

FIEO Chief's appeal for levelling export field



From left, Mr Rafeeque Ahmed, President, FIEO; Mrs Chanda Kochar, MD & CEO, ICICI Bank; Mr R V Kanoria, President, FICCI; Mr R N Dhoot, President, ASSOCHAM; Mr Y C Deveshwar, Chairman, ITC; Mr Anand Sharma, Hon'ble Minister of Commerce, Industry & Textiles; and Mr Ramu S Deora, immediate Past President, FIEO

Global Scenario

The global trade after growing by about 14% in 2010 showed a moderate increase of about 6% in 2011 and the forecast for 2012 has been further reduced to 3.8%. While the US has not yet recovered from the recession, the situation in the EU has further deteriorated and much will depend on Greece regarding the fate of the EU as a regional block. The slowdown in the world economy has not affected our exports in the past as we diversified to new and emerging economies, thanks to the initiative of the Commerce Minister. The loss of exports in advanced economies was compensated by increasing exports to new markets. However, the recent trend points to

slowdown in emerging economies which is not a good sign for Indian exports. The contraction in demand will put pressure on prices as well and thus the competitiveness of exports will hold the key even for moderate growth in exports.

Rising cost of Export Credit

The cost of export credit which was 7% in July 2010 (prior to the adoption of the base rate) has moved between 11.5% and 12% with the withdrawal of interest subvention. The hike of over 60% in interest rates is making exports uncompetitive. The rate of interest in our competing countries in South East Asia is in the range of 5-6%. Therefore, there is an urgent need to

reintroduce the Interest Subvention Scheme for exports with effect from April 1, 2012. The coverage of the scheme should be extended to all sectors of export.

Rising cost of PCFC

The Reserve Bank of India has deregulated PCFC with effect from May 5, 2012. This has prompted many banks to increase the Interest rate under PCFC which till now was capped at LIBOR+ 350 basis point. The increase by banks is in the range of 200-250 basis points. Moreover, banks now prefer to give credit to corporates as compare to MSME exporters as the risk is lower for corporates. The move was probably dictated by high volatility in the ex-

change rate but the same remains untouched despite deregulation. Therefore, we request the Minister to take up the matter with the Reserve Bank of India for maintaining status quo.

Volatility in the Dollar Rate

The general perception is that the depreciation in exchange rate will help exports. However, the ground realities are different. In respect of exports, where contracts have already been executed, by and large, exporters have hedged their risk and thus the depreciation is not going to benefit them. Secondly, certain sectors of exports like gems & jewellery, petroleum, electronics, plastics, and chemicals, etc have large import content and thus the depreciation benefit on the export front is offset by the losses on import side.

In respect of new contracts, the buyers are asking for discount in prices knowing full well the movement of the rupee as with reduced prices in US\$, exporters are likely to get more in rupees. This will be a setback to exports as the country would get less dollars for such exports which may affect India's export performance.

Exporters would prefer a stable currency regime for maintaining export momentum.

Inclusion of Egypt in Special Focus Market Scheme (SFMS)

The political turmoil in Egypt has resulted in a 10% decline in India's exports to Egypt during 2011-12 which witnessed 50% growth in the previous year. Temporary support to exports to Egypt is needed so that Indian exporters can hold on to their market. Egypt may be included in SFMS category at least for one year to tide over the crisis.

Alignment of FMS and MLFPS with India's economic engagement

The Department of Commerce should revisit the market strategy,

including the Focus Market Scheme and Market Linked Focus Scheme to concentrate on countries where we are looking for increasing exports. The Market Linked Focus Scheme should be extended to Iran to cover new products such as pharmaceuticals, auto components, steel products, etc. Since India has signed comprehensive Economic Partnership Agreements with Japan, Malaysia, Singapore and South Korea, these countries should be added to the Focus Market Scheme so that the benefit of market access is fully utilized by Indian exporters.

Continuance of All Export Promotion Schemes

All Export Promotion Schemes should continue, including Zero Duty EPCG Scheme and Status Holder Incentive Scrip (SHIS).

Clearance of shuttle-less looms under EPCG authorizations @ 0% instead of 3%

As Basic Customs Duty on shuttle-less looms has now been reduced from 7.50% to 0% w.e.f. 17.03.2012, clearance of shuttle-less looms under EPCG should also be @ 0% instead of @ 3%. Accordingly, export obligation should be calculated on the basis of 0% BCD on shuttle-less looms and EPCG authorization holder should fulfill the EO imposed thereof.

