- **FICCI UNVEILS ECONOMIC AGENDA FOR LONG-TERM FOCUS ON GROWTH OF ENTERPRISE & JOB CREATION**

FICCI has underlined the need to strengthen key enablers for growth of enterprises and job creation through a multi-pronged Economic Agenda for the return of the economy to a sustained high growth path. The Agenda suggests imperatives on issues affecting competitiveness in the real economy, identifies key goals and drivers required to ease conduct of business, improve governance and build systemic trust and focuses on important sectors such as education and healthcare as these have a significant bearing on sustenance of an enabling environment for businesses.

Hard decisions are a must to keep the fiscal deficit under check. Planned capital expenditure should not be compromised for revenue spending. Social spending is a short term measure for job creation, or inclusive but consumption based prosperity. A permanent solution lies in linking social spending to asset creation and skill building. For instance, appropriate linkage of NREGA with productive work would meet inclusivity objectives, while adding to growth.

With dwindling FDI, the country's dependence on FIIs is considerable. There is turbulence caused by volatile capital flows during global uncertainties. Deepening of domestic capital markets is the only lasting solution to enhance resilience to unforeseen events. This requires steady and untiring efforts.

The real solution to food inflation or indeed food security, lies in raising agri-production and productivity, greatly improving supply chain infrastructure and marketing mechanisms for food products. Investment is an act of faith, and mutual trust between industry, society and government is central to investments; both perception and real gaps created need to be addressed through executive action. Enabling predictable policy outcomes, tax equity, and a situation where decision making - both in businesses and government - is not compromised by a propensity to cast aspersions in hindsight, must be on top of the government's agenda.

Above all, there is a need for time-bound decisions instead of time-bound actions. There are very good rules in place, which can be effectively replicated. At FICCI we feel that we can emerge stronger from this phase and get back to higher levels of growth if we take the right measures and government, business and civil society work collaboratively.

- **NEED TO FOCUS ON EMPLOYMENT GENERATION**

Another concern that FICCI has raised has been inadequate generation of employment in the economy; at the end of the day, we cannot have jobs without growth.

The manufacturing sector is a core enabler for job creation. A healthy macro-environment is a precondition to allow expansion of businesses and encourage new entrepreneurs. FICCI has always advocated sound governance, policy clarity and effective implementation to achieve desired outcomes in terms of growth; we certainly expect more action in these areas. We agree food inflation can be tackled through actions addressing supply side bottlenecks including through better logistics. The country also requires amendment of APMC Act by all states and at least the UPA-led states can immediately address this.

At the meeting with Manifesto Committee of the Indian National Congress we shared inputs on the state of the economy and issues that merit attention to return to a 9% growth benchmark.
Since growth and employment generation can come only on the back of higher investments, the FICCI team urged for adequate emphasis on ***nurturing a capital inviting environment*** in the country. India must be seen as a destination that welcomes capital of all forms and in all areas except a few considered sensitive from the point of view of national security. We need policies friendly towards attracting capital and convey a positive signal to potential investors.

On ***inflation management*** real solution lies in improving agriculture productivity and having an enabling marketing and distribution network. We must also have a price stabilization mechanism in place as well as a framework that can aid us in planning better through a real time analysis of demand and supply for food products in the country. We suggest encouraging state governments to amend and implement the APMC Act and keep fruits and vegetables outside of its purview.

On improving the competitiveness of Indian industry, the FICCI team stresses upon three key areas – ***taxation, labour regulations and skill development***.

- **FICCI PRESIDENT URGES DELHI CM TO ADDRESS ISSUES CONSTRAINING GROWTH OF INDUSTRIAL AREAS AND REVIVAL OF INDUSTRIAL ESTATES**

FICCI has urged the new Delhi Government led by Mr. Arvind Kejriwal to address the issues constraining the growth of industrial areas and industrial estates of Delhi in order to generate employment and empower the people.

On behalf of Indian industry and FICCI, FICCI has a dedicated focus on these issues and reaffirmed FICCI's commitment to work closely with the government to realise this vision. As we continue to dedicate our resources to work across sectors that are also outlined in your Economic agenda, we are equally keen to address issues that have for long constrained growth especially in the 29 industrial areas and16 industrial estates of Delhi. Reviving the estates would have a positive spill-over impact on employment as well and this will go a long way in empowering our people.

