

ADIT JAIN'S VIEWS ON INFLUENCING POLICY

Drivers to reforms...

Policy amendment is about lobbying. It is important to understand how politicians think and function before delving into the functioning of lobbying.

How reforms started in India...

The reform process in India started in 1991 and ended in 1993. This stemmed from the fact that India was about to default on its external debt commitment and needed to raise money and in order to raise aid, the World Bank and IMF stipulated a set of conditions - to open up the economy, liberalise trade and the capital market.

Hence we owe the first step of reforms in the country to the multilateral aid agencies, IMF and World Bank.

There are a whole lot of other reasons that further augmented the reform process in India. These are:

Pressure from foreign governments

A good case in point is to trace how the telecom reforms happened, these happened not because of the Department of Telecommunications (DoT) but despite them; DoT tried everything possible to stop it. The telecom revolution happened because the US Commerce Secretary came to India and insisted that the Baby Bell Company required a share of India's telecom market and thus set the trend.

Commitment made to the trade partners through the WTO

These reforms are happening not because the government wants to turn altruistic but because it is too late. A commitment has been made and there is no choice – the government has to open up markets, allow for imports and lower tariffs.

Further, there are *progressive individuals* in the government such as Montek S Ahluwalia, Rakesh Mohan; these are minds in the government who actually drive reforms.

Industry bodies such as Gold, Spirits, Insurance, where groups of people get together formally or informally and try to make a point with the government.

Individual companies in the past, like Rio Tinto, have driven reforms. Rio Tinto, which is the biggest mining company in the world with assets of USD 60 billion, wanted to explore for gold, iron ore and diamond in India. It was allocated an exploration area of 25 Sq Km by the government, whereas the company required 25 000 Sq Km. As a result, over a period of 12 months and over debates, discussions, etc. it

drove home its case for bigger mining area. Eventually the government acknowledged that it could also benefit from the money, as the company invested USD 1 billion in one mine alone. It was important to have Rio Tinto invest for the inflow of foreign exchange in the country.

Legislation in India is a long drawn process. For the government to enact a new Bill in Parliament, the administrative ministry first drafts the Bill. For e.g., if the Bill concerns the aviation industry then it is the civil aviation ministry, and if it concerns coal and mines, then it is the mining ministry. After the first draft of the Bill, it is referred to the law ministry to ensure the right wordings, technical parlance etc. Then the Bill is passed on to a Parliamentary Select Committee, which consists of members representing different political parties in the same proportion they are in Parliament. An average size of the Select Committee being 47-50.

The Parliamentary Select Committee with 10-12 efficient workers, across Party lines, invites experts to depose as independent witnesses.

This is the right time for lobbyists to present their case and influence opinion.

Alternatively, these members meet up with the business/political/economic analysts for discussions. This is called a *Deposition* that takes place in the Parliament. After this, the committee files its recommendations and sends its report back to the ministry, which is incorporated in the Bill. Increasingly, the Bill is circulated for public opinion. The Bill then goes to the Cabinet Committee on a certain issue or to the entire Cabinet. After which, it is presented in the Parliament, usually the Lok Sabha followed by the Rajya Sabha and then the Presidential assent follows, post which the Bill becomes the Law.

The points of influence are all along this process.

The Influencers The administrative ministry consists of four powerful people. The most important group comprises of the Secretary to the Government of India and the three Joint Secretaries, who finalise the decision making process. Hence, it is important to establish contact and rapport with the three Joint Secretaries in the department and the concerned civil servants.

Second in line are the economic ministries – finance, industry and commerce. These are important, as any policy amendment work which may involve lowering of tariffs,

opening up of trade, etc., would involve interaction with these ministries.

Next in line is the PMO's office, where there is usually one individual who holds a powerful position such as the Principal Secretary.

Then there are the Members of Parliament, with Standing Committees on Finance, Industry, and Commerce. These individual members are the ones who should be approached.

Finally, the political parties who have think tank units. For instance, the BJP think tank unit is the Shama Prasad Mukherjee Foundation. The Congress does no longer have any formal think tank units but there are a few important people (MPs) who the Congress President refers to closely on economic issues. For instance if it were a foreign affairs issue, Mrs Gandhi would listen to Mani Dikshit, Natwar Singh, etc. These people constitute a formal or informal think tank unit within a political party and are important to meet for policy modification and lobbying work.

