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Govt to boost export credit

Nayanima Basu, Business Standard

New Delhi, August 9, 2012: The government is mulling a greater flow of credit for exporters by allowing banks with significant presence abroad, and foreign currency deposits available, to arrange for borrowings abroad or to seek lines of credit from foreign banks.

The decision was recently taken by the department of financial services under the finance ministry. Merchandise exports have slipped again into the negative territory, with a fall in demand from traditional markets. In the first quarter of 2012-13, exports fell 1.7 per cent to $75.2 billion, compared with $76.5 billion during the same period last year. Exporters say an important reason for the stall in growth is a gradual decline in export credit as a percentage of net bank credit and also as a percentage of exports.

"The government is now looking at various measures for extending easy loans to the exporting community. We are looking at a liberalised regime of export credit in foreign currency. There is going to be greater synergy within banks, so that exports do not get adversely affected," Anup K Pujari, director general of foreign trade, told Business Standard.

While the compounded annual growth rate (CAGR) of export credit during 2001-11 was 13.45 per cent, export growth in these 10 years had been at a CAGR of 19.11 per cent. Export credit as a percentage of total exports fell from 19.8 per cent in 2008 to 13.4 per cent in 2011, according to Reserve Bank data.

As a short-term measure, the government has also planned to make finance available in foreign exchange by banks to exporters through other smaller banks that do not have forex liquidity available. Such extra lending by bigger banks to smaller ones would not exceed a mark-up of 10 basis points. It has also been decided that in case of packing credit, the exporter would not be forced to take cover unless it is for an export credit in one convertible currency, for which the export order will be duly invoiced in another convertible currency. Besides short-term credit, the government has also planned to direct banks to provide term loans for modernisation and equipment financing, setting up of units for exports and for project exports.

"The declining trend of export credit, both as a percentage of net bank credit, as well as a percentage of exports, is one of the biggest handicaps for tiny and small units, which are not given timely credit to meet their export requirement," said Rafeeque Ahmad, president, Federation of Indian Export Organisations.

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Exporters likely to get another round of sops

Amiti Sen, Economic Times

New Delhi, 13 August, 2012: Exporters could get another round of sops to help them retain their foothold in the rapidly shrinking global market, especially in the crisis-ridden Eurozone.

The commerce department is reviewing the situation at various export centres across the country and is likely to take a call on a supplementary package of sops soon, a government official told ET.

"There is a surplus left from the allocation that was made for product and market-linked incentive schemes that were announced in the annual supplement to the foreign trade policy in June," the official added. "The commerce department is waiting for the right time to announce additional incentives."

Exports powerhouse China reported only 1% increase in shipments in July, as sales to the European Union contracted sharply, suggesting even more stress for Indian traders.

Exporters industry body, Federation of Indian Export Organisations (FIEO), said it has sent a list of products that might need additional support to the government.

"Consultations for facilitating smooth trade have already been held between top government officials and exporters at various centres, including Delhi, Kolkata, Bangalore, Ahmedabad, Mumbai and Hyderabad. We have given a list of products that are not doing very well and may need some extra help," Ajay Sahai, director general, FIEO.

India's exports dropped for second month running in June, declining 5.45% from a year ago, mainly due to the continuing financial turmoil in the EU and looming uncertainty in the US.

The decline in exports in May was 4.16%. And things appear grim. The WTO has estimated growth in global demand to decelerate to 3.7% in 2012, which is lower than last year's slow growth of 5%. World trade grew at 13.8% in 2010.

The WTO attributed the slowdown to the global economy losing momentum due to a number of shocks, including the European sovereign debt crisis.

"Buyers in Europe are careful. They prefer holding on to their money. So, they are giving their orders very slowly," said S P Agarwal, an exporter of handicrafts to European countries like Germany and France. Agarwal said the incentives by government in June did not prove to be enough as was obvious from the declining export numbers and there was need for much more.

The annual supplement to the foreign trade policy or FTP announced in June included a 2% interest discount or subvention scheme for a number of sectors like toys, sports goods, processed agricultural products and ready-made garment, apart from SMEs and the handloom sectors.

The focus product and focus market schemes, wherein the government gives cash incentives equivalent to 2% of the value of exports, were also expanded with the incorporation of 7 new markets and 100 new products.

The commerce department may expand the list of products benefiting from the scheme further in the second tranche of incentives. "There is about 500 crore of earmarked funds for focus product and focus market schemes left over from what was announced in June.

About 800 crore funds had been allocated," the official said.

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More export sectors to get cheaper credit

Amiti Sen, Economic Times

28 August 2012, New Delhi: More export sectors may soon get access to cheaper credit, with the commerce department planning to expand the list of beneficiaries under the interest subvention scheme as a measure to boost sagging exports.

"The commerce secretary has already talked to the secretary of department of financial services on extending the interest subvention scheme to more sectors," a senior commerce department official told Economic Times.

Under the scheme, re-introduced in June this year, PSBs offer loans at 2% discount to exporters of toys, sports goods, processed agricultural products, ready-made garments, handicrafts, handloom, and micro, SMEs.

"The commerce minister may also meet the finance minister to take up the issue of availability of cheap and adequate credit to exporters," the official said.

The move to extend this scheme to more sectors follows the commerce minister's meeting with export promotion councils and leading exporters earlier this month to discuss ways to stem the fall in export growth. Exports shrank 5.06% in the first four months of the current fiscal.

Leading export organisations such as FICCI, CII and FIEO say lowering interest rates can revive exports; but the Reserve Bank has, so far, refrained from doing so because of worries over inflation. With demand shrinking in the West, especially in the European Union, exporters say lower cost of credit is vital for competitiveness.

"In a situation where all exporters, irrespective of their size, are getting hit by the slowdown in the global economy, the government should not pick and choose. It has to expand coverage of the interest subvention scheme to cover all exporters," said Sanjay Budhia from the Confederation of Indian Industry. Export organisation FIEO said rate of subvention should be about 5% for it to make a substantial difference to exporters.

However, officials said it is not possible to extend the benefit to all sectors or increase the subvention significantly. "We cannot make a demand that all exporters should be given subvention as the financial implications would be huge," the official quoted earlier said.

While it is not difficult to get banks to implement the interest subvention scheme, making a larger quantum of credit available to exporters is a bigger problem, the official added.

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Grading system for foreign importers soon

Asit Ranjan Mishra, Mint

29 August 2012, New Delhi: The Export Credit Guarantee Corporation (ECGC) is developing a grading system to rate foreign importers based on their payment track record in a move aimed to help protect exporters taking a calculated risk while shipping goods overseas.

ECGC is a government-owned enterprise that provides export credit insurance facilities to exporters and banks in India to deal with payment defaults by foreign importers. "We have involved 14 agencies to rate around 90,000 active buyers around the world based on their financial strength and repayment history," N. Shankar, chairman and managing director of ECGC, said at a meeting organized by industry lobby Confederation of Indian Industry.

Under the programme known as the modified scorecard system, ECGC will provide information free to all exporters purchasing insurance cover from it. Indian exporters are increasingly facing defaults by overseas buyers even as several developed economies slow.

In 2011-12, ECGC paid a total Rs.713 crore in claim settlements to banks and exporters, out of which the direct payments to banks were around Rs.600 crore, on account of defaults by importers, Shankar added.

"This was one of the highest payments by us to the banks because of the rising non-performing assets of banks," he said.

The highest settlements were in sectors such as agricultural products, gems and jewellery, readymade garments, cotton and engineering goods.

Geographically, the highest payments were for exports to the US, UK, Germany, United Arab Emirates and Italy.

Shankar anticipates higher payments in 2011-12 because of the impact of the continuing euro zone crisis.

"It is not very high in the first five months of the financial year. But in the last six months of the year, we may have to make higher payments. To the extent that non-performing assets increase in the export credit portfolio of banks, then it will affect us," he said.

India's merchandize exports shrank 4.8% to $22.4 billion in July, contracting for the third month in a row, because of falling demand in Europe and the US. In the first four months of the fiscal beginning 1 April, India's exports have contracted 5.06% to $97.6 billion.

