

- **RBI'S MONETARY POLICY REVIEW**

The Reserve Bank of India has maintained status quo on key policy rates. FICCI feels that an accommodative stance would have given better encouragement to investments amid early positive sentiments after the new government took charge and is pursuing a growth agenda. After this policy, our hopes are singularly hinged on the forthcoming Union Budget for reviving growth. FICCI has consistently advocated that monetary policy must take due cognizance of all factors and not anchor itself to just inflation.

The government and RBI must work in tandem for controlling inflation and balance it with growth. While we expect the government to attack food inflation through administrative and policy fixes from the supply side, we would have appreciated the Central bank facilitating a revival of capex cycle by exhibiting softer stance on policy rates. The cut in SLR has been noted. It appears that RBI is setting the stage for growth in credit flow to the private sector. However, while SLR has been brought down from 23 per cent to 22.5 per cent, most banks stay invested in government bonds to the tune of 26 to 27 per cent. In such a scenario, the effectiveness of this move will have to be seen in due course.

- **WPI DATA OF MAY 2014**

The Wholesale Price Index (WPI) inflation rate was reported at 6.01% for May 2014, an increase from 5.2% in April 2014. Inflation remains a key impeding factor to the overall growth prospects of the economy. With food and fuel prices being the key driving factors, upside risks to inflation continues. The sub par monsoon outlook for this year could put pressure on food prices going ahead. The government has clearly indicated that handling inflation will be a top priority. FICCI is glad to note the indications made by Hon'ble Prime Minister about the need to build real time data for agro products and modernizing FCI. In fact, recently, FICCI made a similar suggestion of creating of Food Inflation Response & Strategy Team (FIRST) under PMO to track real time data on food production, stocks and prices across regions.

- **TRADE DATA**

Expressing satisfaction on the rise in exports in May, FICCI said that acceleration in export growth is good news. Double digit rise for the first time since November last year reflects our exporters' hard work that has been helped by revival in the demand in USA and European countries. More than 42% contraction in trade deficit in April and May gives us confidence that our current account deficit could be managed well in this fiscal too like last year.

- **RAIL FARE INCREASE**

Reacting to the rail fare increase announced by the government for both passenger and freight traffic, FICCI said that if tariffs had been incrementally attended to over the years, to match rising expenditure and attending to the needs of this crucial link in our national infrastructure, an increase of this magnitude in one go would not have been necessitated. We of course hope and expect that there will be a concomitant improvement in both the quality and safety of services offered by Indian Railways.

- **GOVERNMENT'S DECISION TO EXTEND REDUCED EXCISE RATES TILL DECEMBER 31 IN AUTO INDUSTRY SECTOR**

FICCI stated that government decision to extend reduced excise rate is encouraging for the manufacturing sector which had witnessed a deceleration last year. This has sent a strong signal also to the industry that Government is according high priority to the manufacturing sector so as to create jobs in the country. We are hopeful that the forthcoming budget would further provide measures for the long term sustainable growth of the sector.

- **THE RELAXED NORMS WILL GIVE IMPETUS TO INDIAN DEFENCE INDUSTRY TO INVEST IN DEFENCE R&D AND MANUFACTURING**

FICCI welcomes Ministry of Defence's initiative to prune down the defence items requiring industrial licence for manufacturing and limit it to only major defence platforms, small arms and ammunitions and other sensitive products. The relaxed norms, in FICCI's opinion, will relive Indian defence industry including large number of MSMEs engaged in manufacture of components in synchronising with global supply chains of OEMs, as also benefit manufacturers of dual use item. This will give impetus to Indian Industry to invest in defence R&D, manufacturing and enter into strategic sector to strengthen the indigenous capabilities and march towards self reliance and greater indigenisation. De-licensed companies, especially MSMEs, will now have greater access to funds through liberalised automatic route of FDI. FICCI advocates the use of this list of Defence items in conjunction with SCOMET list (item 7; Security IT and Software (Special Chemicals, Organisms, Materials, Equipment) for Export Clearance.

- **FICCI SUPPORTS THE PROPOSAL TO ENHANCE FDI LEVELS IN DEFENCE SUBJECT TO STRATEGIC SAFEGUARDS**

Consistent with its support of an aggressive policy towards development and employment via the manufacturing sector, FICCI welcomes the proposal to enhance FDI levels in defence beyond 26% to higher levels up to 49%, 74% or even 100% in exceptional cases, to develop a Defence Industrial Base (DIB), indigenously design & manufacture Defence & Aerospace products tailored to the needs of Indian armed forces, and to create opportunities for employment in the country.

