



FEDERATION OF INDIAN EXPORT ORGANISATIONS

(Set up by Ministry of Commerce, Government of India)

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FROM THE PRESIDENT'S DESK ▶▶▶



My Dear fellow Exporters,

At the outset let me share with you that on June 1, 2012, I attended a meeting of the Board of Trade, together with my fellow colleagues from chambers of commerce and select export promotion councils in the presence of top bureaucrats of economic ministries and bankers.

I raised the issue of ongoing volatility causing greater pressure on exports. India's foreign trade is being impacted by several factors such as the rising cost of export credit, increasing cost of foreign currency loans to exporters (PCFC), volatility in the dollar rate, slowdown in emerging and developing economies, and also by the financial support that our competitors are providing to their small and medium exporters.

The situation is grimmer now. In the past periods of slowdown, the emerging and developing economies exhibited positive growth, helping us to increase our exports through market diversification strategy focusing on Latin America, Africa and Asia. But now the slowdown in new markets will be more obvious in the next few months.

On the RBI circular on EEFC Account, I feel that flexibility of payments for imports will be severely curtailed particularly for sectors with over 50% import intensity like gems and jewellery, petroleum, electronic goods, plastic products and chemicals.

I strongly took up this matter with the RBI to increase cap for sectors with high import intensity and sought issuance of directive to the authorized dealers to follow inter-bank rate for conversions, as with the proposed measure only around \$3 billion will be pumped in the market which cannot bring any significant appreciation.

This circular has come less than a week after the deregulation of foreign currency loans to exporters. Exporters are increasingly exposed to the high-cost rupee window for export credit which is in the range of 12% and above whereas competitors in the market offer interest rates as low as 4-5%, clearly wiping out India's edge in the export market.

In this backdrop, the boost given to trade ties with Iran brings

some good news. Iran offers ample scope for Indian entrepreneurs to encash business opportunities in various sectors. The Government of India has put a payment mechanism in place for Indian exporters so that export payments can be reimbursed effectively and smoothly through UCO Bank.

Two meetings at Delhi and Mumbai with a high-powered delegation from Iran led by the President of the Teheran Chamber of Commerce, Industry & Mines were held. The deliberations focussed on working together to promote trade primarily in the areas of items that are not covered by the sanctions imposed by United Nations on Iran. They are agro-based items and pharmaceuticals. Both sides showed a positive attitude and a commitment to promote bilateral trade.

I would like to take the opportunity to welcome our new guardian of exports, Mr S.R. Rao, who has taken over as Commerce Secretary from Dr Rahul Khullar. Having known Mr Rao's strengths in managing the backbone of the country's communications i.e. IT, we'll surely see India's foreign trade flourish under his leadership. I am confident that his able administrative and management skills will pave the way for exports to touch newer heights.

Finally, I'm happy to note that Dr Khullar has been appointed to the post of Chairman, TRAI. During his tenure as Commerce Secretary, Dr Khullar created history by bringing Pakistan closer to India, voicing at WTO in favour of India's exports, and extracting maximum benefits from related ministries to support export promotion. The list of his achievements in commerce is too long to be mentioned here. He will always be remembered as a competent and admirable committed leader of exporters and a great economic thinker .



M. Rafeeqe Ahmed
PRESIDENT