Commerce secretary S.R. Rao said at the meeting that it would be difficult to achieve the $360 billion export target set by his ministry for 2012-13.

He added that the government will make "significant policy announcements" in the next three to four weeks to boost exports.

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RBI says India's import cover reserves may fall further

BS Reporter, Business Standard

29 August 2012, Mumbai: Reserve Bank of India (RBI) Executive Director D K Mohanty on Tuesday said the country's import cover reserves might fall further this financial year in the absence of capital inflows. At the end of March, India's foreign currency reserves were at about seven months of import cover according to data from the central bank.

The senior central bank official said financing current account deficit was becoming a problem since capital was not flowing in for a number of reasons. "But we want to maintain our lifestyle and consumption... So, we have to dip into the reserves. We are drawing from the reserves, we built in the pre-crisis period and since then we are not adding anything, it is coming down," said Mohanty.

He pointed out the import cover had shrunk sharply from 14 months in the pre-crisis high growth phase to nine months in the post-crisis period and to seven months in 2011-12.

"In 2012-13, it could be even less...at six plus something," said Mohanty, while addressing a national seminar on emerging market economies, organised by Ramnarain Ruia College here. He added the country's external vulnerability had increased in the post-crisis years.

He said apart from monetary factors, issues like infrastructural bottlenecks and policy uncertainties were also contributing to the current domestic growth slowdown.

"You have created huge capacity for power production, but there is no electricity because coal linkage is not there. You are building roads but these are roads to nowhere because land acquisition is not happening," said Mohanty.

Speaking on how interest rates could be brought down, Mohanty said inflation needed to be controlled. He said it was important to go back to the fiscal consolidation path "to enable monetary policy to do what it is supposed to be doing".

In July, the wholesale price index inflation rose 6.8 per cent, compared to last year while retail inflation continued to be sticky at around 10 per cent in the same period. He said agricultural production and productivity had to be increased in order to improve supply side response.

He said India might become an upper-middle-income country by 2025, assuming that the high growth momentum was regained and the exchange rate behaves with the inflation differential.

Citing inflationary risks and government inaction, the central bank had kept policy rates unchanged for two consecutive policy reviews after cutting them by 50 basis points in the annual monetary and credit policy in April. RBI is scheduled to announce mid-quarter policy review on September 17.

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Make 51% exports from SEZs compulsory: FinMin

Asit Ranjan Mishra, Mint

New Delhi, August 30, 2012: The finance ministry has proposed that companies located in special economic zones (SEZs) mandatorily export at least 51% of their production of goods and services. Since SEZs enjoy "considerable tax benefits", they must be "export-oriented to further economic growth", the finance ministry said before the public accounts committee (PAC), headed by Bharatiya Janata Party leader Murli Manohar Joshi, which has also supported the view. The existing rules, which only require SEZ companies to have a positive net foreign exchange earnings over a period of five years, are insufficient and have diluted the primary objective of the SEZ Act.

"There is no mandatory requirement of undertaking exports in the SEZ legislation. For example, a unit which does not import any raw material or capital goods will be under no obligation to export," according to the finance ministry.

The PAC report on action taken by the commerce and finance ministries on observations made in its 24 February 2011 report on SEZs was presented in the Parliament on Thursday.

The committee had in an earlier report observed that out of overall exports of Rs. 7,149.23 crore made by 22 SEZ units, actual exports to countries outside India was only Rs. 1,999.27 crore, or 28%, and the remaining 72% were related to earnings domestic tariff area (DTA), or area within India. The committee had recommended restricting sale of goods by SEZs in domestic tariff area by an appropriate scale for the purpose of calculating net foreign exchange earnings in order to reduce the misuse of the scheme. Vikram Bapat, executive director at PricewaterhouseCoopers, India, said it is difficult to fathom the unnecessary focus on exports from SEZ units. "SEZ policy is not an export-oriented policy, it is an infrastructure augmenting policy," he said.

In its submission before the PAC, the finance ministry said the value of inputs and services provided to SEZs from the domestic tariff area against export obligations under export promotion schemes be also considered as imports into SEZs.

The commerce ministry opposed the view, saying such a change will result in SEZ units importing goods from outside India.

Since DTA units are eligible to import goods for the purpose of exports from outside India, sourcing supplies from within India will save foreign exchange outgo, the commerce ministry said.

The commerce ministry also contested the finance ministry's argument that SEZ units are put at a substantial advantage over their DTA counterparts, saying that SEZ units do not enjoy many schemes meant for DTA units such as Export Promotion Capital Goods and Duty Entitlement Passbook scheme, among others.

The PAC, however, rejected the commerce ministry's view that the present mechanism is sufficient for monitoring the proper implementation of the SEZ policy.

It said that the government needs to establish an effective and reliable oversight mechanism for monitoring net foreign exchange earnings achievements for prompt recovery of duty foregone and also to provide deterrent penal provision for wilful default. At present, the SEZ scheme relies mainly on self-certification of the SEZ units for net foreign exchange earnings.

So far, 589 formal approvals have been granted for setting up of SEZs, out of which 389 have been notified, according to the commerce ministry. As on 31 March, more than Rs. 2,01,874.76 crore has been invested in the SEZs directly employing 844,916 people.

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Centre readies plan to revive exports, says secy

Sidhartha, Times of India

New Delhi, September 12, 2012: The government is asking exporters to fill the gap created by the exit of Chinese players from the lower-end of the manufacturing space, while readying measures, including an end to the "stop-and-go" policy on export of value-added farm commodities and minerals and a more flexible regime for special economic zones to reverse the trend of falling shipments from the country.

"We are telling exporters to look at areas that China is vacating at the lower-end of the manufacturing chain and move in there. Industry needs to quickly move into these areas, which may also includes chemicals," commerce secretary S R Rao told TOI.

At the same time he indicated that the government was gearing up for competition from China, especially in theAsean region, to capture a bigger share of the construction and project exports pie and may offer lines of credit to push the cause of the local industry. Asean and China, along with Africa and Latin America, have been identified as key focus areas for development of new markets and reduce the reliance on traditional areas such as Europe and the US, which are in a prolonged period of economic downturn.

Rao identified pharmaceuticals, auto, leather gems and jewellery and agriculture as "clear winners" and said the government would look to boost exports by positioning them in a more attractive manner. He also indicated that engineering goods and project exports could be among sectors that are in line to get cheaper credit on the lines of textiles and handicrafts, which are getting 2% interest subsidy.

"Interest rate is a matter of concern and the regulator has taken the right call in view of the persistent inflation, which has come down significantly. It is important that we lift investor mood and reduce the cost of credit. My minister (Anand Sharma) has taken up the issue of interest subsidy with the finance minister," the soft-spoken officer said. Acknowledging that it was a bad time for trade, the secretary said he expected the situation to improve towards the end of next month. "If that does not happen, then we are in for a major worry on current account deficit. There is no other option but to boost exports. I still wish that the growth is 20% but that seems to be a very uphill task."

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CII's ideas on export boosting

T N C Rajagopalan, Business Standard

September 10, 2012: The Confederation of Indian Industry (CII), in its latest 'CII Policy Watch' edition, has taken a closer look at export performance and the initiatives needed to reverse the declining trend. It is difficult to see something new in these suggestions but they are still worth saying. Also, as usual, quite a few of the suggestions relate to infrastructure and fiscal measures, beyond the commerce ministry's purview.

CII gives interesting figures to celebrate diversification of our export markets. About 22.6 per cent of our exports go to West Asia and Northern Africa (Wana) and 16.8 per cent to Northeast Asia. Those to North America (10.7 per cent) and the European Union together account for less than 30 per cent.

CII advocates stronger focus to realise full potential for exports to the Saarc (2.85 per cent) and Asean (10.9 per cent) regions. Exports to the rest of Africa and Latin America account for an impressive 11.5 per cent, says CII. Although something seems amiss in these figures (as the same report shows exports to the US at 11.9 per cent and to North America at a lower 10.7 per cent), broadly CII seems to have got it right.

