

Range of measures to boost exports, counter global slowdown



LEFT: Dr L B Singhal, ZJDGFT (3rd from left) addressing the meeting. On his right Mr Pravin Saraf, Managing Committee Member of FIEO; Ms Debdatta Nandwani, Dy. Director General, FIEO(ER). At extreme right is Mr. Prakash Thaker, Managing Committee Member of FIEO. **RIGHT:** A view of the participants.

In the backdrop of the Foreign Trade Supplement 2012-13 announced on June 5, 2012, FIEO organized post-policy discussion with Dr L. B. Singhal, ZJDGFT, Kolkata, on June 8, 2012 in Kolkata.

Initiating the discussion, Ms Debdatta Nandwani, Dy. Director General (Eastern Region) welcomed Dr Singhal as well as the ITS probationers, who were visiting Kolkata for their in-service training. She said the meeting would give them a first hand experience of the various issues concerning foreign trade from the Eastern Region. Around 90 participants, from various sectors such the media and leading industry representatives from the region were present at the meeting.

Mr Pravin Saraf, Managing Committee Member, FIEO, in his welcome address stated that in view of the contraction in global demand and the Eurozone crisis, the support extended through the Foreign Trade Policy is tremendous and will help in

imparting competitiveness to India's exports. Commenting on the export target, he said it appeared to be a bit high considering that the situation in the target countries was still fluid and needs to be developed on a more professional basis with all the stakeholders. Also, India's traditional markets of US and Europe will take at least a year to recover fully.

Dr Singhal expressed hope that the office of ZJDGFT, Kolkata, had been able to take care of most of the issues raised in the earlier pre-policy interactive meeting with FIEO members in January. Against the target set for \$300 billion, exports achieved were nearly \$303 billion in 2012-13 which is a commendable performance by our exporters. With regard to the Foreign Trade Policy annual supplement 2012-13 and keeping in mind the global crisis, he stated that based on the feedback received from FIEO and other EPCs, the following steps have been taken:

A) The interest subvention to

the tune of 2% has not only been extended for the next one year but also expanded to include toys and sports goods, processed agricultural products and readymade garments apart from the earlier sectors such as handloom, handicrafts, carpets and SMEs of all sectors.

B) Again, the zero duty EPCG scheme which ended on March 31, 2012 has been extended for one more year and expanded. A new scheme called Export EPCG duty scheme which has a self monitoring mechanism has been announced by which the importer will import the machine against payment of full duties and the export obligation would be set at 85% of the duty charged. The claims for refund will be submitted to the extent of the annual exports executed applicable from year one and refund of duties claimed against the quantum of exports executed. This differs from the regular EPCG scheme which has to be monitored for the number of years applicable i.e. 8 or 12 as the case may be.

C) In Chapter 3 schemes, there have been some major initiatives which are:

i) All chapter 3 scrips can be utilized to procure goods from domestic markets and payment of excise duty for goods which is expected to help instigate import substitution thus creating employment in the domestic market and improve on investment in the domestic markets.

ii) SHIS scrip has been made transferable to another manufacturer status holder exporter thus allowing him to import capital goods for his unit.

At the end of the briefing by Dr Singhal, the participants were invited to put up queries, as listed:

Query: Banks were providing benefits after three to four months and it is requested that they provide the interest subvention upfront to Status Holder exporters. Secondly, provide facility of transferring the scrips to others as applicable online instead of applying for such a transfer to o/o DGFT first. Of course, the DGFT shall be intimated when the transfer is made.

Reply: The point shall be considered and we will revert on the same.

Query: The procedure for disposal of export EPCG scheme.

Reply: The procedure has been intimated in Para 5.23 of the Handbook of Procedures. The duty should be refunded through duty credit scrip

and since the same is being done after one year, the export obligation shall be to the extent of 85% of the duty paid. The duty component will be of two components, basic customs duty and CVD of which only that portion will be reimbursed to the extent which is not CENVAT.

Query: With regard to duty credit scrips, West Bengal rules are not very clear or transparent with regard to VAT on the same.

Reply: The matter has been represented and the exporter shall be informed subsequently.

Query: The interest subvention scheme may be extended to dollar loans as well.

Reply: This will be kept in mind but no assurance as such.

Query: The FMS should be extended to SEZ units as well.

Reply: This is because of a resource constraint. Though logically, the office of DGFT is agreeing to this issue, the matter has to be pursued and brought to the notice of concerned authorities for their consideration and approval.

Query: With regard to payment to DTA, it is requested that the office of DGFT consider allowing payment in Indian rupees from SEZs.