There are other constituencies that are important too. The industry chambers have the highest access to politicians and bureaucrats. These chambers have lot of influence because of the informal interaction. These chambers file their recommendations, keeping cognizance of the requirements of their member companies and sometimes the government takes notice.

Bodies such as the Reserve Bank of India, Industry regulators and other government institutions also provide their views on important economic issues.

Another group who are called upon to comment on certain legislations, include the semi government institutions like NCAER, others are non-government but the government listens to them too.

Help from other bodies such as Embassies is also beneficial. But not always. To cite a case in point, the insurance reforms in India were delayed by four years due to Frank Wisner, the then US Ambassador to Delhi, who was very aggressively pushing for the reforms and thereby roused the interest of the 'swadeshi manch'. It is therefore advisable to adopt garden room diplomacy instead of doing "in your face" advocacy – which might serve to generate more enemies than propagate a cause. There are conferences and seminars with the right participation to be used as the right platform for such issues.

Apart from understanding who are the influencers for successful lobbying, the foremost thing is to generate awareness about an issue.

To cite an example – ‘renewable energy’, which is beneficial for India as it is environmentally friendly and has economic benefits. So if one was to lobby for better terms and conditions for renewable energy, a critical step is to understand if there is any awareness of the issue.

One needs to assess the supporters, who would take a position in its favour and understand the challenges. Then, prepare a white paper for submission, which looks at the policy amendment that is being attempted to be achieved. The paper must address the concerns of others, list out the economic benefit to India and its people. Informal meetings are very important to assess what the paper ought to contain. The submission should be research based. For formal policy advocacy, this is the standard procedure. The research-based submission must carry the credibility of a recognized brand.

So, for instance if one were to talk about lowering of excise duty on colas, then it would be necessary to convince the government that it is not a luxury product. This is why the government levies a 40% excise duty on colas. But the NCAER research would clearly show that the biggest consumers of colas are the lower middle classes. Hence, the submission that Coca-Cola and Pepsi ought to make on the issue to the government must have the NCAER research depicting the results.

In order to facilitate policy amendment, provide information on policy environments in other countries. The government often takes cognizance of the existing environments in other developing markets such as ours in its decision on whether the proposed suggestion is conducive to us. Importantly, the submission must address concerns, to provide ample ammunition to those who are the supporters.

The submission paper must be presented to all the above-mentioned influencers. After the submission, a meeting is advised again with each to argue for the case.

An interesting case of third party advocacy...

The modus operandi used in lowering of tariffs in spirits industry is a good case in point. The Rajiv Gandhi Foundation (RGF) was identified to host a seminar, considering Congress MPs were opposing the reform and an invitation from RGF usually ensures attendance from all due to the Gandhi association – hence ensuring a captive audience. Mr Samra, the Police Commissioner of Mumbai was called upon to talk to

them to about bootleg spirits. He told the MPs that unless import duties were not lowered on imported spirits, the Mafia trade will continue. He also stated that he had evidence that the same distribution network for bootlegged spirits was responsible for supplying explosives, RDX from Surat to Mumbai. He alerted the audience that the smuggling, mainly of spirits, distribution network was being used for malicious and nefarious activities.

Another opportunity is presented by Indian Ministerial visits abroad. This is the best time to meet them and impress the benefits of implementing policy changes.

State governments exert tremendous influence and the case in point being the lobby in favour of Monsanto for genetically modified cotton. As civil servants in Delhi were adamant and the meeting with Sharad Joshi, leader of the farmers union, did not work out, a meeting with Chief Ministers of Andhra Pradesh and Karnataka was held, apprising them of the cotton crop without GM Cotton. Their attention was drawn to the yield of the GM cotton.

Mr. Naidu, the CM of Andhra Pradesh, was impelled to write to the PM urging the government to take notice and take corrective measures. At another occasion, Mr. Naidu shared his concerns about how government approvals on certain issues, despite justified arguments, are delayed indefinitely. In a lighter vein, he cited his own predicament while seeking approvals for an international airport in Hyderabad for the past three years but with no results. Eventually, he had to remind the PM, in a private conversation, of his support to the BJP government and within no time, Mr Naidu got the requisite approvals.

Power of the media...

Very often, editorial coverage garners the right kind of support because while lobbying for a case, MPs, Ministers enquire of media coverage to support the claim.