It quotes many luminaries on what needs to be done. Past president Sunil Kant Munjal, of the Hero Group, seems more pointed in calling for focus on raising product and project exports to markets with a socio-economic profile similar to India's and on moving up the value chain.

The stress on value addition seems timely, with export of petroleum products and gems & jewellery accounting for more than a third of our exports, making Gujarat (24.6 per cent) the top exporting state. Creating a fiscal and regulatory policy environment conducive for export, facilitating this by reducing transaction costs and creating an industry-government strategy to penetrate global markets are priorities CII advocates. Sanjay Budhia, chairman of the its committee on exports, sees poor port infrastructure as the prime impediment. He wants an industry-friendly regulatory regime, overhauling of regulations on documentation, land acquisition, environmental clearance and taxation. To revive the Special Economic Zone scheme, he champions for benefits of Chapter 3 of the Foreign Trade Policy, abolition of Minimum Alternate Tax, a full income tax holiday over 10 years for units in operation and simpler procedures for procurement from Domestic Tariff Areas.

CII never tires of preaching to the government the virtues of cutting subsidies. However, for exports it wants an interest subsidy, freight subsidy, market development fund, special assistance to improve innovation, fiscal benefits for investment in new and more efficient plant and technology to reduce costs and to improve the quality. It also wants a stable export policy for farm produce, simpler laws and easier availability of finance and so on.

CII is silent on how states can do more to leverage the export opportunities. Maharashtra and Gujarat together contribute to 46 per cent of exports. With Tamil Nadu (9.3 per cent), Karnataka (5.4 per cent) and Andhra Pradesh (five per cent) together contributing another 19.7 per cent, all the other states contribute to less than a third of the total. CII is also careful not to talk of costs and delays that exporters incur in dealing with government officials in seeing their consignments through or getting their incentives, and ways to avoid these. True to its tradition, CII refrains from saying anything that might annoy the bureaucracy.

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Grab the $100-bn export prize

Arun Bruce, Business Standard

19 October 2012: India has always been a competitive location for manufacturing — labour is cheap, engineering skills sufficiently available, power, where available, is reasonably priced, and manufacturing is of acceptable quality. And, this advantage has gotten even better over the last three years. Consider these facts:

- About 45 per cent of all Deming Awards – the Oscars for quality systems – awarded since 2000, have gone to Indian companies, 26 per cent to Japanese companies, 21 per cent to Thai and only two per cent to Chinese companies.

- At 16 per cent year-on-year growth, Chinese wages have inflated at twice the rate as Indian wages since 2008. Our average labour cost at $1.5 an hour for 2011 is much lower than China's $2.5 an hour.

- The Indian rupee has become cheaper by 15 per cent relative to the Chinese yuan over the last three years, amplifying the labour cost shift.

Put in simple terms, an average Indian product, which was already competitive three years ago, is now about 20 per cent cheaper on a relative basis against a Chinese product — a serious fact for any developed market purchaser to note.

While this increased competitiveness somewhat helped our exports grow till last year (India's share of manufactures in global trade was 1.6 per cent for 2011 as against one per cent in 2007), this year has seen us slipping behind again. Exports have de-grown for the past five months in a row, and early estimates seem to indicate that we could have lost 0.1-0.2 per cent share of global trade.

Why is this happening? There are many reasons, three of which are: a) China has continually increased its export incentives over the last few years to compensate for loss of competitiveness. For example, in door locks, its export VAT (value added tax) rebate has nearly doubled (from five to nine per cent). b) China is aggressively implementing counter-measures to compensate for wage inflation in the east. Its "Go-West" policy has been successful in parts in convincing companies to relocate to its interior. c) Most importantly, Indian infrastructural bottlenecks have intensified. For example, the low cost of power means nothing to an SME (small and medium enterprise) owner who runs his diesel genset for 16 hours a day.

This slippage in global position could not have come at a worse time. The World Trade Organisation predicts that global merchandise trade will continue to grow this year (albeit at 2.5 per cent) before bouncing back to the five-per cent range next year. Gaining 0.2 per cent share per year (we gained 0.3 per cent in our best years 2009 and 2011), could see us grow our manufactured exports by $100 billion over the next three years. Now, that is too big a prize to ignore, especially when China's competitiveness is expected to continually decline.

What needs to be done to capture this $100-billion prize? Four things:

First, implement the National Manufacturing Policy in letter and spirit. Speed up approval, construction and launch of national investment manufacturing zones (NIMZs), and ensure they deliver what they were envisioned to — quality infrastructure, talent availability and labour flexibility. While nine NIMZs have been "approved", there is a need for many more. Land availability among others, will continue to be a major challenge for NIMZs.

Second, address infrastructure issues, especially power shortage. It is unfair to expect the manufacturing economy to grow when the core ingredient – power – is unavailable. India needs to add more than 25-Gw generation capacity every year for 20 years to sustain its competitiveness. This should not be as tough as it is made out to be, given that India has over 150 years of coal reserves and surplus local manufacturing capacity for all key power equipment — including boilers.

Third, look for new sectors to grow in and drive a mission-mode approach to building competence in them. Textiles and clothing will only get us so far. And here, there is a clear need to think big and long term. Consider aerospace. Civil aircrafts alone contributed to $75 billion of US exports last year. Why can India not aspire to become a credible player in aerospace components or even in fully built aircraft?

Fourth, think intra-Asia, think Africa. Intra-Asia trade accounts for half of all exports from Asia, and is growing rapidly. Several Asian countries are growing steadily in consumption — Indonesia for one. Similarly, exports to Africa will grow at double-digit figures for the next decade. In both these economies, acceptance of India-made products is low. The government and the private sector need to work closely to build brand India and establish a cost-effective supply chain to these countries.

The stakes are high for us to get our act in exports together. Fail now, and we could see China surging again, or other countries such as Thailand beating us in the race to becoming an export powerhouse. The question as always is – will we do enough to seize this opportunity, or squander it again?

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India fails to reap potential of FTAs

Kiritika Suneja, Financial Express

2 November 2012, New Delhi: Thanks to complex procedures and compliance along with the global slowdown woes, India is yet to realise the full potential of the free-trade agreements (FTAs) it signed in the last three years.

More than 20% of the trade with FTA partners still happens through the general or most-favoured nation (MFN) route instead of FTA route. Of course, since 2011, bilateral trade with Asean has increased by 43% to reach $79.8 billion, making India the sixth largest trading partner of Asean. But trade experts reckon that the potential for growth is even greater. According to Bipul Chatterjee, deputy executive director at CUTS International, despite the FTA (signed in 2009), India has been unable to fully realise the trade potential with Asean while competitors like China have made major headway. “These bilateral agreements have a geopolitical significance which delays the economic gains expected from them. The general economic conditions have also slowed down trade with our FTA partner countries,” says Chatterjee.

In case of Korea, the India - South Korea Comprehensive Economic Partnership Agreement (CEPA) was signed in 2009 but India's imports from and exports to the country sharply declined in 2011-12 vis-a-vis 2010-11. On the other hand, post the 2011 bilateral pact with Japan, India's imports from Japan increase at a faster rate than exports from India to that country.

Interestingly, despite the various bilateral trade agreements, experts opine that most of the trade still happens through the general route though there is no official data on the FTA and non FTA trade. “There is a trade lacuna because of a lack of clarity in preferential and non-preferential rules of origin sometimes which increases the cost of compliance to exporters who then prefer to send their goods via the normal route,” explained Manab Majumdar, Assistant Secretary General, FICCI.

Rules of origin refer to the criteria needed to determine the source of a product and are relevant because duties and restrictions in several cases depend upon the source of imports.

Besides, a small duty differential in the FTA and normal trade also discourages traders from taking the former route as it increases business cost. According to Head, Centre for WTO Studies, Indian Institute of Foreign Trade: "In many FTAs, we end up giving more market access to the partner countries and hence, the advantage is much less for us. This is the reason why the imports from our partner countries are increasing faster than our exports to them.”

Chatterjee added that the present customs procedures are not well equipped for a multiple tariff regime and ports too have to develop additional capacity to bridge that gap.

