

Kudos to exporters, but keep seat belt tight

By M Rafeeqe Ahmed, President FIEO

Coming in the wake of the disappointing IIP figure for February 2012, the news of Indian exports touching the new milestone of \$300 billion in 2011-12 has sent positive vibes to all segment of the economy, according to Mr M. Rafeeqe Ahmed, FIEO President.

This is a remarkable performance since global trade is still subdued and the liquidity crunch continues. After growing to about 14% in 2010, global trade declined to 6.3% in 2011 and this year is projected to grow by a mere 3.7%. "Let me admit that I was also apprehensive whether the target was achievable given domestic constraints like high inflation, credit squeeze, high interest burden on exporters to name a few," Mr Ahmed said.. "What turned the tables was an increasing awareness of Brand India coupled with diversification of product-market mix, growing deeper economic engagement through free trade and CECA/CEPA, exchange rate advantage and excess capacities in some sectors making exports imperative. The increase in prices of metal and commodities also played a part, particularly in respect of petroleum products, gems & jewellery and engineering.

Sectors responsible for this spectacular growth include petroleum & oil products, engineering gems & jewellery, drugs and pharmaceuticals, leather, cotton yarn and fabric made-up; electronics, readymade garments, and marine products. The market diversification and greater regional economic co-operation also played an equally important role with major exports to Asia buoyed by the Indo-ASEAN FTA and CECA/CEPA with Malaysia, Thailand, Singapore and Japan.

Deeper penetration of India-Mer-



cosur FTA and BRICS tieups are also boosting exports to Latin America and Africa. "I always believed that the market diversification strategy has a long gestation period since even after announcing focus on a region, exporters undertake their own analysis, visit such markets, build rapport with strategic partners, thus paving the way for exports," said the FIEO Chief. "With the launch of Focus LAC and Focus Africa in the late 1990s, the Ministry of Commerce sowed the seeds of greater economic co-operation and we are now reaping the benefits of the long-term strategy. This was further supplemented through Focus Market and Market Linked Focus Product Scheme of our visionary Commerce Minister Mr Anand Sharma who gave the clarion call to venture into Africa, Latin America and other less explored regions. In the last 10 years, we have increased our bilateral engagement with Africa tenfold taking it to \$60 billion last year."

The short-term target of reaching \$500 billion by 2013-14 is now

within the realm of reality, just requiring a compound annual growth rate of 26.7%. India is all set to take its exports to new height both with Pakistan and Iran. Pakistan has recently moved from a positive list of 1948 items to a small negative list of 1209 items thus opening export opportunity for over 70% of products line. The setting up of rupee payment mechanism with Iran has all set to take our exports to Iran to over \$10 billion in the next two years. "We are about to see operationalisation of the India-EU FTA this year which will be a win-win situation for exports, as the EU despite the slowdown continues to be our biggest market for exports, accounting to a little over 18%," he added.

"However, there is no room for complacency as achieving over 25% growth on a base of \$300 billion will always keep us on our toes. Competitiveness is going to be the key and while industry will endeavour to increase productivity and cut down costs, the Government should bring down the interest rate and insulate exports from the rising cost of credit. A stable policy environment is need of the hour and thus I would expect the Foreign Trade Policy to provide continuity and look at all processes which add to transaction costs. Infrastructure will be a major bottleneck but I am sure the Government target of investing \$1000 billion in infrastructure in the current Plan period will address every exporter's concern."

While complimenting exporters and the Government, Mr Ahmed hoped both strategic partners will revisit their strategy to meet the opportunities and challenges ahead to realise exports of \$500 billion by 2013-14. ■