- **FICCI DISAPPOINTED WITH DELHI DECISION ON FDI IN RETAIL**

FICCI felt that this direct negation without demonstrating a search for a viable alternative or via-media would hamper investment sentiment for the State. In itself multi brand retail would help in reduction in wastage of food products thereby controlling Inflation, and FDI is an alternate capital and technology source.

Consumers would have benefitted from choices of products at competitive prices. It has been proven time and again in various Countries and the model which exists in Delhi itself, where both large Multi brand retail stores and small kirana stores coexist peacefully. Further, with the clause of mandatory sourcing from SMEs, domestic manufacturers across the country would benefit by getting additional access to foreign channels and a greater opportunity to export.

- **DE-LINKING AADHAR AND INCREASING THE SUBSIDY CAP ON LPG CYLINDERS IS A RETROGRADE STEP**

The decision of the government to de-link LPG subsidy from AADHAR and increase the cap of subsidized cylinders to 12 from April this year is an economically retrograde step at a time when fiscal considerations must be balanced with welfare steps. The government must continue its endeavor to curtail subsidies and correctly target them, to improve expenditure efficiency.

Estimates indicate an additional burden on the fisc of anywhere between Rs 3000-5000 crore following this move. Also, under recoveries for oil and oil products for the fiscal year 2013-14 are expected to cross Rs 1,40, 000 crore.

FICCI believes that the roll out of the direct cash transfer scheme last year was a step in the right direction. We need to recognize that implementation is a drawn-out process and cannot be without glitches. However, once the system for Direct Cash transfer of subsidies is in place we will have greater transparency and better resource allocation. We do not have the luxury of taking two steps forward and one backwards.

- **GDP GROWTH TO SLOW DOWN TO 4.8% IN THE CURRENT FISCAL - FICCI'S ECONOMIC OUTLOOK SURVEY**

Results of ***FICCI's latest Economic Outlook Survey*** point towards continued signs of moderation in economic activity. **The survey results indicate GDP growth to slow down to 4.8% in the current fiscal year, which is marginally lower than the 5.0% estimate put out in the last survey.** However with regard to quarterly growth, the participating economists' expect Q3 FY14 GDP growth to be slightly better at 5.0% vis-à-vis 4.8% growth clocked in Q2 FY14.

Economists' outlook for industrial sector remained weak for the current fiscal owing to persistent weak demand and lackaidisical investments. The Index of Industrial Production (IIP) is estimated to grow by 1.5% in FY14 below than 1.7% projection in the previous survey round. On the inflation front, economists have revised their projection upward to 6.5% for FY14 from 6.0% projected in the last survey due to rising food and fuel prices.

On the external front, situation has improved discernibly and the estimated CAD to GDP ratio has been revised downwards. The ratio is estimated at 1.9% for Q3 FY14, much lower than 4.5% estimated in the previous round. Further, it is projected at 3.0% for the year 2013-14 lower than the revised PMEAC target of 3.8%. To carry forward this impetus and to keep CAD within manageable levels, exports need to grow at near double digits for the coming months, felt the participating economists'.

On the policy announcement, participating economists' have foreseen the key policy rate to adjust at 8.0%, hinting towards a rise by 25 bps in January 2014.

With regard to outlook on Rupee value, participating economists felt that *t*he corrective measures taken by RBI and government ensured that free fall in Rupee was curbed. Participating economists' said that at present Rupee value is hovering around its fair value and is expected to remain below 65 against dollar till end March 2014. Even with the recent tapering announced by US, the Rupee value remained stable. With continuous equity inflows coming from the foreign institutional investors and build up of the foreign exchange reserves, the Rupee value will remain stable.

- **FICCI COMMENTS ON RBI MONETARY POLICY REVIEW**

The monetary policy statement of RBI announcing a 25 basis point rise in repo rate has disappointed industry. Growth has been anemic and investments have been hit hard over the last two years and there are clear signs of contraction in employment opportunities across industries. This has been clearly brought out by several FICCI studies and surveys. While overall IIP has been in the negative terrain in the recent past, interest rate sensitive sectors like consumer durables, automobiles and housing & construction have taken a major hit. At this juncture we need policy support from all directions to get the industrial sector back on track. We hope growth and employment considerations merit greater attention in RBI's policy decisions in the coming months.