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Govt assures full support to industry on dispute resolutions

PTI

24 November 2012, New Delhi: Assuring full government support in the process of resolving disputes, the Commerce Ministry today asked industry body CII to provide a list of all cases of dispute on export contracts between India and any other country.

Joint Secretary in the Ministry of Commerce and Industry J K Daddo suggested that if WTO Dispute Resolution Mechanism is followed, disputes can be settled amicably, CII said in a statement.

"Dadoo asked CII to provide them with a list of all cases of dispute on export contracts between India and any other country and assured full support by his ministry to the Indian companies in the process of resolving disputes," it said.

The official said the ministry is also working on strengthening the dispute resolution framework of the anti-dumping disputes.

Dadoo was speaking at CII's summit on Salvaging Dispute Resolution.

The chamber said with increasing number of Indian industry engaged in global businesses and commercial transactions, alternate dispute resolution is emerging as the popular mode of resolving commercial disputes.

Lalit Bhasin, Chairman, CII Task Force on dispute resolution said courts are flooded with public interest litigations which is making it difficult for ordinary litigants and commercial entities with genuine disputes to access the courts of law.

Bhasin said delays in judgement to litigations, particularly in commercial context are hindering the growth of the economy.

He also said looking at the rising costs of arbitration, "we have to encourage and promote mediation and conciliation methods".

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India to push exports via trade diplomacy

Amiti Sen, Economic Times

13 September, 2012, New Delhi: The government plans to step up trade diplomacy to push exports, a senior official told ET, adding that Commerce Secretary SR Rao will brief Indian heads of missions accordingly when they arrive in Delhi later this week. Prime Minister Manmohan Singh has called a meeting of heads of India's missions across the globe from September 14-16 and September 16 to discuss how the country is to be projected to the world.

"We have to sell the India story abroad to retain our chunk in the shrinking world trade in goods. The strategy has to be different for different countries," said the official, who requested not to be named.

India's exports dropped by 5.06% to $ 97.6 billion in the first four months of the current fiscal largely because of the dip in demand from the crisis-ridden European Union and the US, which is yet to recover from the economic downturn. The agenda for the prime minister's meeting is still being finalised, an MEA spokesperson said. However, the official quoted earlier, said the commerce and industry ministry has decided to use the opportunity to push the country's trade agenda.

Ambassadors from Latin American countries, such as Brazil, Chile, Argentina, Paraguay and Uruguay, are likely to be engaged by Rao since the commerce department has identified these nations as potential markets for diversifying India's trade.

Similarly, ambassadors of African countries such as South Africa, Angola, Ghana, Uganda, Mauritius, Nigeria, Tunisia and Zimbabwe, are likely to get to discuss their strategies to promote Indian goods in their respective countries.

The commerce department is already in touch with a number of foreign missions to sort out specific issues.

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Government to roll out another export package soon

Amiti Sen, Economic Times

September 28, 2012, New Delhi: The government will soon announce another package to encourage exports, which have dipped sharply this fiscal due to shrinking demand from the Western countries, a major market for Indian goods.

An announcement to this effect is expected anytime after September 30, when the commerce department wraps up its assessment of the performance of various export sectors.

"Something would be announced definitely. But it will be limited by budget constraints," commerce and industry minister Anand Sharma told ET. The minister had announced aRs 1,600-crore package for exporters in June, the effect of which is expected to kick in by October.

A commerce department official said the new package would focus on items that have recorded the sharpest fall in exports over the past few months, such as engineering products and textiles. "Sops are also on the cards for promoting exports to advanced economies where India's share is less than 1 per cent of total imports," the official added.

Exports fell 5.9 per cent year-on-year in the first five months of the fiscal due to continued uncertainty in the US and the EU, which together account for more than a fourth of the country's exports. Sharma also said that efforts were on to extend discounted credit to more products.

"We have already expanded the list of products under the interest subvention scheme in June. I am trying to get a few more products added."

In June, the subvention scheme was extended mostly to labour-intensive products. According to the official quoted earlier, the department is now trying to include some large-scale industries, such as gems and jewellery, auto components, leather and pharmaceuticals.

The overall size of the package is expected to be paler than the previous one. "This time round, the incentives could be on incremental exports, over and above what the exporters did last year," said Ajay Sahai, Director-General of the Federation of Indian Export Organisations.

Growth in global trade has been sluggish due to the uncertainty in the global markets. The World Trade Organisation recently lowered it world trade growth estimate for this year to 2.5 per cent, from 3.7 per cent made in April, citing the Eurozone crisis as reason.

"Global markets are doing badly. Orders are not coming from the EU as importers are scared and don't know what the future holds. The US, too, has not revived," said Delhi Exporters Association president SP Agarwal.

Agarwal said an incentive package may not be enough to boost exports and that the government needed to reduce input costs by doing away with input taxes.

"We have to pay both service tax and VAT, which adds substantially to our costs and makes us incompetitive in the international market," he said, adding, "Our plea for exemption is being continuously ignored by the government."

India is targeting $360 billion in exports this fiscal, up nearly 20 per cent from the $306 billion achieved in the previous year.

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India needs to focus on developing new export markets: Pranab Mukherjee

Economic Times

5 October, 2012, New Delhi: Expressing confidence in the prospects of the economy, President Pranab Mukherjee today underlined the need to diversify exports to developing countries to achieve high growth.

India's high economic growth (during 2003-04 to 2007-08) was supported by diversification in export markets to Asia and Africa.

Addressing a FIEO award function, Mukherjee said: "I am confident about the prospects of Indian economy, which continues to be one of the fast growing economies of the world, and also that our export sector will be a part of this growth story."

"...notwithstanding its growing resilience the experience in more recent months suggests that as India's globalisation deepens, it too cannot escape from the impact of developments abroad," he added

The unfolding of Euro-zone crisis has impacted the economy through lower growth, falling business sentiments, declining capital inflows and exchange rate, stock market volatility and attendant implications for investor confidence, he said.

The slowdown in external demand has led to significant deceleration in the growth of exports, with the outward shipments showing a negative growth since May 2012.

"Even as one awaits the recovery of demand in the developed economies, India needs to maintain the focus of its trade policy on developing new export markets in the emerging and the developing countries...," Mukherjee added.

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Exim Bank to promote exports of products, services from creative industry

Vinay Kamath and R. Ravikumar, Business Line

Chennai, October 8, 2012: Exim Bank has been striving to promote exports of products and services from the creative industry, through capacity building and skill development.

Elaborating on its efforts, the bank's Chairman and Managing Director T.C.A. Ranganathan said the key role of Exim is to identify areas with export potential.

He spoke to *Business Line* on the sidelines of the World Crafts Council Summit 2012, Kaivalam. The bank has sponsored the craft film contest to be screened during the event.

One such segment that the bank identified is the creative industry, which comprises areas such as the visual arts, craft, publishing, audio visual, design and new media. According to him, the size of the global trade in creative goods and services was over $380 billion in 2010. And, it is growing at an average annual rate of 8.3 per cent.

India's export basket of arts and crafts includes carpets, paintings, yarn, celebration items, glassware and paperware.

He said India is the eighth largest exporter of creative goods in the world. However, at $13.8 billion, it accounts for only 3.6 per cent, as against China's ($97.8 billion) or 25.5 per cent. It is very marginal and hence efforts need to be made to increase share.

Exim Bank, he said, steps in to create an enabling environment for rural micro enterprises to explore newer geographies. It conducts workshops for craftsmen and artisans to improve their creativity, fund them to increase capacity and help them identify the buyer market.

As the industry is a highly labour-intensive, cottage-based industry and is not structured, the bank has identified various NGOs and works with them. "These workshops, besides giving ideas to be more innovative, helps cross-fertilisation of ideas," he elaborated.

Ranganathan says lack of awareness and training on various issues and craftsmen's inability to extract premium prices for these products on the USP of being 'hand crafted' is a major drawback.

For example, he said packaging skills need to be improved. Citing how Japanese or Korean products are sold at least 10 times higher prices than comparable Indian handicraft products just with their superior packaging, he said good packaging will make the product more presentable.

