FICCI's Senior Vice President Sidharth Birla raises industry's concern with PMEAC Chief C. Rangarajan; makes broad suggestions on way forward

NEW DELHI, January 15, 2013. Mr. Sidharth Birla, Senior Vice President, FICCI and Dr. A Didar Singh, Secretary General, FICCI today met with **Dr. C Rangarajan, Chairman, Prime Minister's Economic Advisory Council (PMEAC), other senior members of the Council and Dr. Alok Sheel** and apprised them of industry's concerns on key parameters impacting the economy and made wide-ranging recommendations on the way forward.

Some issues covered are reflected below.

Mr. Birla emphasised that Industry needs to see time-bound implementation of key polices as well as projects. "***We also seek measures that enhance protection and consolidation of investible capital and any step that could disturb this scenario could quickly bring to nought the slight improvement that is visible on the horizon***," he said.

Implementation of the National Manufacturing Policy, Mr. Birla said, needed to be fast-tracked as also mega projects such as the Delhi Mumbai Industrial Corridor as these can have a multiplier effect on the economy. The government's decision to form a Cabinet Committee on Investments is timely, he added.

On the Land Bill, FICCI has expressed some concerns and the Chamber feels that if these are not taken up, there would be an adverse impact on industrialisation and investments.

Availability of power was another critical area for industry. Coal linkages for the smooth running of the power projects needed to be streamlined. "***We need to evaluate if Coal India Limited has the capacity to meet the requirements. FICCI feels that there is a need to break down Coal India into subsidiaries and then consider divesting the same which would lead to expansion and more competition***" he said.

FICCI is of the view that at this juncture, when there is a need to generate capital resources to invest in developmental needs, any proposal to introduce higher tax rates or Inheritance or similar taxes would be highly regressive and ultimately prove counterproductive.

Such negative policies, particularly when very large untaxed amounts remain visible in the economy, could potentially lead to serious capital flight as well as encourage tax evasion and will serve as a depressant for capital mobilisation and hit business confidence adversely.

On the growth front, this year, FICCI expects it to be no more than 6 per cent. Industrial growth numbers have been disappointing. To reinvigorate the growth triggers the government had announced a set of reform measures in the last quarter of 2012. FICCI had welcomed these moves but mentioned that much more needs to be done.

To put the economy firmly on to the path of sustainable growth, the government should now focus on

- Implementation of key policies and projects (National Manufacturing Policy and DMIDC)
- Activating the Cabinet Committee on Investments
- Strengthening the framework for infrastructure financing
- Improving access to minerals such as iron ore and other raw materials including coal
- Introducing Goods and Services Tax
- Passing the Insurance and Pension Bill

On the persistent inflation in case of food articles. FICCI has taken the position that this is a supply side issue not amenable to be contained by use of monetary policy tools. The need is to bring improvement in agricultural productivity levels and introduce greater efficiency in marketing and distribution of food products in the country. APMC reforms at the state level are critical and this is supported even by the Planning Commission.

On fiscal deficit, in 2012-13, the government is aiming to bring it down to 5.3 per cent. Many analysts have expressed apprehension over this figure. The Kelkar Committee had suggested a series of measures. Some recommendations have been acted upon and continuation of such moves is needed. On the revenue side, the Kelkar Committee had suggested the government monetise underutilised land resources and accelerate disinvestment. FICCI urges the government to follow up on these recommendations, besides working on aggressively expanding the taxpayer base and improving tax administration.

Perhaps the most critical issue is the bloated current account deficit. In the second quarter of 2012-13, this figure has jumped to 5.4 per cent and this poses significant macro-economic risks when global capital flows are volatile.

Moderation in exports, large imports of oil and large imports of gold are the main factors behind increasing trade and current account deficit. We cannot do much with regard to our exports as these are determined by the global market conditions. In any case the slew of measures announced by Mr. Anand Sharma, Union Minister of Textiles and Commerce & Industry, a few weeks ago to support exports are welcome.

We need to evolve new financial products that can assure investors a reasonable real return in the present high inflation environment. Such products would help reduce gold demand. We

also need to promote domestic oil and gas production and this calls for clarity and stability in the regulatory and policy regime.

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