We also hope that following this policy move by the central bank, banks will not hike the lending rates as this would scuttle any indications of a revival visible in select segments of the economy.

- **FICCI -CASCADE INVOLVES YOUTHS IN THE CITY TO FIGHT THE MENACE**

FICCI CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy) engaged youths by organising an **'Inter-College Competition: Youth Against Counterfeiting and Smuggling'** to spread awareness among youth to fight against the menace of counterfeiting and smuggling. The effort marks FICCI CASCADE's continued endeavor to fight against the evils of smuggling and counterfeiting.

According to the FICCI study on '**Socio-economic Impact of Counterfeiting, Smuggling and Tax evasion in seven key Industry Sectors',** the estimated annual tax loss to the government in the year 2012 was estimated at Rs. 26,190 crore. The study further estimates an annual sales loss to industry at a whopping Rs. 1,00,000 crore. The key sectors which were included in the study were auto components, alcohol, computer hardware, FMCG (personal goods), FMCG (packaged goods), mobile phones and tobacco. The highest loss to industry in terms of revenue is from FMCG (packaged goods) at Rs. 20,378 crore (23.4%), FMCG (personal goods) at Rs. 15,035 crore (25.9%), auto components at Rs. 9,198 crore (29.6%), mobile phones at Rs. 9,042 crore (20.8%) and tobacco at Rs. 8,965 crore (15.7%). The maximum tax loss on account of smuggled and counterfeit products to the government is from the tobacco sector at Rs. 6,240 crore followed by FMCG (Fast Moving Consumer Goods).

- **FICCI CALLS FOR JUDICIOUS RESOLUTION OF THE COAL BLOCK ALLOCATION IMPASSE**

FICCI believes that the law should take its own course and if there is a conclusive evidence of illegality or violation of contract, the Government is entitled to and should take action against companies, who have violated contractual conditions or misrepresented facts.

Indicting the entire industry due to the misdeeds of a few will not only be against the principles of jurisprudence but also send negative signals to present and prospective bona fide investors. FICCI observes that any such en masse cancellation will severely hurt the coal block allocatees who had complied with the contractual obligations as specified by the law of that day and will make their assets unviable. This may also put huge distress on the lenders and the banking sector that have funded these projects. This will have a spiralling effect on the entire economy as coal is feedstock to many of our core industries.

FICCI therefore suggests that an empowered committee may be formed by the Hon'ble Supreme Court to look at all cases and action be initiated against those who are found to be deficient in meeting the obligations enshrined in the Government Policy or in the contract. It is also important that in each case that the role of the Government contributing to the situation is clearly delineated for action. It is also important that distinction to be made between policy decision, which is not assailable and non compliance of the policy, or twisting the policy for fixing responsibility.Coal energises Indian economy. It meets 53 per cent of India's primary energy needs and accounts for nearly 60 per cent of power generation in the country. This large dependence on coal is justified when one considers the fact that India is home to fifth largest coal reserves in the world.

- **FAVORABLE POLICIES WOULD FURTHER ENCOURAGE DIASPORA PARTICIPATION IN THE ECONOMY**

A positive environment is required to encourage expansion and creation of businesses. In recent times businessmen could be forgiven for not really believing if an overall setting conducive to business exists in India. FICCI feels the urgent need for government, business and civil society to rebuild mutual trust. In addition, FICCI stresses on good governance which also includes predictable outcomes, tax equity and effective implementation.

Even as we speak of strengthening the domestic capital markets, we can see there is need for making participation of NRIs in our capital markets easier. Maybe there is learning in how overseas Chinese participate in their markets; we will try to see if any concrete suggestions can be evolved. The Indian Diaspora has made significant contribution to the socio-economic development of India, through resources, sharing expertise and spending time on education, health, science & technology and rural development. FICCI engages with socio-economic initiatives and would like to facilitate the endeavors of the Diaspora across the various verticals.

There is immense opportunity for India to leverage the diaspora network in advancing innovation and technology development in the country. Forums like Pravasi Bharatiya Divas provide the perfect platform for connecting diaspora to the entire community of innovators and entrepreneurs in India to forge lasting partnerships.

