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FROM THE PRESIDENT'S DESK ▶▶▶



My Dear fellow Exporters,

First of all let me wish all members of our Federation con-
tinued successes in all their productive endeavours.

This year's Union Budget was released in the midst of a re-
cession and in the backdrop of an overall shrinking of
global trade for the first time since World War II. Still, the
Indian economy fared creditably. In this context, I compli-
ment Finance Minister Pranab Mukherjee for his attempt to
bring down the fiscal deficit from 6.9% to 5.5% in 2010-
11. While I appreciate the Finance Minister's earnest at-

tempt to introduce GST from 1 April 2011, I feel that the Government should have
come with a clear roadmap to force the issue and moved towards a mean rate of tax.
I hope that before introducing the Direct Tax Code from FY 2011, the concern of ex-
porters, particularly SEZ units, would be addressed by the Government.

I thank the Government for extending 2% interest subvention for exports for one
more year, but the exclusion of textiles, leather, marine and gems and jewellery will
add to the woes of these sectors as some are still showing decline while other exhib-
ited growth on a very low base. These sectors are highly employment oriented.
Therefore, I immediately wrote to FM and CIM, after Budget announcement, to ex-
tend the benefit of subvention to these sectors as well.

Non-extension of sunset clause to software technology parks and EOUs will put pres-
sure on such units, which are already facing fierce competition from low cost
economies besides struggling to manage exchange rates. We are hopeful that our
Commerce Minister will take up their cause as these units require a helping hand at
this point of time.

Government has increased the excise duty on most of our inputs by 2% and there has
been hike in the prices of petroleum products. We have already flagged the issue of
increase in Drawback rates to factor these changes. I will request my exporters col-
leagues and particularly the Chairman of the Council to collect the updated data to
justify increase in Drawback rates.

I thank the Finance and Textile Ministers for allocation of Rs 200 crore to the Tirupur
knitwear export cluster for setting up a zero discharge project to meet environment
concerns. Training of 30 lakh workers will address the capacity building concern of the
textile sector.

The decision of the Reserve Bank of India to lower foreign currency export credit rate
from LIBOR +350 basis points to LIBOR+ 200 basis points is welcome one but I hope
the same will be reduced further to LIBOR + 100 basis points shortly as existed prior
to liquidity crisis.

While we appreciate the concern of Prime Minister's Economic Advisory Council that
corrective measures to adjust expenditure are needed but the Government needs to
balance them out so that growth is not impacted. Stimulus for the export sector
needs to be continued since positive growth in exports in the last three months is
largely due to low-base effect, and importantly our sectors are labour-intensive.

The traditional export sectors will continue to be under pressure due to moderate
growth in the leading economies. Measures aimed at diversifying the export base in
the form of export promotional schemes and interest subvention schemes should,
therefore, continue till the global economy fully recovers from the slowdown. Despite
moderate growth in world trade, I am confident that India would be able to achieve
over 20% exports growth in 2010-11, which would enable GDP to grow at over 8%.

A. Sakthivel
PRESIDENT