

Exports Take a Hit

Exports shortfall: FIEO, DGFT look at Causes

Amidst the global recession India is set to miss the export target of \$185 billion for the last fiscal 2009-10. In order to introspect on the shortcomings and boost exports in the current fiscal, FIEO President A. Sakthivel, along with his think tank, met the DGFT in New Delhi.

Research and development activities, which have been on the backseat of Indian companies, need to be encouraged, said Mr Sakthivel. He urged the DGFT to include appropriate schemes in the revised Foreign Trade Policy to focus and encourage R&D in the export sector. He said R&D is very resource intensive and definitely needed tremendous government support for the already ailing export sector to really take on. According to him, such government support for R&D will be WTO compliant.

Other areas which needed to be looked into, in order to add competitiveness to the export industry, were technology upgradation, product improvement and skill development, Mr Sakthivel said.

He further added that gathering export intelligence, timely assessment of export performance by the Government and prompt action implementing comprehensive measures to face the challenging moments alongside the exporting companies were the need of the hour. The FIEO chief said in the last fiscal exports were expected to touch at most \$165 billion. In order to achieve the target of \$200 billion, set for the current fiscal 2010-11, it would mean an increased export growth of over 20%.

At the meeting with the DGFT, Mr Sakthivel discussed the issue of rupee appreciation, a major cause of concern for exporters, which has already inflicted heavy losses. The rupee has appreciated substantially in the recent past causing losses to exporters. The

US\$ was trading at Rs 50.35 on 1 April 2009 and slipped to Rs 44.30 on 21 April 2010, an appreciation of 12% in the last fiscal. Looking at the massive inflow of foreign institutional investment, increase in overseas remittance and investment through the FDI route, appreciation seems to be a foregone conclusion in the current year as well.

Mr Sakthivel advocated the need for state based export policies as local support for the growth of SME and Export Oriented Units as also from the Central Government was very important. Exports have to be recognized as a national priority by all agencies of the Government of India, State Governments and the private sector. While many States have adopted an exports friendly policy, a large number of them still consider exports a drain on their revenue. Since all factors of production are within the purview of the State Governments, they have to be involved in export efforts. A meeting of the Inter State Council may be arranged for impressing on them the important role they have to play in this regard.

In order to hold on to the agri-exports market and also to boost agri-exports from the country, the FIEO President suggested the DGFT have long and medium-term agri policies. Commodity items like rice, wheat, sugar, etc are losing substantial ex-

port markets because of adverse policies. Sudden switching on and off export of agri commodities have harmed India's exports.

Shri Sakthivel urged the DGFT to make provisions for reimbursement of fuel cost to the exporters, which add to the competitiveness of Indian exports, under all duty remission/exemption schemes to all manufacturing units having their captive power plants or using own generating sets.

Also, the cost of industrial power in India is more than three times the international average. Therefore, there is a need to reimburse the fuel cost under all duty remission/exemption schemes to all manufacturing units having their captive power plants or are using own generating sets.

The traditional export sectors should look for product development, skills development and upgradation of technology to survive in today's price competitive market. The Government should consider framing a scheme to provide R&D support to the industry which will be WTO compliant and add to the competitiveness of industry. The DGFT may consider announcing such a scheme in the revised Foreign Trade Policy to focus on R&D. It is heartening to note that 250 out of 500 Fortune 500 companies have their R&D establishments in India.

Despite the operational flexibility allowed in service tax procedures, exporters are still finding it difficult to claim service tax refunds on output services. Therefore, exemption from service tax, hitherto given to two services, needs to be extended to all other services used during the course of exports. If exemption is not possible, there is the option of refund.

According to Mr Sakthivel, the

Contd. on Page 23

ATTENTION

BASMATI RICE EXPORTERS!

Government of Mexico has now allowed import of Basmati Rice into Mexico w.e.f. January 21, 2010

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time has now come to introduce "zero" duty EPCG Scheme to all sectors to boost production and exports of manufactured goods. If the domestic capital goods industry can provide such capital goods at competitive rates, none of the EPCG license holders will go for direct imports.

Mr Sakthivel said there is need to reward all status holders in their export efforts, as presently they have been provided little benefit for their contribution to India's exports and employment opportunity. The SHIS scheme needs to be extended to units claiming TUF benefits. Moreover, the benefit may be increased to 5% from the present level of 1% with transferability facility so that the benefit may also be availed by merchant exporters.

The MDA Scheme needs to be modified so that its benefit is extended to all exporters without any threshold limit. Finally, the FIEO chief called for a complete EDI environment in the current fiscal which he felt would add to competitiveness of India's exports by 2-3% both in terms of cost and time. This, coupled with procedural simplification and timely response to the demands of the industry on procedural fronts, can reduce the transaction cost itself by 3-4%. ■