

Seminar to look into Uttarakhand's vast export potential



Chief Minister of Uttarakhand Mr Vijay Bahuguna (extreme left) discussing with Mr Ajay Sahai, DG&CEO, FIEO (2nd from left); Mr Sunil Agnihotri, Jt.Dy. Dir. General, FIEO; and Mr H.C. Pant, Jt. Director, FIEO.

FIEO proposes to organize a seminar on "Export Promotion from Uttarakhand" at Dehradun in July, 2012. In this regard, Mr Ajay Sahai, Director General & CEO, along with Mr Sunil Agnihotri, Jt. DDG and Mr H.C. Pant, Joint Director, met Chief Minister Mr Vijay Bahuguna in New Delhi on May 20, 2012.

While briefing the Chief Minister about FIEO and its activities, Mr Sahai explained Uttarakhand's export potential, which is inadequate because of the lack of attention to the creation of infrastructural facilities. Four-laning of the highway connecting Roorkee and Hardwar and Dehradun is ap-

proved but the work is still not completed. There is a single railway track between Muzaffarnagar to Dehradun, which need to be doubled. The absence of a 40-km rail-line between Laksar and Muzaffarnagar is costing every traveller to and from Dehradun an extra 100 km travel from Delhi. Mr Sahai informed the Chief Minister that FIEO has done a study on Infrastructure Bottlenecks in Export Centric Clusters in Uttarakhand. Some of the suggestions are as follows:

- ICD be created in the Roorkee – Iqbalpur/Laksar area to facilitate export from Hardwar (15km) and Dehradun (70 km).

- ICD be linked to the Eastern Freight Corridor at Saharanpur.
- Saharanpur to be made a halting station on the rail freight corridor.
- Need to expedite setting up logistics hub in Hardwar (SIDCUL).
- Bulk of raw materials and finished goods leading to choking of the highways connecting Delhi-Hardwar and Delhi-Nainital. For this, four-laning between Dehradun and Ramnagar is required as this would improve connectivity between Uttarak-

hand's two regions – Garhwal and Kumaon.

- Expedite railway track work between Rishikesh and Karanprayag dedicated industrial corridor for use of industry.
- Creation of a rail head at Haldi: This would help to route the industrial traffic related to the Pantnagar industry onto railways, decongesting the Delhi-Nainital Highway.
- Expedite 350 MW gas based power plants in the industrial district of Hardwar and cater to consumers in Kashipur, Rudra-

pur, Roorkee, Hardwar and Dehradun. The pipeline network would be 170 km.

- Requirement of a chemical testing lab in SIDCUL.
- To avoid wastage of fruits and vegetables, action needs to be taken to develop post harvest management infrastructure and to create an integrated network for marketing of horticulture produce, including cold chains.

Mr Sahai suggested that FIEO may organize a seminar on export promotion from Uttarakhand at Dehradun in the month of July, 2012 to find out ways and means to tap

the vast export potential of the State, and requested the Chief Minister to inaugurate the seminar.

The Director General & CEO also offered FIEO's services in formulation of the State Export Policy and State Export Council. The Chief Minister gave his consent to FIEO's proposal of the seminar and suggested that Commerce Industry & Textile Minister may also be invited to the seminar for which Mr Bahuguna would be extending the invitation. He also agreed to the suggestion for a State Export Policy and advised FIEO to contact the State authorities for further action on the same. ■

Relevant issues raised by FIEO with Commerce Minister at stakeholders' consultations

Rising cost of Export Credit: The cost of export credit which was 7% in July 2010 (prior to adoption of base rate) has moved between 11.5% and 12% with the withdrawal of Interest Subvention. The hike of over 60% is making exports uncompetitive. The rate of interest in competing countries in South East Asia is in the range of 5-6%. Therefore, there is urgent need to reintroduce Interest Subvention Scheme for exports with effect from April 1, 2012. The coverage of the scheme should be extended to all export sectors.

Rising cost of PCFC: The Reserve Bank of India has deregulated PCFC with effect from May 5, 2012. This is likely to increase the interest rate under PCFC which till now was capped at LIBOR+ 350 basis points. Moreover, banks would prefer to give credit to corporates as compare to MSME exporters as the risks are lower for corporates. The move was probably dictated by high volatility in the exchange rate but the same remains untouched despite deregulation. Therefore, the Commerce Ministry should take up the matter with the Reserve Bank of India for maintaining the 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 chemical, etc. have large import content and thus the depreciation benefit on the export front is offset by the losses on the import side. In respect of new contracts, the buyers are asking for discount in prices knowing fully 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.

Slowdown in emerging and developing economies: The slowdown in the world economy has not affected our exports as we diversified to new and emerging economies. The loss of exports in advance economies was compensated by increasing exports to new markets. However, the recent trend points to slowdown in emerging economies which is not good sign for Indian exports. The Department of Commerce should revisit the market strategy including 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.

Additional Financial Support for MAI / MDA: Several countries are providing adequate 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 a small financial outlay? The Department of Commerce should frame a plan scheme with a corpus of about 0.5% of total exports so that sizable funds are available for marketing support of small and medium exporters.

Support for e-Commerce: e-Commerce business is generating a lot of exports but new entrants are reluctant to enter the field in view of the registration charges involve. The Department of Commerce should devise a scheme to provide 50% subsidy on registration with such trade portals with a minimum turnover of \$1 billion and the portal should be in existence for at least three years.