The ones who come in the way are those who believe that establishments must be preserved at all cost- that status quo must be maintained at any costs.

The *domestic industry* is very strong. For instance, if Scotch Whisky could be imported into India at 30% import duty there would be few takers for domestic brands like Peter Scot and Bag Piper. Clearly, the domestic brands will stand to lose and hence they lobby hard against lowering of import duties on imported spirits.

Then, *politicians* come in the way. BPCL disinvestment is an example of vested interests of politicians.

There are the *pressure groups* and self-proclaimed do gooders who come in the way. Sometimes, even the ideological conflicts pose great hindrances. There are many corrupt and inept people whose purpose in life is to come in the way.

Some case studies...

The speaker shared two case studies, as examples of policy amendment.

World Gold Council...

1. Gold was a restricted item, heavily regulated with banned imports. This created a hawala market for the rupee and rupee was traded on a premium in Dubai. But in 1991, when the government announced the first phase of reforms, people were allowed to carry 5 kg gold at a duty of Rs. 450/- per 10 gm. Exporters could convert a percentage of their export earnings into SILs. This worked wonders as the hawala premiums fell and official gold imports went up from USD 1.25 billion in 1991 to USD 3.4 billion in 1995. The change undertaken was on behalf of the World Gold Council, which is sponsored by the big mining companies like Rio Tinto, Anglo-American, De Beers, etc. A Gold Economic Summit was organized in 1996 that provoked discussion and debate and reforms ensued with reduction in duties. Overseas Indians could bring in as much Gold and Gold became part of the OGL list. Twelve Banks were appointed to import gold at a 5% duty. Officially gold imports went upto USD 7 billion.

The submission process had different props to it. First was the Reserve Bank, where the officials were convinced that gold was a currency unit and not a commodity. Investing in gold is like investing in \$. It was imperative that there be some liberalization is the first steps towards convertibility allowing the free import of gold.

The case was strongly presented to Directorate of Revenue Intelligence (DRI) and Chairman of Central Board of Customs & Excise (CBCE). With factual data to support that smuggling was taking place, the DRI acknowledged the discrepancies and were prepared to support the case. They agreed that if duties were lowered and legitimate import was allowed then people will not bother smuggling any longer. Regular discussions took place. The Commerce ministry was involved as they were told that if imports were allowed to happen then India could be next Italy – gold, fabricated jewelry exporting country because India possesses high quality crafting skills. The Commerce Ministry supported it. The Gold Conference had participation from not only the Gold Industry but more importantly every government department. As a result of one-to-one meetings, with one and all, the efforts bore results in favour of the Industry. It happened in nine

months, much faster than the anticipated three years.

*The Scotch
Whiskey
Association...*

2. In India, access was first granted to vatted malt – a concentration. The Scotch brands ought in India such as Passport, Seagrams, 100 Pipers, etc are 100 % Scotch, there is nothing Indian in it. The only Indian ingredient is the de-mineralised water. First step was to grant licenses to companies like Seagrams and United Distillers etc., as they were going to bottle in India. In 2001, trade barriers and QRs were abolished and Scotch could be imported with certain constraints.

In the process, the duties were increased to 700 per cent. As a result, smuggled trade continued to prosper. In addition, there were some state level duties and some states still have to permit sale of BIOs (bottle in origin sales). The duty today has come down to 180 per cent owing to the pressure from international spirits manufacturers.

The methodology of bringing about the change was based on researched submissions made to TRU and arguments to the influencers. Support was gathered from Commerce Ministry, Ministry of Food Processing and one-on-one briefings with 30 members of Parliament. During one of the foreign meetings, Tony Blair was made to speak to Brajesh Mishra, as Scotch is the most important export of the UK. Meetings were organized between Patricia Hewitt, Secretary of State for Trade and Murasoli Maran and Omar Abdullah.

All these efforts contributed in small proportions. Several delegations of British officials came to India, meetings were held between officials, MPs, etc.

All this has taken three years. Within 2-3 years, the product will be easily available. This perhaps is not a success story like Gold but nevertheless an important one to showcase the hurdles in way of policy amendments.

(Excerpted from the presentation made by Adit Jain, Managing Director, The Economist Corporate Network & IMA India, at PR Pundit's Seventh PR Workshop held in New Delhi on December 10, 2002)