"We work with a number of NGOs in the pursuit of enhancing artistic excellence and income. We try to marry them with people from the design and packaging industry to make their products more exportable," he said.

For example, he said the bank extended its support to URAVU in the Waynad district of Kerala, which promotes enterprises based on value addition of local and natural resources, especially bamboo. Exim Bank has also facilitated a West Bengal-based NGO for upgrading and modernising its existing unit producing various types of handicrafts based on natural fibres.

It also helped an enterprise employing women from BPL families for manufacturing off-the-loom tasar silk products in Bhagalpur, Bihar.

Going forward, Ranganathan said the bank is committed to facilitate the linkage between rural grassroots enterprises and corporates with overseas buyers and agencies.

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Commerce Ministry to move Cabinet on SEZs

Special Correspondent, Hindu

26 October 2012, New Delhi: With the Finance Ministry cold-shouldering the proposals for giving incentives to special economic zones (SEZs) to revive investor interest in them, the Commerce Ministry is likely to approach the Cabinet on the issue in a last-ditch effort to revive the sagging fortunes of these SEZs.

The Finance Ministry and the Commerce Ministry officials have met a number of times on the issue but without any concrete solution emerging. "There has been no word from the Finance Ministry on the issue despite repeated reminders. Keeping in mind the importance of the issue, we are now contemplating going to the Cabinet directly. It is the Cabinet that will take a final call on the issue," a senior Commerce Ministry official said.

The issue of granting concessions to SEZs is also likely to see strong opposition from the Rural Development Ministry which is against acquisition of land for such ventures that often leads to displacement of people and tardy relief and rehabilitation process. Of late, the SEZs have lost their attraction for the investors following the decision taken by the Finance Ministry to gradually withdraw tax incentives and impose levies such as Minimum Alternate Tax (MAT). The Finance Ministry is learnt to have strongly objected to reducing the minimum area for SEZs and other proposed incentives being contemplated by the Commerce Ministry.

Exports from SEZs touched Rs.3.65 lakh crore in 2011-12 against Rs.2.20 lakh crore in 2009-10. With an investment of Rs.2.02 lakh crore, over 8.45 lakh people have been employed in these zones, according to official figures. The Commerce Ministry has proposed relaxing minimum land area requirement for different categories of SEZs, besides extending the benefits of export schemes to these units. The initial phase of the SEZ scheme, launched in 2006, saw developers lining up in big numbers for projects. But soon after imposition of Minimum Alternate Tax and Dividend Distribution Tax on SEZs in 2010-11, investors started developing cold feet as tax incentives were the major attraction for setting up these enclaves. Also, the Direct Taxes Codes, being considered by Parliament, proposes to do away with the income tax exemption given to them and instead link tax sops to investments made in them. Profit-linked benefits were the main attraction of the SEZ scheme.

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Commerce ministry likely to incentivize key export sectors

AsitRanjan Mishra, Mint

29 October 2012, New Delhi: The commerce ministry will start reviewing the performance of key export sectors on Tuesday to evaluate whether they need additional incentives to stem sagging overseas sales. India's merchandise exports have contracted 6.8% to $143.7 billion in the six months since April on waning demand from the traditional markets such as the US and Europe. Exports have been shrinking for five consecutive months.

Although the finance ministry may not be able to provide additional support for exporters given the difficult fiscal situation, the commerce ministry hopes to provide some incentives through its budget allocation of Rs.1,673crore for the fiscal to March.

"We will take the view of the finance ministry on the matter after we complete the sectoral review," a commerce ministry official said, requesting anonymity. "We will try to give some incentives to exporters within our own budget."

The review will begin on 30 October in consultation with the Federation of Indian Export Organizations (FIEO) and will continue till 29 November. This is the first such review after trade minister Anand Sharma announced a host of measures in June to boost exports.

No country can sustain its exports only on the basis of incentives, said Abhijit Das, head of Centre for World Trade Organization (WTO) studies at the Indian Institute of Foreign Trade, and such incentives should be given to neutralize the disadvantages that erode export competitiveness such as state-level input taxes.Das said WTO rules allow a country to provide export subsidies to a particular sector if the country does not have more than 3.25% share in global trade in that sector. "We have to be careful while giving export subsidies," he said, adding that India has already crossed that threshold in textiles.

India has often been criticized by developed countries for its allegedly non-transparent subsidy regime. On 23 October, in the committee on subsidies and countervailing measures, the US and Turkey urged India to start phasing out its export subsidies to its textile and clothing industry, which the WTO secretariat had found to be export competitive from 2007, a WTO notification said.

FIEO will demand expanding the interest subsidy scheme to sectors like engineering, leather, gems and jewellery and some textiles products, as these sectors have seen sharp fall in exports, director general Ajay Sahai said. Under the scheme, credit is made available to labour-intensive sectors at a discount of two percentage points. The scope of the scheme was expanded to include more sectors in June this year. Incentives could be helpful in current circumstances to boost exports, Sahai said, giving China's example. "China has been able to achieve positive exports growth over a high base," he said. "It had recently increased rebate on exports and has stopped frequent inspections which increases delay in exports." China's exports grew 9.9% to $186.35 billion in September and by 7.4% in the January-September period to $1.5 trillion.

However, Sahai said the commerce ministry's target of $360 billion exports cannot be achieved under current circumstances. "My personal view is we should be happy if we achieve $325-330 billion exports this (financial) year," he said.India's exports stood at $300 billion in 2011-12.

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Roadmap to boost exports on the cards

Sharmistha Mukherjee &SantoshTiwari, Business Standard

21 November 2012, New Delhi : With exports showing a declining trend for six months in a row and the current account deficit situation worsening, the finance ministry has agreed to consider the commerce ministry's proposals to help the country's exporters.

At a high level meeting on Thursday, the ministry will dwell on the commerce ministry's suggestions. The meeting will be attended by Revenue Secretary Sumit Bose, Economic Affairs Secretary ArvindMayaram and other senior finance ministry officials, a finance ministry official said, requesting anonymity.

At the meeting, Commerce Secretary S R Rao will outline the commerce ministry's suggestions, which have been concretised through deliberations in the last few weeks. The Directorate General of Foreign Trade (DGFT) has recently concluded a detailed review of key exports sectors is necessary to mull sops to lift outbound shipments.

Contracting global demand hit exports for the sixth consecutive month in October, which declined 1.63% to $ 23.25 billion (around Rs 1.3 lakh crore). Imports, in the meantime, went up 7.37% to $44.21 billion, widening the trade deficit to a record high of $20.96 billion. Cumulatively, in the first seven months of this year, exports declined 6.18% to $ 166.92 billion from $177.92 billion in the corresponding period last year, making it difficult for the government to achieve its exports' target of $ 360 billion in 2012-13.

Commerce minister Anand Sharma, who has already given his green signal to the proposals to be presented before the finance ministry, had earlier pressed inclusion of additional exports sectors for availing interest subvention of two% and also loans at subsidised rates for exporters.

Earlier, the finance ministry was reluctant to accept any proposal with revenue implication due to the challenges faced on the fiscal deficit front. The government's fiscal deficit for the current financial year is expected to overshoot the revised estimate of 5.3%.

Finance ministry officials said the idea was to start the discussions now and prepare a roadmap for bringing in steps in phases including those in the budget for 2013-14.

Officials in the Ministry of Commerce and Industry confirmed that the commerce secretary is set to meet the revenue secretary this week to consider some added incentives for exporters. The meeting comes at a time when senior officials in the commerce ministry have been considering a downward revision of the exports target for the current financial year, given the current global economic scenario.

"The World Trade Organisation has revised growth projections for trade in manufactured goods to 2.5% from the earlier estimate of 3.7% for 2012. We, too, may have to revise our targets given the current macroeconomic scenario," said a senior official at the ministry.

The commerce ministry is looking at extending the incentives to certain key exports sectors like engineering products, leather, gems and jewellery, which have seen outbound shipment shrinking over the last six months.