The experts have emphasized the need for private sector participation in scientific research and also urging the scientific community to ensure that the research is converted to technology or products that will boost India's development goals. The common thread here is the need for emphasis on Applied R&D by both sides of the R&D ecosystems – the scientists that create the technologies and the industries that apply this technology to their products.

- **A LONG TERM TRADE STRATEGY FOR TEXTILES SECTOR NEEDED**

FICCI has recommended the reform of the labour laws to boost textile & clothing industry and raise India's share in world exports. These recommendations have been submitted to **National Manufacturing Competitiveness Council and Chairman of Expert Group on National Textiles Policy constituted by Government of India**.

Assuming India's GDP grows by 7% on an average over the policy period as per the scaled down estimates of Planning Commission and assuming that the domestic textiles industry also grows by 7%, it would mean that the textiles industry would be a $278 billion industry, of which exports would account for $145 billion.

To meet this target, Indian exports require to grow at a Compound Annual Growth Rate (CAGR) of 15.1% over the 10 year period (assuming world exports in textiles and clothing grow by 5%). Indian exports would reach $145 billion by end of the policy period if we grow by 15%.

FICCI has suggested that providing right kind of eco-system is the priority for making the Indian textiles sector globally competitive. There are more than hundred domestic textiles clusters (small and big) that have the capacity ranging from spinning to weaving and garmenting which require strong infrastructure support to make them competitive. The Government should provide assistance for upgradation of existing textile clusters for developing world class logistics, infrastructure and easy to do business facilities under its National Textiles Policy. We have emphasized the need for India to have a long term trade strategy for its textiles sector for both offensive and defensive interest.

We also feel that technical textiles is a major area and the Government should provide more thrust to this sector which has the potential to drive the growth of entire textile value chain in the country. Standards need to be formed on urgent basis for technical textiles in Geotex, Buildtex, Protex, Meditex, Mobiltex and Agrotex in view of health, safety and environment reasons. Already, some good work has been done with the support of BIS, TRAs and industry which needs to be taken forward. This may require some capacity building at standard setting level. Also, the Government regulation/guidelines are needed to encourage the production and consumption of certain technical textiles in India.

- **AFGHAN BUILDERS KEEN ON JOINT VENTURES WITH INDIAN COMPANIES**

Builders from Afghanistan have evinced keen interest in collaborating and forging joint ventures with Indian companies for executing projects in Afghanistan in housing, road construction, schools and hospitals. They have shown interest to source all kinds of building materials and building equipments/machinery.

Such collaboration is bound to receive a fillip as the Government of India is in the final stages of preparing a draft memorandum of understanding (MoU) under which India will help Afghanistan develop roads and highways and formulate a road transport policy and share its knowledge in transportation technologies. Indo-Afghan trade has grown to US$ $632.18 million in 2012-13 and the flow of goods has been strengthened by a Preferential Trade Agreement signed in 2003, and further enlarged by the Strategic Partnership Agreement signed in 2011. India has carried out several construction and infrastructure projects in Afghanistan, including building of Afghanistan’s Parliament.

To further deepen the economic engagement between India and Afghanistan, FICCI in collaboration with the Financial Access for Investing in the Development of Afghanistan (FAIDA) Department of U.S. Agency for International Aid (USAID) and Indian Embassy, Kabul, organized interactive business meetings with **Afghanistan Builders Delegation**. **‘Afghanistan-India Construction Sector’, Business to Business (B2B) Matchmaking Event** was organized under the aegis of the Trade Commerce and Investment Opportunities Confidence Building Measure (TCI CBM) envisaged under the Heart of Asia Process for Afghanistan.

- **NEED TO MAKE AGRI-BUSINESS AN EFFICIENT ENTERPRISE, RAISE FARM PRODUCTIVITY: ASIA-AFRICA AGRIBUSINESS FORUM**

Asia and Africa need to overcome the challenge of increasing agricultural production and productivity and making agri-business an efficient business enterprise capable of competing in the international market.

