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PRESS STATEMENT OF SELVI J JAYALALITHAA, HON'BLE CHIEF MINISTER OF TAMIL NADU - 23.7.2013

The Indian rupee has depreciated sharply in recent months and is creating new historic lows against the US dollar. It is a direct reflection of the inept macro-economic management of the UPA Government over the past several years. Totally bereft of ideas, in a weak bid to show some pretence of a policy response to an adverse economic situation, the Cabinet Committee on Economic Affairs has recently approved the raising of the Foreign Direct Investment (FDI) caps in some sectors.

These measures raise a number of serious concerns. Far from protecting the interests of workers and the common people of the country, the UPA Government appears to be acting at the behest of foreign interests and some external Rating Agencies which are frequently threatening to lower the Sovereign Rating to 'Junk Status' and thereby cowing down the weak UPA Government at the Centre, making it bend to its whims and fancies. The decision also raises serious security and related concerns, which have been totally ignored. The adverse impact on domestic industry, including on Central Public Sector Enterprises and employment has also not been factored in.

In the Telecom Sector the FDI cap has been raised from 74% to 100%. This has implicit security concerns since foreign companies will be able to control the entire telecom network. Data security and privacy issues will arise, which will be very difficult to regulate. This was also witnessed recently in the case of a Private Service Provider who had laid more emphasis on individual privacy rather than National Security. It is reported that even the Home Ministry at the Centre is against this move. Perhaps this move will only benefit the Foreign Companies which have reportedly incurred losses on account of the orders of the Supreme Court in the issue of 2G Licenses. Even advanced countries restrict foreign investment in the Telecom Sector precisely for security reasons, whereas the Government of India seems to be oblivious of these concerns.

I have been opposing the raising of the cap on FDI in the Insurance sector. We have strong Public Sector Insurers in this country who provide very good service, with the public interest in mind. Tamil Nadu's flagship scheme, the Chief Minister's Comprehensive Health Insurance Scheme and the Government Employees' Health Insurance Schemes are both being operated very successfully. This is done exclusively through Public Sector Insurance Companies. The support that even a State Government is willing to provide to Central Public Sector Insurance Companies is not being provided by the Government of India. The Government of India appears keen to repeat in the Insurance Sector the scenario in the

Telecom and Aviation sectors, in which the Public Sector Undertakings bear the social obligations, while the private operators have been given a virtual free ride. This has forced the Public Sector Companies into a loss making situation. Meanwhile, the Insurance Law (Amendment) Bill, 2008, is still pending in Parliament; the UPA does not have the numbers in Parliament to have the Bill passed. Perhaps the Congress led UPA Government at the Centre is confident that its erstwhile allies like the DMK will vote in favour of the Government though they speak vociferously against these moves of raising the FDI caps in the same manner as they had voted against the Motions moved in the Lok Sabha and Rajya Sabha against permitting FDI in retail even though the DMK had issued statements against FDI in Retail. In fact the DMK's opposition to these moves are an eyewash since Thiru Karunanidhi in his statement has let the cat out of the bag in the end by stating that the Government of India should ponder over whether such stern measures should be taken at this juncture when the General Elections to Parliament are slated to be held next year.

In the Plantation Sector the FDI cap has been raised up to 49% on the automatic route and up to 100% with FIPB clearance has also been permitted. Tamil Nadu has a large number of small tea growers whose livelihood has to be protected. We cannot allow foreign investment in this sector to tip the scales in favour of the larger plantations and jeopardize the livelihood of the small growers. Such a move could reduce Small Tea Growers to labourers within a few years. The interests of plantation labour also need to be protected and their apprehensions and fears allayed. There must be adequate consultation with State Governments before granting of clearance by FIPB for investment in the plantation sector in order to ensure adequate safeguards for the small growers and plantation labour.

In the Defence Sector, the FDI limit is to remain at 26% but it has been announced that the Cabinet Committee on Security (CCS) may consider higher investment levels for state-of-the-art technology. This announcement totally lacks clarity. In the absence of clear guidelines on what state-of-the-art technology is, the opacity plaguing defence procurement in the country would only be further perpetuated. There are also grave security and self sufficiency concerns in allowing FDI in this very crucial sector. We must not allow the national interest to be compromised in any way.

The increase in the cap on FDI in single brand retail up to 100% on the FIPB route and 49% on the automatic route is the thin end of the wedge. Since single brand retail involves setting up of sale outlets by manufacturing or marketing companies at different locations, decisions in this area should be made subject to the clearance of the State Governments, as in the case of multi-brand retail, so that small retail trade which provides livelihood to millions of small traders and shop owners can be effectively protected.

The FDI relaxation announced by the Government of India is neither an effective nor an appropriate measure to tackle the macro-economic imbalances faced by the country. Much more has to be done by way of policy initiatives to promote exports and to set right the current account imbalances. Above all, investors are shying away from India because of the poor governance record of the UPA Government, its notoriety for corruption and scams and its inability to act effectively to improve the infrastructure and investor environment in the country.

Announcements of this nature are only a knee-jerk reaction to the problem of the falling rupee. A depreciating rupee is not just a blow to the Nation's prestige and sense of well-being, it also contributes to inflation, making life difficult for the common people who are already regularly buffeted by the increases in the prices of diesel, petrol and domestic gas. Stock Market indices and the views of the external credit rating agencies and fickle foreign investors on how liberal our economy is, are not barometers for measuring the wellbeing of our people.

Short sighted policies of increasing FDI caps will not help the rupee to strengthen. Concerted policy action to promote exports, curb imports of non-essential items, and to eliminate speculative trading in the Forex Market are all essential for the rupee to remain strong. The UPA Government is responsible for heaping hardships on the common people. The utter insensitivity of the Government of India towards the condition of the poor and needy, the middle class and virtually every section of Society, by its acts of commission and omission, will take their toll in the not too distant future. The day of reckoning is near.

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