The industry has made a slew of recommendations during consultations with DGFT over the last two weeks which range from the creation of an export development fund for small and medium enterprises to demands for capping interest rates on credit for exporters at 9%.

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Incentives for exporters likely soon

Business Standard Reporter

New Delhi, 19 December 2012: The government will soon announce incentives for exporters to cushion the decline in exports due to contracting demand abroad.

Minister for Commerce and Industry Anand Sharma said: “We have had intense scrutiny, and we have looked at the sectors that are weak, also the regions in the world where the demand has contracted ... and whatever possible, given the constraint of resources, we are seriously considering (incentives). We shall take a final view very shortly.”

The minister made these comments while speaking on the sidelines of the Indo-Asean Business Fair organised by the Federation of Indian Chambers of Commerce & Industry and the Ministry of Commerce and Industry to mark the 20th year of dialogue and 10th year of summit-level talks between India and the 10-member Asean.

Outbound shipments from India contracted for the seventh straight month in November, declining by four per cent to $22.29 billion against $23.3 billion registered in the same month in the last financial year. Sharma said, “We are definitely concerned on two counts: (Firstly) Contraction of demand in some of the major markets globally, as a result of which exports have fallen. It has a direct bearing on industrial productivity. And, second, the trade account deficit; we have to do everything within our reach to push our exports and to keep the trade account deficit within manageable limits.” Additional sectors may be brought under the interest subvention scheme of two per cent for exporters, he said.

Cumulatively, between April and November this year, exports registered a fall of five per cent to $189.2 billion, while imports recorded a decline of only 1.58 per cent at $318.7 billion. Consequently, trade deficit rose to $129.5 billion, higher than the $122.6 billion reported in the same period last financial year. This may dash initial optimism of the commerce department that the trade deficit would be lower this financial year against the $185 billion in 2011-12.

Earlier, imports had contracted till August, so the trade deficit was under control. However, it has started rising, which may aggravate the current account deficit situation.

India’s current account deficit was projected to come down to 3.6 per cent of gross domestic product this financial year by the Prime Minister’s Economic Advisory Council, against 4.2 per cent last year.

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Centre announces sops to arrest drop in exports growth

Business Standard Reporter

New Delhi, 27 December 2012: The government on Wednesday announced a slew of incentives, for the second time in six months, to boost exports, which had seen their seventh straight monthly decline this financial year in November, amid dwindling overseas demand due to an economic crisis.
Among the measures announced on Wednesday were an extension of the two per cent interest subsidy on bank loans for certain sectors for an additional year till March 2014, inclusion of the sub-sectors of engineering goods as beneficiaries of the scheme and provision of incentives on incremental exports made to the US, the European Union and countries in Asia.

"With these measures, we should be able to give a push to our exports in the last quarter of this financial year. The objective is to stabilise the situation and try and move from the negative territory to positive," said Commerce and Industry Minister Anand Sharma.

Though he declined to specify an estimate of the resources being doled out by the government to implement these initiatives, the minister expressed hope that the measures would boost outbound shipments from the country and help in controlling the spiralling trade deficit. India's trade deficit has increased by nearly a-fifth to $175.5 billion (Rs 9.6 lakh crore) between January and November this year. The trade gap had stood at $146.9 billion in the corresponding period last year.

As part of the incentive package, the government has also announced the introduction of the two per cent interest subvention for exports to countries in South Asia, Africa and Myanmar. The objective of the scheme is to boost exports to these countries by providing long-term concessional credit through EXIM Bank. "This scheme will be operational immediately for a combined worth of $500 million to begin with," Sharma said.

Said Sanjay Budhia, chairman of the CII National Council on Exports and Imports: "Providing long-term concessional credit through EXIM Bank, as co-financing in infrastructure sectors for SAARC, Africa and Myanmar, will definitely increase exports to these regions. The South Asia region is fast-becoming the world's economic centre of gravity and though India's trade with South Asian countries has increased encouragingly--from $7 billion in 2005-06 to $15 billion in 2011-12-- the trade is below the potential."
The government has also decided to grant incentives on incremental exports that would be made during January-March 2013 over the base period January-March 2012. According to Rafeeque Ahmed, president of the Federation of Indian Export Organisations, the scheme for incremental growth would act as stimulus for exporters looking at the US, the EU and Asian markets as these three account for close to 80 per cent of the country's exports.

Cumulatively, between April and November, exports registered a fall of 5.95 per cent to $189 billion, while imports recorded a decline of only 1.58 per cent at $319 billion. Consequently, trade deficit rose to $129.5 billion, higher than $123 billion reported in April-November last year.

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Agenda for the coming year

T N C Rajagopalan, Business Standard

31 December 2012: The commerce minister's New Year gift for exporters includes extension of the interest subvention scheme, a scheme for promoting project exports, inclusion of more countries in the Focus Market Scheme, a scheme for rewarding incremental growth which could stimulate exports to America, the European Union and Asian markets, and an assurance to tweak the Special Economic Zone scheme by next month. This package, his ministry hopes, will help turn the negative export growth rate figure to a positive one, and help achieve at least $400 billion of export by 2013-14.

The interest subvention scheme already in place covers select labour-intensive sectors and is available till end-March. It now gets extended for another year and also covers select segments of the engineering sector. The benefit of interest subvention, to be made available through Exim Bank for project exports, is for contracts in select countries in South Asia, Myanmar and Africa. Extension of the Focus Market Scheme is for export to New Zealand, Latvia, Bulgaria, Cayman Islands and Lithuania. The details for rewarding incremental exports to select countries are awaited.

The latest set of incentives help some sections of exporters but might not help revive export growth across the board. The fact is that abolition of the Duty Entitlement Passbook (DEPB) scheme and reduction in duty drawback rates, at a time when the global trading environment was far from robust, have hit exporters hard across the board. Also, while stubborn inflation and high interest rates have pushed up costs, it is only recently that the rupee has depreciated somewhat to compensate.

Grant of more duty credit scrips and the zero-duty Export Promotion Capital Goods scheme have not adequately compensated for the loss of DEPB, the adverse effects of inflation or the slowing in the global economy.

The task of reviving exports, therefore, calls for a more earnest attempt to remove the procedural and infrastructure bottlenecks. The commerce minister can try to meet more exporters in various parts and hear what they have to say about their problems. Presently, the perception is that international trade negotiations, both bilateral and multilateral, take up more time and attention of the ministry than the problems exporters face. And, that the policies help imports more than they help exports.

As a dismal year for exporters winds down, it is somewhat comforting to note that 2013 promises to be a better year. America and Europe appear to have gone through their worst days and with some luck, could see better days ahead. At home, since the advent of P Chidambaram as finance minister, the government has taken many hard decisions, despite stiff opposition, and seems more resolute. The confidence of global investors in the Indian economy has returned somewhat, as foreign institutional investor inflows in stock markets show.

The prospects of the government pushing through large infrastructure projects look better now than at the beginning or the earlier part of the year. The rupee's depreciation to around Rs 55 to a dollar should moderate imports and help exports, helping contain the ballooning current account deficit. On that somewhat promising note, let us welcome the New Year.

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India gets the wrong end of trade deals

Purna Chandra Jena, Business Standard

8 January 2013: India's trade competitiveness has declined in recent years, especially with those countries or regional entities with which it engages through preferential trade agreements (PTAs). Export and import data till September 2012 show that the country has not been able to reap optimal benefits from such arrangements. In fact, PTAs have facilitated more imports than exports for India – especially owing to low-tariff rates of partner countries – and show no signs of reduction. Given that most countries are moving towards bilateral or plurilateral agreements, India cannot afford to remain oblivious to this trend. Therefore, India needs to be more cautious in analysing its costs and benefits when signing such trade agreements in the future.

For instance, India signed comprehensive economic cooperation agreements with Japan, South Korea and Malaysia recently. Statistics reveal that the growth of Indian imports is substantially higher than its export growth. The commerce ministry's export-import databank shows that India's exports to Japan in 2011-12 increased 24 per cent over the previous year, whereas imports from Japan grew 40 per cent. Again, India's exports to South Korea grew 17 per cent in 2011-12 over the previous year, while Indian imports from South Korea increased 25 per cent in the same period. Overall, India's exports to the world grew 22 per cent in 2011-12, while imports increased substantially by 32 per cent.