Transferability of SHIS

The SHIS benefit granted to the Status Holders remains by and large unutilized particularly for merchant exporters in view of actual user condition. The transferability of SHIS will provide actual benefit to the Status Holders which can be factored by them in their prices to become further competitive in the market. Alternatively, better utilization of SHIS should be provided by including inputs and allowing domestic procurement against such scrip to give a boost to domestic manufacturers.

Extension of SHIS

Presently, the scheme is only

covering six sectors and some of the important sectors of exports like electronics, pharma, other than basic chemicals are excluded from this benefit. Since the benefit was devised for Status Holders, the same should be extended to all Status Holders irrespective of product group.

Utilization of Agri Infrastructure Incentive Scrip

The Agri Infrastructure Incentive Scrip is available to agri exporters but the same could not be utilized by them since the backward linkage as envisaged for the utilization is not done by the agri exporter but by third parties. Therefore, the scrip may be made transferrable so that the third party could provide the requisite infrastructure at a competitive price by importing the same on duty free basis. Alternatively, even parts components of the Capital Goods or equipments detailed in Paragraph 3.13.4 should be permitted (on the pattern of EPCG) so that the agri exporter can also be encouraged to enter this field. It is not economically viable to import complete cold storage or pack house but importing parts of them or components of such equipment and assembling them at the site can be viable. Further, in most of the cases the scrips have expired without utilization because of the stringent conditions attached. Therefore, extension of validity of all expired scrips may be considered.

Introduction of Branded Product Scheme

In order to boost the export of branded value added products, the Department of Commerce should consider introducing the Branded Product Scheme where 2% duty free scrip will be provided to the exporters of branded products. Branded products have better margins and will establish India's image as a supplier of quality products in world markets. FIEO can provide further details so that adequate safe-

Know your Commerce Secretary



Mr M Rafeeqe Ahmed, President, FIEO (2nd from left) welcoming the Commerce Secretary Mr S R Rao. At extreme left is Mr Ajay Sahai, DG & CEO, FIEO; and at extreme right is Dr Anup Pujari, DGFT.

India's new Commerce Secretary S.R. Rao is a 1978 batch Gujarat cadre officer of the Indian Administrative Service.

A Padma Shri awardee, Mr Rao has worked in both developmental and regulatory sectors. In the developmental infrastructure sector, he has worked extensively in the fields of rural development, industry, urban development, ports, primary health service delivery,

medical services, medical education and nuclear energy.

He was been Special Secretary, Ministry of Communications & Information Technology, Department of Information Technology, Government of India; and Chairman, Visakhapatnam Port Trust.

Mr Rao is best known for his work as Surat's Municipal Commissioner in the mid-1990s, when he

took a number of initiatives to clean up and modernize the diamond city.

For his commendable work, he has been bestowed several distinguished awards, including the National Science Foundation Award in Public Health, 1996; All India Management Association Award for Excellence in Public Service, 1997; United Nations Habitat Award for Best Practices, 1997; Eisenhower Fellow in 1998.

The Government of India awarded him the Padmashri, a rarity for a serving administrative bureaucrat.

Mr Rao has a Masters degree in Applied Sociology from Andhra University and an MA in Rural Development from the University of East Anglia (UK).

His immediate task is to present the annual review of the Foreign Trade Policy 2009-2014, which is eagerly awaited by exporters. Mr Rao's experience would also be counted in how he emerges as a trade negotiator in negotiating bilateral deals such as the India-EU free trade agreement.

guards are in place while meeting the objective of promoting exports of branded goods from India.

Additional Financial Support for MAI/MDA

Countries are providing huge marketing support to SME exporters while in India the budget for the MAI and MDA together now is only Rs 200 crore. How can exports of over \$300

billion be provided support from such small financial outlay? The Department of Commerce should frame a plan scheme with a corpus of about 0.5% of total exports so that some sizable funds are available for marketing support of SMEs.

Support for E-Commerce

E-Commerce business is generating a lot of exports but new entrants

are reluctant to enter in view of high registration charges involved. The Department of Commerce should devise a scheme to provide 50% subsidy on registration fee. However, the subsidy should be provided only in respect of trade portals with a minimum turnover of \$1 billion in the last financial/calendar year and the portal should be in existence for at least three years. ■