FICCI recognizes the strategic nature of the defence sector and therefore advocates that adequate and mutual strategically beneficial safeguards be put in place while deciding higher levels of FDI in defence production. FICCI strongly advocates the need for absorption of "know-why" in critical defence technologies without which the aim of substantive self-reliance and higher levels of indigenisation cannot be achieved. India must therefore make use of FDI limit enhancement to leverage its position as one of the largest markets for defence equipment to achieve this strategic goal. It is important to note that no other country with a strong indigenous technical & industrial base allows unconditional levels of FDI in defence.

- **FICCI APPLAUDS THE I&B MINISTER FOR HIS COMMITMENT FOR STABLE POLICY REGIME WITH TRANSPARENCY AND TIME-BOUND MECHANISM A PRIORITY**

FICCI applauds that the new government would follow a stable policy regime and time-bound speedy mechanism with transparency.

We welcome happiness on the assurance of the Hon'ble Minister that providing information, entertainment and knowledge to the citizens would be the priority. An opening 1000 community radio stations is a good move. This will help in spreading knowledge and information among the common citizens of the country and will also help in generating employment.

FICCI's 'Policy Roadmap for the Media and Entertainment Sector in India', comprises key recommendations for the Television, Film, Print, Radio, AVGC and Live Events sectors. FICCI is confident that the implementation of these recommendations will provide the much-needed boost to the media and entertainment sector, which has tremendous potential for dynamic growth and multiplier effect on employment generation without much spending from the public exchequer.

- **ENVIRONMENT AND MINING CLEARANCE APPLICATIONS TO FOLLOW SUIT**

FICCI has been closely working with the Project Monitoring Group (PMG) to simplify and rationalize the process of clearance for large projects. So far PMG has facilitated clearance for over 150 projects worth Rs. 5,27,299 crore. However, there are over 280 more projects registered with PMG that are awaiting various clearances.

We feel that the scope and ambit of the PMG can be widened to holistically look at issues related to investment clearance process as there is a need for rationalizing and simplifying the whole process of clearance not just at the Centre, but at the state level also. There is a need to re-engineer these rules and regulations to make it simpler for the investor to comply. FICCI has also written to Cabinet Secretary in this regard. Industry is happy that the PMG has started looking into the processes followed by different departments for clearing the projects with timelines to be defined for each stage of clearance and digitizing the whole process right from the stage of application. The system was also launched recently in case of environment clearance. FICCI is deeply involved with PMG on this.

- **FICCI COMPLIMENTS GOVERNMENT'S MOVES TO BALANCE ENVIRONMENT & DEVELOPMENT IMPERATIVES**

FICCI believes that government's decisions have shown a way of striking a welcome balance between the needs of environment and development. FICCI believes that there is need to sensitize society that poverty is the greatest peril for the country, and that growth must be the real antidote. Employment provides real livelihood security and is critical for uplifting the poor. It is the collective responsibility of government, industry and civil society to generate this security. FICCI firmly believes that the agendas for economic development and ecological sustainability must go hand-in-hand and not be seen as being at cross purposes. We need to create a rational balance between environment and development and any agenda disruptive to this ultimately goes against the interests.

- **FICCI URGES GOVERNMENT FOR IMMEDIATE STEPS TO IMPROVE NATIONAL COMPETITIVENESS**

Manufacturing is a core enabler of growth and job creation. Government's support in enhancing competitiveness, scale and gaining global market access can inspire enterprises to invest, expand and create jobs. We need an integrated vision to achieve competitiveness. Emphasizing the need to improve Ease of Doing Business, FICCI has emphasized creation of an encouraging environment for investors. Further we feel that the procedural reforms must be accelerated. FICCI's 'Empowering India' project has in-fact identified the key areas for improvement in public governance and procedures across major states. We firmly believe that states should be given freedom and flexibility in matters related to land, labour and environment, critical factors for industrial competitiveness.

***The key suggestions made by FICCI include:***

- Ease of Doing Business
- Reform Factors of Production
- Trade related measures

- **FICCI PRESENTS ROAD MAP TO BOOST M & E SECTOR, HAILS PROPOSAL FOR DEDICATED DD CHANNEL FOR KIDS AND ANIMATION**

The road map comprises key recommendations for the Television, Film, Print, Radio, AVGC and Live Events sectors. FICCI is confident that the implementation of these recommendations will provide the much-needed boost to the media and entertainment sector, which has tremendous potential for dynamic growth and multiplier effect on employment generation without much spending from the public exchequer.