The trade figure for 2011-12 essentially reveals that one unit of Indian export can buy 0.63 units of imports in value terms, which is less than the previous year's figure of 0.68 units. Interestingly, in 2003-04, India's export-to-import ratio was 0.82. Given such weak performance of India's global exports as well as exports to its PTA partners, the government should revisit these trade agreements and make a better cost-benefit analysis, so that a balanced approach can be taken while negotiating such agreements.

While signing new agreements, particularly, with developed countries, India needs to set its benefits clearly, given the existence of factors like low average tariff rate and exchange rate. For example, in the Indo-Japan comprehensive economic partnership agreement, the exchange rate and low average tariff rate of Japan have played significant damage to Indian export interest.

India and the Association of Southeast Asian Nations (Asean) jointly celebrated their 20 years of mutual association in New Delhi from December 20 to 22, and the Indo-Asean service and investment free trade agreement (FTA) talk was finalised. Both parties are expected to sign the pact in August 2013. It is a hard fought diplomatic gain and it supplements India's Look East policy. The new arrangement between India and Asean will open many avenues for India in terms of free flow of services and investment to the region, and Asean member countries will simultaneously get the benefit of the vast Indian market for investment and services. That also helps the signing of a similar bilateral deal with Thailand, which was stuck owing to the non-conclusion of the Indo-Asean service and investment FTA. It is believed that India and Thailand may sign an agreement soon to open up respective markets for professional workers. India is a labour-surplus country; and if this agreement is finalised, our professionals may earn some foreign exchange to partially balance the trade deficit — which was estimated at $129.5 billion between April and November, 2012-13.

India is facing challenges in its exports to Asean, primarily owing to vast trade complementarities in goods that exist between them. India has revealed comparative advantages and competitiveness in services like computer and information technology, and financial services and education. Hence, opening up services trade with Asean will be beneficial.

Also, in the long run, India needs to diversify its trade portfolio, which will increase its competitiveness by broadening the productive base, particularly, in the manufacturing sector that has a lot of untapped

potential. To become competitive in exporting goods to world markets, India should put all exports under a special focus market scheme. Given all the concerns, an additional institutional mechanism should be created to supplement this scheme. Dedicated research needs to be conducted to provide initial inputs to the industry for exploiting these markets. Many additional incentives, such as road shows and exhibitions, have to be undertaken in those markets in which India is facing competitive pressures from other nations. In addition, a special export task force should be created by the commerce ministry.

Also, Market Development Assistant and Market Development Initiative (MDI) schemes, which are run by the commerce ministry, should be considered business as usual. Small exporters with certain export capacity (in value terms) should be involved into the schemes. It will help them get first-hand experience by visiting foreign markets with Indian delegates. To improve exports instantly, incentives should be given to exporters under MDI or some new schemes. Adequate and timely credit should be provided to exporters on a priority basis, as and when necessary. Trade deals work best when domestic markets are adequately supported.

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New portal to give exporters information on trade pacts

Business Line (The Hindu)

New Delhi, 1 February 2013: The Commerce Department has launched a trade portal enabling exporters to access information related to various trade deals struck with countries and regions that could help them target potential markets.

The portal has an online database of preferential tariff of top 25 destinations with which India has entered into regional or bilateral agreements or variants of them. It also provides the normal tariffs existing in these countries so that the exporters know the margin of preference and the advantage they would enjoy in each market.

There is special focus on information related to the South Asian and South East Asian countries, an official release said.

"One big criticism of the trade pacts the country has signed over the last decade is that most exporters do not have enough information to take advantage of these," a Commerce Department official told *Business Line*.

With the launch of the portal, we hope to address the concern to a large extent, the official added. The portal was launched by Commerce Secretary S.R. Rao.

Information on various technical details including the Rules Of Origin that define the minimum value addition required for a product to qualify as one originating in the exporting country, quality norms prescribed under Sanitary and Phytosanitary Measures and Technical Barriers to Trade or technical requirements of various products in different countries is also provided in the portal.

It provides a search criteria based on HS Code and/or product names, the release added.

Rao said the Government will try to expand the contents of the portal by including other trading partners and the task of maintenance will be on the Indian Institute of Foreign Trade and the Department of Commerce.

India has signed trade agreements with a host of countries and regions that includes the Asean, Singapore, Malaysia, Japan, South Korea, Sri Lanka, a number of Latin American countries and the SAARC region.

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Ministry streamlines system to avoid errors in export data

Press Trust of India

New Delhi, 10 February 2013: Errors in reporting of export data could be a thing of past, with the Commerce Ministry streamlining the system to ensure smooth and correct flow of shipment figures from different ports in the country.

"The ministry has fixed all the problems and has also reduced the time lag in releasing export numbers. For example, time lag for principal commodity exports has been reduced by a month since October 2012 from 3-4 months earlier," an official told PTI.

This follows a series of steps taken by the Department of Commerce to ensure timely reporting and collating of export data by different agencies, including Directorate General of Commercial Intelligence and Statistics (DGCI&S) and the RBI.

The review exercise was started by the then Commerce Secretary Rahul Khullar after an error of USD 9 billion was noticed in 2011 in the country's exports for April-November period of 2011-12.
The exercise was completed by current Commerce Secretary S R Rao.

The error happened due to several reasons, including mis-classifications, double counting and problems in the computer software.

The Prime Minister's Office had also asked the commerce department to explain the errors.
The issue was discussed in detail on January 29 during the meeting between Cabinet Secretary Ajit Kumar Seth, Commerce Secretary S R Rao and Revenue Secretary Sumit Bose.

The Commerce Ministry gave a detailed presentation to the Cabinet Secretary and has apprised him of the work. The ministry has also started issuing press statements in advance by almost three weeks since November 2012, the official said.

"Prompt and error free data from customs to DGCI&S is a pre-requisite for expeditious dispersal of trade data," Director General of Foreign Trade (DGFT) Anup Pujari said.

Lax data reporting has also created problems for officials during the visit of Commerce and Industry Minister Anand Sharma to Mauritius last month where bilateral trade figures were found not matching.

According to a source, one of the main reasons for discrepancy in the bilateral trade figures was lack of computerisation at minor ports. Out of about 300 ports, 180 ports are still non-EDI (electronic data interchange).

"Collation of manual figures takes time and in that chances of error is also there but soon things will be fixed," the source said.

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Expect tariff-related measures in Budget to tackle duty inversion

Nayanima Basu, Business Standard

New Delhi, 11 February 2013**:** Finance Minister P Chidambaram is likely to announce several tariff-related measures in the forthcoming Budget to address duty inversion problems in an effort to boost the domestic manufacturing sector as well as exports from the country.

Duty inversion basically means that raw materials and intermediates are taxed higher than the finished products and the Budget may tackle the issue by altering customs duty rates. "Several tariff measures will be taken in this year's Budget which will promote domestic manufacturing. Various export promotion councils have brought to our notice that there are several duty inversions. So, the government intends to now set this thing right, especially for the chemicals and engineering sectors," a senior commerce department official told Business Standard. The move, officials said, will promote domestic production and manufacturing, which will give a fillip to Indian exports as well.

This will also give an impetus to the National Manufacturing Policy (NMP), which has been unveiled more than a year back but has failed to take off due to absence of investors and despite tax concessions. Under NMP, the government has proposed to set up large National Investment and Manufacturing Zones (NIMZs) with an aim to increase the share of the sector to at least 25 per cent of GDP by 2020 from the present 16 per cent, and create 100 million jobs during this period.

Under the policy, the government has authorised the National Manufacturing Competitiveness Council (NMCC) to look into duty structures and their impact on domestic manufacturing.

The official added that these measures would also augur well from a revenue realisation point of view since the finished products would be taxed more than the intermediates that go into domestic value addition.

