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To America With Hope



ACC chairman and CII director-general Tarun Das has high hopes of a big push to the Indo-US bilateral dialogue and economic cooperation during prime minister A.B. Vajpayee's visit to the US this week. Tarun Das, in an interview to N Vidyasagar, spells out what India can expect from PM's visit as well as the lessons to learn from following US corporate governance model.

What is the message that PM has to communicate when he meets president George Bush in the US?

Atal Behari Vajpayee has to communicate that if bilateral relations are to be strengthened and deepened, the action cannot only be from the Indian side. Action must come equally in fact more than equally, from the US side. If they were to truly relax their export controls without any semblance of sanctions then we can talk to them about a broad-based economic bilateral agreement covering trade, technology transfer and investment.

What can we expect from the US during the PM's visit?

I see that the US is going to take more initiatives from its side to reach out to India. The biggest block today is transfer of technology — it is affecting trade, investment and our relationship. I expect some forward movement with regard to technology control imposed by the US since the exports from the US into India continues to be quite complicated. The balance of trade in India's favour is growing. They are not able to export what they can export. It is not raw materials, leather or shoes but machineries that they want to export.

What are the US's expectations from India?

They were crying for years for opening up

insurance. US corporates are here in insurance business and they are doing so well. This is a major growth market. The only thing they would want is a review in FDI cap. The N K Singh committee has recommended liberalisation of the cap. The US is already in sectors where they want to do business. The only issue is to liberalise the cap so that they can bring in more money. The US wants more trade openings and tariff cuts and more cooperation with India in WTO.

Is West Asia a cause of concern?

For the first time in the Aspen-CII strategy group in Washington, we discussed the US, India and the Persian Gulf. We put across our point of view about the impor-

We have one major private sector oil company, Reliance. We have one major public sector company. The issue is to deal with the other two. A decision has been taken in principle that they should not remain in the public sector. Who do you sell them to? To a strategic investor or to the public? Or do you sell one to a strategic investor and one to the public? This is a limited debate. In the end both will be privatised.

What are the lessons to learn from following US corporate governance models?

Clearly, the US companies are not the role model for corporate governance for us. We have to be our own role model. We are strengthening our own internal corporate action to strengthen corporate governance. We are reviewing our corporate governance code. The lesson we have learnt is: Don't look at New York. We better do our own thing. I think the time has come for CEOs in the private sector in India to do some introspection about their emolument structure. They cannot pay themselves too much. This is India. This is a developing country. We must not follow the American model of paying the CEOs excessive amounts. The emolument gap between the CEO and the next level is too wide in many cases in India. This is not good. This is the American system. We must change it voluntarily without legislation. We must review this practice.

Finally, what will be the impact of drought on the economy?

The rains are finally here, which means the damage on the economy will not be so substantive. Manufacturing continues to show revival and growth. This doesn't mean that we are back to the era of mid-nineties. The prices will never boom. Competition will continue. Companies will be under pressure, but we are not going to get into a reverse swing into a recession. My sense is that we are in the 5.2 or 5.5 growth range. And in the second half of the year if the growth continues then we will go higher. I feel more optimistic today than six weeks ago.

Q&A



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tance of the Persian Gulf and West Asia to India. There are over 3 million Indians in that region. We are dependent on crude oil imports from that region. We were badly affected by the Gulf War in 1991. I see a new thinking in the US with regard to this region. They are listening to India and understanding our concerns. Within the Republican establishment there is a rethinking about attacking Iraq. I'm sure our prime minister will add weight to that opinion.

Do you see the disinvestment process being derailed?

We are a noisy democracy, where everything is debated and discussed publicly. The current debate is on choosing the correct methodology for disinvesting oil companies.