FICCI has been recommending the creation of a dedicated kids' and animation channel from Doordarshan for several years, and it has been lobbying this initiative at various levels at the Ministry of Information & Broadcasting, as well as with Prasar Bharati and Doordarshan.

- **FICCI RECOMMENDS A BLENDED APPROACH TOWARDS UNIVERSAL HEALTH COVERAGE**

FICCI recommends a blended approach towards Universal Health Coverage (UHC), one that strengthens the links of social health insurance to healthcare providers (both public and private) but ties funding to performance. A new National Health Policy needs to be rolled out to support implementation of Universal Health Coverage (UHC) over the next decade. To contain rising cost of healthcare, we also need to provide facilitating regulatory environment to promote innovative products and practices to make India a hub for medical technology. For reducing the disease burden, the Government should focus on investments in preventive and promotive health in light of the rapid demographic and epidemiological transition in the country; significant incentives need to be extended to the health insurance and healthcare industry to introduce products and services focused on prevention.

- **FICCI WELCOMES THE LABOUR MINISTRY'S NEW INITIATIVE FOR DEVISING A WEB-PORTAL TO FILE COMPLIANCE RETURNS**

FICCI welcomes the Labour Ministry's new initiative for devising a web-portal where enterprises can file their compliance returns for 16 of the 44 central labour laws in the country. This initiative will not only bring some relief to the overall compliance burden of some of the Central labour laws but will also bring transparency. This was one of the long pending demands of industry.

- **THE PROPOSED AMENDMENTS BY RAJASTHAN GOVERNMENT IN LABOUR LAWS WILL PROMOTE EMPLOYMENT GENERATION**

While welcoming the proposed amendments in key labour laws by the Government of Rajasthan as the bold and positive measures, FICCI All India Organisation of Employers (AIOE) has reiterated that it would promote employment generation in the State. Changes in Industrial Disputes Act, 1947 related to time limit of 3 years for raising disputes, raise limit from 15% of workers to 30% for registration as representative union and no government permission required for retrenchment of up to 300 workers (up from 100) in addition to changes in Contract Labour (Regulation & Abolition) Act, 1970 and Factories Act, 1948 will have positive effect in the coming days.

Introducing the system of 'strike notice' and 'strike ballot', which is in vogue in all the developed economies, would curb the number of unwanted and unjustified strikes, causing huge losses to economy, hence, these changes in the Industrial Disputes Act, 1947 are necessary. With 100 million target of employment generation and increasing the share of manufacturing in the GDP from existing 16 percent to 25 percent, these amendments in the labour laws are critical and that other State Government will also fall in line. Similarly, we hope that Central Government will also take necessary action.

- **ATOMIC ENERGY REGULATORY BOARD INTRODUCES E-LICENSING SYSTEM TO SPEED UP FILING AND REGISTRATION OF RADIO DIAGNOSTIC EQUIPMENT**

The Atomic Energy Regulatory Board (AERB) has initiated the process of e-licensing system, eLORA, to speed up the process of filing applications and grant of licenses and registration for the medical fraternity. These recommendations that had emerged from continuous consultative dialogue amongst industry and other stakeholders in this niche sector are enhancing the timely availability of imaging and therapy medical equipments to needy patients by streamlining the process of approvals and procedural formalities for hospitals; spreading awareness on radiation safety through training programmes and initiation of best practices at all levels and ensuring patient radiation dosage monitoring before repetitive scans in a short duration of time.

- **ON-LINE ENVIRONMENT CLEARANCE MECHANISM, A PATH BREAKING STEP BY THE NEW GOVERNMENT : NEED FOR ROAD MAP FOR INTEGRATING AND DIGITIZING ALL PROJECTS**

Welcoming the launch of on-line environment clearance mechanism, FICCI feels that this is a path breaking step by the Government as it would bring transparency and objectivity to the process of clearance and ensure timely implementation of projects. Providing timelines at every step of clearance and making it on line will help in tracking the status of the project on a real time basis.

Government should now draw a time bound road map for integrating and digitizing all the permissions for setting up the projects under one single platform which would boost investor confidence and ensure faster delivery of projects. There is a need to holistically look at issues related to project clearance process by rationalizing and simplifying the whole process of clearance, not just at the Centre, but at the State level also and building the capacities of the state regulatory agencies to gear up to the new process. This seemingly looks feasible in the current political scenario and we need to make use of this opportunity.