Reply: It is physical exports, not deemed exports, as per sec 2 of SEZ Act. Hence, the payment has to be made from the foreign currency account of the SEZ. This condition as per Sec 30/8 of the SEZ Rules is ap-

plicable only if you wish to avail of DGFT benefits and if you do not wish to avail of the benefits, this condition is not applicable.. Also, DTA supplies to SEZ stipulate that the DTA unit should submit a bill of export which is the equivalent document to a shipping bill. Hence, the request cannot be acceded to since it is stipulated in the SEZ Act that it has to be complied with.

Query: With regard to e-BRCs, for those licenses which are on credit basis, the duty scrips are availed on the basis of non realised BRCs, the e-BRC policy is silent on these scrips.

Reply: The procedure is being worked on and in a day or two the procedures shall be informed.

Query: SHIS licences which are going to expire may please be revaluated.

Reply: Any revision in policy is prospective in nature and not retrospective. However, under exceptional circumstances you may apply to o/o DGFT.

Query: For some of the Chapter 3 schemes, the transmission between DGFT and Customs has not yet commenced which leads to additional paperwork and endorsement by Customs. It is requested that the same be implemented at the earliest in order to dispense with the additional paperwork.

Reply: The office of DGFT is already in discussions with DG Systems and it is hoped the same shall be implemented soon.

Advance payment mechanism with Iran to facilitate exports: FIEO Chief

Complimenting the Reserve Bank of India for permitting advance payment for exports to Iran, Mr M. Rafeeqe Ahmed, President, FIEO, said it was a long pending demand of exporters and will go a long way in boosting and facilitating exports from India to Iran.

Mr Ahmed said in certain products, advance payment is the starting point of a firm contract between buyers and sellers, particularly in those commodities which are subjected to wide fluctuations in prices. He said that ad-

vance payment will repose confidence in the Indian exporters while simultaneously assuring banks and insurance companies.

Introduction of the facility will also come as a sign of relief to importers in Iran as acceptance of advance would be taken as commencement of business with India which can offer a wide range of products to Iran, particularly in the agro and allied sector, pharmaceuticals, medical and diagnostic equipment, and other products.

Query:

a) e-commerce is being implemented initially in Mumbai and Delhi but are yet to be implemented in Kolkata and Chennai and other EDI ports.

b) Various facilitating agencies are involved in the process of exports which conduct pre-shipment inspections etc. and in this connection we would like to submit a paper on reducing transaction costs while executing exports and reducing transaction time and cost.

Reply: a) The implementation of e-commerce is done in Mumbai and Delhi on a pilot basis and after its initial testing is implemented all over

the country.

b) It is a welcome thought and the paper may be submitted to the task force on transaction costs and time sub committee for their consideration.

Query: With regard to 3% EPCG scheme, there was a condition that 50% of the exports can be made from imported machinery and the balance can be covered from the old machinery as well as other group companies. Are the parameters applicable to the present schemes?

Reply: The parameters are applicable to all EPCG schemes and nothing has changed.

Query: Verification of documents for availing a scheme takes nearly 6 months for exports from LCS. DGFT perhaps may take up with Customs for sorting out these issues.

Reply: It is requested that FIEO take up with exporters whose documents take such a long time to be verified and a specific report may be submitted to the ZJDGFT office in Kolkata for further discussion with Customs during its periodical meetings with the Chief Commissioner.

The meeting concluded with a vote of thanks delivered by Mr Prakash Thakker, Managing Committee Member. ■

Further cut in interest rates needed to boost sagging exports: FIEO Chief

Mr M. Rafeeqe Ahmed, President, FIEO, while commenting on the status quo on policy rates stated 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 Rs 30,000 crore, 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 FIEO Chief stated that policy rates were increased 225 basis points in 2011 and a cut of 50 basis points has already taken place in 2012.

An IMF study shows that 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, given the poor IIP performance/fall in GDP to a 10 year low, and exports on the downtrend in the last three months.

Global factors, manufacturing slowdown contributed to exports decline: FIEO

Reacting to the trade data for May 2012, Mr M. Rafeeqe Ahmed, President, FIEO, said the decline in exports is on account of the global trade slowdown and deceleration in domestic manufacturing. Mr Ahmed observed that 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 pharmaceuticals, 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.

The FIEO Chief, however, expressed his satisfaction with the little moderation in imports, particularly on account of over 50% decline in gold and silver and over 20% in electronics. Mr Ahmed said 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.

ATTN: MEMBERS

FIEO has opened two Chapter Offices at Jaipur (Rajasthan) and Kochi (Kerala). The addresses and telephone numbers are as under for the benefit of member-exporters.

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