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Printed, Published, Edited by
Mr. Ajay Sahai on behalf of
Federation of Indian Export
Organisations, 'Niryat Bhawan,'
Rao Tula Ram Marg,
Opp. Army Hospital R & R,
New Delhi-110057
Ph: 011-26150101-04

Printed at
Archana Advertising Pvt. Ltd.
C-78, Okhla Industrial Area, Ph-1
New Delhi - 110020
Ph : 011-26810747, 26810748

Editing and Design support by
INDIA EMPIRE Publications
N 126, 2nd Floor, Greater Kailash I,
New Delhi 110048
Ph: +91.11.29231515,
+91.9899117477

Total 60 pages including covers

FROM THE PRESIDENT'S DESK ►►►



My Dear fellow Exporters,

In the wake of the contraction of global demand and the impending Eurozone crisis, the support extended through the Annual Supplement of the Foreign Trade Policy by the Commerce & Industry Minister Mr Anand Sharma will help in imparting competitiveness to exports.

The extension of interest subvention to include processed agricultural products, readymade garments and toys and sports goods besides carpets, handicrafts, handloom and SMEs till March 2013 offers great relief to the export sector.

The focus of policy is on India's North East which I think is a novel and excellent idea. The reduction of export obligation under EPCG to 25% and 1% additional benefits exports through land customs will encourage manufacturing and boost border trade.

I also welcome the support given to e-commerce by extending export benefits for shipment through Delhi and Mumbai and formation of a committee to look into the various aspects of e-commerce, which has great potential and can provide a direct selling platform to MSME exporters.

The trade data for May 2012 shows a decline in exports, which is on account of the global trade slowdown and deceleration in domestic manufacturing. Many countries in the world are facing a huge setback in exports and India is no exception to this trend. However, the growth shown in apparel and pharmaceuticals, both dominated by the MSME sector, is an encouraging sign and augurs well for other industries. The softening of crude and metal prices also have their share in reduced value-wise exports of petroleum products, gems and jewellery and engineering.

On the imports front, there is thankfully some moderation, particularly on account of a 50% decline in gold and silver and over 20% in electronics.

The next few months may be challenging but with a little stability in the Eurozone, exports will be back on track in the next second half of the fiscal, ensuring 15-20% growth, taking overall exports to over \$350 billion. Exporters should explore new markets and new buyers in existing markets to take full advantage of the depreciation of the rupee while simultaneously increasing their productivity through efficiencies and cost cutting measures as a long-term strategy to survive in the world market, he added.

However, the Monetary Policy merely maintains status quo on policy rates. This is regrettable because a further cut in interest rates is needed

to boost exports. An IMF study shows that a 1% cut in interest rate is equivalent to 10% depreciation of nominal effective exchange rate. And although price elasticity of Indian exports is low it may be appropriate to exercise the option of an interest rate cut, in the current fragile global situation.

At the same time, I appreciate that in order to further augment liquidity and encourage banks to increase credit flow to the export sector, the Reserve Bank of India has increased the limit of export credit refinance from 15% of outstanding export credit of banks to 50%, which will potentially release additionally liquidity of over \$300 billion, equivalent to about 50 basis points reduction in the CRR. This would help the banks to replenish the funds earmarked for the MSME export sector and ensure that funds are easily available to the sector in adequate measure.

The National Shipping Conclave which was held in Chennai was a landmark event that was aimed at making all stakeholders focus on this vital segment of export infrastructure. With infusion of new technology and capacity building, the cumulative/total capacity available at ports at present matches the current requirement. However, ports are unable to handle additional traffic because of slow evacuation of cargo from the ports. Thus, despite having adequate capacity and modern handling facilities, the ports are not able to ensure a quicker turnaround of ships. Present average turnaround time at major ports is 3.42 days. This undermines the competitiveness of Indian ports vis-à-vis other ports in the region. Therefore, it is important that connectivity of major ports with the hinterland is augmented not only to ensure smooth flow of traffic at the present level but also to meet the requirements of projected increase in traffic.

The G-20 summit concluded its summit in Los Cabos, Mexico, backing Prime Minister Dr Manmohan Singh's India's call for investment in infrastructure to ensure sustained growth, global economic recovery, poverty reduction and job creation. With anxiety over the global economic woes being reflected at the seventh summit of the four-year-old grouping, the Prime Minister's suggestion that the G-20 should focus on the need on investment in infrastructure as a means of stimulating global growth was significantly well received at the deliberations.

India has contributed \$10 billion to the IMF's war chest which will help the crisis-hit Eurozone. It is important that the situation is contained because when there is a big global crisis, emerging markets are not left unaffected. In fact, the main reason for India's slowdown was the result of what was happening across the globe. The Prime Minister is right when he said that in the first crisis, there was enough fiscal room to respond. There isn't enough fiscal room to respond now.

I welcome the steps being taken by India and Russia to boost bilateral trade. India and Russia have set a target to increase bilateral trade to \$20 billion by 2015 from around \$9 billion in 2011, Commerce & Industry Minister said at a meeting with Russian Deputy Prime Minister Mr D. Rogozin in St Petersburg.

Lastly, I would like to offer my best wishes to Mr Pranab Mukerjee, who has filed his papers for the presidential election in July 2012. His four decades experience in public service makes him eminently capable of leading the nation.



M. Rafeeqe Ahmed
PRESIDENT