- **FICCI MEETS FINANCE MINISTER, MAKING SOME PRE-BUDGET SUGGESTIONS**

In a discussion with the new Finance Minister, FICCI *inter-alia* suggested supplementing the remarkable flurry of actions by the new Leadership, with positive articulation in the policy space in the run up to the Budget. This will curtail conjecture while laying foundations for delivery. To support the forward looking development and delivery oriented agenda of the new government, a non-adversarial, conducive and fair tax regulatory environment is the need of the hour. We must show that India values and welcomes capital, and supports it by clear and credible policies. Enterprise and administration must both stand assured that decisions and actions in good faith will be respected and protected.

The Government could ideally declare as policy that retrospective action shall not be resorted to, save in rarest of cases, but never for creating a fresh onus or liability for a previous period. In fairness, retrospective change, if needed, must invariably favour the taxpayer. Also citing concerns related to taxation of capital, FICCI said that the provisions which effectively deem portions of capital to be in the nature of income are serious deterrents to genuine transactions, while keeping the door open for aberrant behaviour. Fishing expeditions harm business atmosphere and reputations. Rapid disposal of cases and enquiries is essential, unless there is clear evidence of wrongdoing.

**Other key suggestions made by FICCI are:**

- Implementation of a comprehensive Goods and Services Tax (GST) in 2015
- Changes can be examined in laws to aggressively widen tax base, simplify laws, rationalize exemptions, conducive tax environment with litigation moderated and only as exception
- Review relevance of a Direct Tax Code (DTC); most changes already incorporated in law
- Review GAAR; freedom from CFC-coverage to legal Indian holdings and structures abroad
- Possible steps on illegal assets abroad through tax net
- Rebated income tax periods for small start-up businesses, in essence individually owned
- Suggested *START* (= **Startup Rebated Tax**) introduction in line with other Asian examples

- **EARTH SCIENCES SECRETARY URGES INDUSTRY TO DESIGN DEVICE TO PROVIDE WEATHER & MARKET INFORMATION IN REMOTE AREAS**

Location Based Services (LBS) has emerged as the most powerful application of mobile GIS. In business, as in real life situations, location has emerged as a 'critical enabler'. LBS has multi-sectoral applications. The mobile GIS based applications are becoming important utility services on traffic information, track of the fleet, emergency services etc. FICCI is presently working on the larger vision of mainstreaming applications of geospatial technology as an effective decision making tool for governance in India.

- **FICCI TAKES CEOS DELEGATION TO UK: LEVERAGE THE EVOLVING POLITICAL AND ECONOMIC SCENARIO TO THE ADVANTAGE OF INDIA-UK RELATIONS**

In sync with the new dynamics in India, FICCI's CEO's delegation to UK deliberated with counterparts in UK on ways to leverage the evolving political and economic scenario to the advantage of India-UK relations and further strengthen the India-UK partnership.

FICCI has been contributing immensely towards the growing business synergies between India and the UK. **Some of the major items on this agenda include: to attract more export oriented FDI from UK, emphasize the role of UK in India's infrastructure projects like Bangalore-Mumbai Economic Corridor, promoting greater cooperation in healthcare and medical research by developing public-private partnerships, tapping collaborative avenues in the area of education and skills and enhancing B2B linkages in the creative industry in areas like animation.** The interacters also discussed ways to accelerate low carbon / green growth as well as promote cooperation for innovation through industry-academia linkages for entrepreneurship development, technology transfer and capacity building.

- **OPENING OF A NEW CHAPTER IN INDIA-US RELATIONSHIP**

After a complex phase in India-US relationship, we are at an opportune moment for bilateral discussions to enhancing relations between both sides. The forthcoming visit of Hon'ble Prime Minister to US in September will provide an opportunity to discuss actions plans for bilateral economic engagement.

FICCI believes that this visit will pave the way for expanding and deepening the wide-ranging cooperation between our two democracies. It will be a good time to discuss long pending issues such as regulatory ones with Indian Pharma & Food companies, impact of immigration reforms on Indian IT industry, downgrading of India safety ranking in aviation and other key impediments to strategic cooperation between India and USA. Indian businesses hope that this visit could lay the ground for resolution of outstanding issues in a constructive manner. The time is ripe for our Government to focus on issues of trade & diplomacy in an integrated manner, and push for time bound resolution of matters affecting India. Both sides must show commitment to deepen political as well as economic engagement that can bring lasting benefits to our citizens.

For more details contact FICCI Corporate Communications  
at [tripti.kataria@ficci.com](mailto:tripti.kataria@ficci.com)