officials,

My fellow businessmen,

Friends from media,

Colleagues from FICCI,

Ladies and gentlemen,

Introduction

The years from 2006 till the end of 2009 have been tumultuous. An economic crisis that started in the United States snowballed into a recession in a large number of economies, particularly the developed ones. This is likely to

accelerate the economic power shift the shift away from developed economies towards developing ones. Asia and in particular China and India, will have a more impactful role to play in the global economic arena.

The world's perception of India has radically changed post the financial melt-down. Stigmatized for years for slow growth and lukewarm pace of opening up and globalization, the resilience of Indian economy in the face of the severe economic maelstrom has surprised economists and policy-makers. India is already being looked at as an economic leader of the coming decades. That is why FICCI has chosen a forward looking theme: **"Positioning India in the New Decade"** for its 82nd Annual General Meeting.

After registering a growth of close to 9 percent during 2003 to 2007, Indian economy slowed down considerably towards the end of 2008, due to global recession coupled with the tight monetary policy. Thanks to effective intervention by the Finance Minister and the Reserve Bank, the economy started responding to the stimulus measures and is now showing a remarkable 7 percent plus growth rate.

India's march towards Inclusive Growth

Our Government has rightly emphasized the need for inclusive growth. Our Hon'ble Prime Minister recently mentioned and I quote ***"There is no doubt in my view that poverty remains a major challenge...To this end, the economy has to grow fast enough to create new job opportunities... Our goal is inclusive growth"*** Unquote.

FICCI fully agrees with the Prime Minister's observation. It should be our collective endeavour that growth and

development reach all parts of the country and all sections of society. I firmly believe that **growth is the best antidote for poverty thus o**ur policies must be geared towards strengthening the economic momentum. Before I proceed further on the FICCI's thinking about India's future path, May I briefly turn to the budget proposals.

Budget Observations

I first admit Sir, that we had great apprehension that in your Budget, you would focus mainly on the issue of fiscal deficit and withdraw a large part of the stimulus. We are happy and relieved that you have chosen to focus strongly on growth while simultaneously dealing with fiscal deficit and providing a roadmap for fiscal consolidation. The increased thrust on agriculture, infrastructure, education and health along with unorganised sector, which employs 92% of our people, is undoubtedly the right prescription for growth. While relief on personal taxation for the *Aam Adami* is heartening, we from FICCI must express our disappointment in the increase in MAT from 15% to 18%. Sir, we had actually hoped that you would bring it down to 10%.

While I will deal with the Budget aspects in greater detail in the meeting called by you in the afternoon, I would now turn to FICCI's action agenda for the next decade.

FICCI's action agenda for the nation

FICCI would like to submit its agenda for India's development in the new decade. We believe India should aim at attaining 5% share in global GDP by the end of the decade from the current 2% and bring the poverty ratio down to under 10%.

To achieve this we need to give a strong push to agriculture, manufacturing, infrastructure and focus squarely on skills, in a mission mode. We will also have to meet the challenge of climate change, national security, and ensuring competitiveness in the evolving knowledge economy. Finally, we must focus on integrating ourselves more with the global economy in step with domestic reforms. Let me elaborate a little on each of these.

Agriculture

We must achieve and sustain a 3 to 4% growth in Agriculture if we are to maintain and even better a 9% GDP growth. Inclusive growth can be achieved by developing this sector and focusing our energies on the rural economy. Unless agriculture grows and achieves increase in productivity, food shortage will become endemic and will result in inflationary pressures like the one that we have been seeing now.

Sir, we urgently need a 2nd Green Revolution. We need to revamp the agriculture sector covering the entire gamut of activities. Of course, greater private sector participation is the key to make the entire agri-value chain more robust.

Manufacturing

In the developed countries manufacturing sector is on the decline and with the right set of policies India can **position itself as the next big manufacturing hub with the stated objective of increasing the share of manufacturing in GDP from 17 percent to 30 percent by 2020**. China's manufacturing share is around 35% already.

- To bolster the manufacturing sector we must evolve a Manufacturing Policy at the earliest.

- We also need to develop large Manufacturing Zones with ancillarisation and linkages with Small and Medium Enterprises, where transaction cost can be minimized.

- Technology is key to competitiveness of manufacturing and our policies should provide capabilities to develop a strong technology base and platforms for innovation in the country. Sir, you have made a great start in the budget by further incentivising R&D.

Infrastructure

While infrastructure has been a weak link in the chain, let me begin by congratulating the government for having **doubled the investment in infrastructure to GDP ratio from 4 percent to 8 percent in the last five years**. I believe infrastructure development accounts for over 46% of the total plan allocations in your budget.

We need to invest US$ 500 billion during the 11th Plan 2007-12 and another US$ 1 trillion in the next five years.

While we see increased activity in this sector we are also constrained by factors like limited public resources, inadequate availability of long term project financing, lack of a robust inventory of infrastructure projects and shallow debt and capital markets. In addition, securing land and environmental clearances have routinely plagued projects. All these issues,

particularly those relating to **project implementation**, will have to be addressed if the pace of infrastructure development has to be hastened.

Social sectors

If our growth has to be sustained in the long run, we will have to make major investments in social sectors like health and education. We therefore need to usher in reforms that will revolutionise the health and education sectors. May I offer a few suggestions:

- Accord infrastructure status to the health care sector.
- Initiate work on a national policy for PPP initiatives in the healthcare sector and the higher education sector.
- Set up an Education Promotion Finance Company on the lines of HDFC to provide low cost educational loans.

Sir, we realize that the above core objectives have to be achieved within the parameters of certain compelling contemporary developments and perspectives which are as follows:

Climate change:

There is no denying the importance of moving over to a path of low carbon intensity development. I suggest a three point action plan:

a) We **must push India up the ladder in terms of capacity additions in wind and solar energy.**

b) **A sustainable environment should be achieved as a business solution and not just as an environment fix.** This means utilisation of contemporary technologies, enhancing scale of operations and building infrastructure linkages for such size of operations.

c) And, FICCI strongly feels that **India must not stray from 'per capita norms'** for negotiating on climate change with the developed countries.

- **Increasing globalization:**

Today, Indian business has to survive and flourish in an era of increasing integration with the global economy, particularly in the context of bilateral and regional FTAs.

As we sign more FTAs, we must continuously evaluate the tradeoffs involved in the form of market access we offer and market access that our own businesses gain.

We must calibrate our global integration by simultaneously undertaking internal reforms. Introduction of GST, the Direct Tax Code, imparting flexibility in labour regulations, cutting down on transactions cost are some of the areas which deserve immediate attention. These are also essential to improve our export competitiveness.

- **National security:**

All our achievements are contingent upon a stable security environment. As Foreign Minister, you had pointed out the adverse impact of terrorism and violence that we face. **We must deal with both external and internal sources of terror and ensure that the political / security risk associated with our country goes down sharply**.

Conclusion

India has the potential to emerge as a global economic powerhouse over the next decade. **Given the strength of our democratic polity and the entrepreneurial spirit of our people, I am confident that we will be able to overcome each one of these challenges** and raise the stature of India.

With these words, I now invite the Hon'ble Finance Minister to deliver his inaugural address.

Thank you.