The highlight of the three-day ASIA-AFRICA AgriBusiness Forum is the technical sessions on Access to Market, Finance & PPP in AgriBusiness & Food Processing; We have turned it green: Contract Farming in Asia & Africa; Farms Inputs: Seeds, Agro-chemicals, Fertilizers & Irrigation – The story so far; My Food Processing Factory: Technology, Resources, Manpower or all? and Tilling my Land: Farm Mechanization Technology. On the concluding day, sessions on Connecting the dots: Value Chain & Public Distribution System Gaps; State Partner Session and Roundtable on the Seeds Sector will be organized.

According to a **FICCI-PwC theme paper 'Unlocking the food belts of Asia and Africa'** there is huge potential for agri-business in the both the Africa and Asia, but growth of the sector depends upon policy environments, capacity and resources. The opportunities in the agribusiness sector have the potential to address various social and economical issues but there remain substantial barriers for growth of the sector. **The paper highlights that finance plays a crucial role in the development of agriculture sector, as it facilitates farm development, storage, transportation and marketing of agriculture produce. The importance of appropriate financing mechanisms for the developing agri-business and value chains in Africa and Asia should not be underestimated.**

- **<u>FICCI TO PROMOTE JAPANESE INVESTMENTS IN NORTH-EAST</u>**

Japan has been a reliable and trusted partner, especially in the infrastructure development in India with Delhi Metro being the showpiece project of this partnership.

The pace of infrastructure development including roads, railways, power etc in the North-East region has been very slow and the Japanese funds and expertise would reenergize the development of infrastructure in the region. Citing the specific projects like trilateral highway connecting India, Myanmar and Thailand, the Chamber said that involvement of Japanese companies would help timely completion of such game changing projects. Similarly there is huge potential for the development of Hydro-power projects with the Japanese investments. It is estimated that about one third of India's hydro-power potential lies in North-East. FICCI has also identified projects in agriculture, urban planning where Japanese expertise could be tapped for sustainable development.

FICCI is coming up with a comprehensive action plan post discussions with the business delegation accompanying the Japanese Prime Minister.

- **'BUSINESS MUST CONTINUE IRRESPECTIVE OF INDIA - US DIPLOMATIC STANDOFF**

At a meeting between Mr. Ron Somers, President, US–India Business Council and Dr. A Didar Singh, Secretary General, FICCI; we reiterated that the diplomatic issues should be resolved in the diplomatic quarters and business must put its shoulders to the wheel in genuine partnership. Our mutual engagement in an array of areas has strengthened over time and we have too much at stake to allow our relationship to digress from the path of progress.

FICCI believes this is a strategic and commercial partnership which is far too important to be derailed. Business must continue as usual and the participation of 60 US defence companies at the Def Expo in February 2014 is a testament that the defence trade which has gone over $ 10 billion would be further strengthened by the US participation.

- **5TH SAARC BUSINESS LEADERS CONCLAVE GETS UNDER WAY**

At the **5th SAARC Business Leaders Conference** FICCI emphasized that there is the need for activating and concluding the SAARC Agreement on Trade in Services as growth in manufacturing will necessarily give rise to a greater demand for services. We need to learn from the positive spin offs that have come from regional economic agreements such as NAFTA and the economic integration that is demonstrated by the European Union.

As we move forward, the real test for SAARC will be to benefit from globalization and deeper regional integration, eventually creating a South Asian Economic Union. To achieve this goal, a shift from '*independence' to 'interdependence'* is needed. On South Asia shows we have a high degree of dependence on extra-regional trade and investments. We can take greater advantage in the supply of manufactured goods by developing regionally integrated value chains. Similarly, we are behind other regions in terms of integration of services trade, which, in turn, leads to greater people-to-people interaction. Even for intra-regional investments, a long way has to be traversed. Stronger dispute resolution mechanisms and investment protection and promotion agreements may help, said, adding that in trade, there is a need to address non-tariff barriers and development of cross-border infrastructure.

The test of SAARC now is to benefit from the process of globalization through deeper regional integration, eventually creating a South Asian Economic Union. The impediments to greater trade and investments within the region have to fall and new bridges have to be built to link SAARC to greater Asia and rest of the world. The SAARC conclave is timed opportunely with prospects of Asia playing a defining role in the global economy gaining currency, and South Asia, particularly, being seen as an important region that would contribute in this endeavor.

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