According to a recent study done by Ficci, imported raw material users in a range of manufacturing industry segments are in a spot due to inverted Customs duty structure that makes them incompetitive against cheaper finished product imports and discourages domestic value addition.

The study noted that sectors that are adversely affected due to inverted duty structure are tyres, electronic hardware, electrical equipment, medical instruments and technical textiles among others.

For example, inverted duty structure is there in tyres. Basic customs duty on tyres is 10 per cent as compared with 20 per cent or Rs 20/kg (whichever is lower) on natural rubber, the study said. Tackling the issue of duty inversion also assumes importance in the backdrop of several bilateral trade agreements that India is now signing with its strategic partners such as Japan, Malaysia, South Korea and the Association of Southeast Asian Nations (Asean) in the form of free-trade agreements (FTA), the comprehensive economic partnership agreements (Cepa) and the comprehensive economic cooperation agreements (Ceca).

These trade agreements provide India greater market access to the partner countries. However, higher import duties on raw materials makes Indian finished goods costlier as well as uncompetitive in the

international markets.

Last year, the steering committee on manufacturing for the 12th Five-Year Plan under the Planning Commission had also recommended that local manufacturers be given a level-playing field along with cheaper imports under the trade agreements and other duty concession schemes.

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Foreign Trade Policy will aim to boost exports, Says Anand Sharma

The Economic Times

New Delhi, 5 March 2013: Commerce and Industry minister AnandSharma on Monday said that the Foreign Trade Policy will aim to boost exports by bringing down transaction costs improving access to credit and lowering the cost to credit.

"We are looking to have FTP after all the consultations are complete it will take at least one month because India is a big country and we don't want to rush it," Sharma said after his meeting with the Confederation of Indian Industry (CII) delegation on the export sector. The policy is likely to be rolled out in second half of next month.

P Chidambaram on Monday also flagged the need to boost export, pitching is as the only long term solution to India's current account deficit that has touched an all time high.

He promised all the help to commerce ministry in the upcoming foreign trade policy. He has already budgeted a 20% increase in the budget allocation on interest subsidy for export promotion and has raised hopes of an equally higher outgo for other schemes and incentives.

FTP is expected to see an extension of the export sops announced in December to more sectors. Finance minister has assured us of support and details will be formulated shortly, Sharma added. The interest subsidies for export promotion in 2013-14 has been pegged at 1200 crore for the fiscal against 1000 crore last fiscal.

"I think given the 20% increase in the budgetary allocation on interest subvention, I am hopeful of a 25-30% increase in allocation for other schemes to be announced in the FTP," said Ajay Sahai, director general and CEO of Federation of Indian Exports Organization. The 2% interest subvention scheme may be extended to other sectors from gems and jewellery, leather, textiles and some more engineering sub sectors.

Last December, Sharma announced extension of the 2% interest subsidy available to certain sectors till the end of March 2014, expanding coverage to a few engineering sub-sectors to make exports more competitive.

Export of engineering goods declined 4% in the first 10 months of the fiscal, gems and jewellery exports were down by 9.6% and textiles and readymade garments exports were down by 7.9% during the period compared to last year. Sanjay Budhia, chairman, CII National Committee on Exports said that incentives of the focus market scheme and focus product scheme should be extended to SEZs.

"It is time to make the SEZs more competitive, else and also the Minimum Alternate Tax should be removed, as it defeats the entire purpose of an SEZ".

FIEO has also suggested an export marketing fund to help exporters compete in the foreign markets. After eight months of contraction, exports turned positive in January rising 0.82% from a year ago.

However, with a 4.9% dip in exports in April-January as against corresponding period last year, the exports are unlikely to touch $303 billion of last year, forget the $360 billion target set for the fiscal.

Sharma said, "2012 has been a difficult year, January we were marginally in the positive territory for the first time in eight months. Hopefully we should remain in the positive zone when the February final

numbers come out and also in March but, we will not be meeting that big target but let's see how much close we can get to 300 billion".

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SEZs back on govt radar after exports' uptick

Dilasha Seth, The Economic Times

New Delhi, 12 March 2013: Special economic zones that had slipped down the government's priority list are back in favour as desperate government looks for ways to revive exports. The upcoming foreign trade policy is likely to extend sops such as focus market scheme and focus product scheme to make SEZs attractive.

So far, these incentives were available only to domestic tariff areas or DTA, an area outside the SEZs.

"SEZs are generally not a part of the foreign trade policy. However, in these times of sagging exports we are planning to announce a set of incentives like extending focus market scheme and focus product scheme to boost exports and make SEZs attractive," said a commerce ministry official.

Focus market scheme helps offset high freight cost and other externalities to select international markets to enhance India's export competitiveness in these markets.

The objective of the focus product scheme is to promote products that have high export intensity / employment potential, to offset infrastructural inefficiencies and other associated costs involved in marketing these products. Focus markets scheme covers Africa, Latin America and large parts of Oceania and there are over 1,000 focus products.

Industry has also been demanding abolition of Minimum Alternate Tax levied on SEZs. "SEZs have become unviable due to minimum alternate tax and dividend distribution tax, so we have requested the government to incentivize these by extending the FMS and FPS to them and also cut Minimum Alternate Tax /Dividend Distribution Tax," said Sanjay Budhia, chairman, CII export chairman, CII National Committee on Exports.

The government was of the view that SEZs already get tax benefits, unlike the domestic tariff areas, said Ajay Sahai, director general and CEO of Federation of Indian Exports Organization. "Also there were budget constraints. However this time, the finance minister has indicated full support to the commerce ministry," he added.

Sahai also said there may be investment-linked I-T deduction for SEZs. "It may also form a part of the FTP announcement for 2013-14", he said. In his budget speech, finance minister P Chidambaram had said, "I look forward to the changes that will be made to the Foreign Trade Policy next month and I assure my support to measures that will be taken to boost exports of goods and services."

Interest subsidies allotted for export promotion is 1,200 crore for 2013-14, against 1,000 crore last fiscal, a 20% increase. According to a study by Federation of Indian Exports Organization in 2009, overall export compound annual growth rate or CAGR was at 20% whereas for the focused markets it stood at 36%. Similarly, the CAGR for exports before the announcement of the scheme stood at 16%, which increased to 36% post scheme.

Last year, the commerce ministry had discussion paper on SEZ reforms had noted that SEZs are less viable compared with DTAs, as benefits such as Focus Product Scheme, Focus Market Scheme, Duty Drawback, etc. were unavailable to SEZ units.

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RBI to keep tabs on all export dealings

The Times of India

New Delhi, 10 March 2013: Major irregularities have surfaced in the country's external trade with about 65%-96% of export data found not matching against their corresponding banking transactions. A recent check was conducted by the central bank which revealed that the unmatched data is worth more than Rs 2 lakh crore of exports.

Bringing all export transactions under the scanner of the Reserve Bank of India (RBI), the government has asked the central bank to set up a monitoring cell that will coordinate with banks to track all banking transactions of exporters.

"The automated and unified data processing and monitoring system will scan all exports from the country," minister of state for finance Namo Narain Meena had informed Parliament on Friday. Under this system, all data will flow first to the RBI server and then to authorized dealer banks. The government has already started matching export data with the direct transaction receipts generated by banks; the data received through forms filled by exporters with the Customs department; and the software exports data collected through declarations made in SOFTEX forms.

The data received from the Customs department shows exports worth more than Rs 2.33 lakh crore are not matching with the banking transactions of these firms. Similarly, the data collected through SOFTEX revealed at least Rs 1.51 lakh crore of exports are not matching with their banking transactions.

The authorized banks appointed by the RBI to match export data have been asked to report to the central bank the realization data based on the documents submitted by exporters. A secured RBI website has been created for this purpose for the banks to coordinate with the central bank.

The RBI database will be updated on a real time basis to facilitate quicker follow up/data generation/policy formulation by the RBI regarding exports. "This will involve two-way traffic of data to and from a separate server at the RBI without interfering in any way with the dedicated RBI server," Meena said.

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Plan ready to compile inter-state trade data

Vikas Dhoot, The Economic Times

Accurate data could improve the credibility of state GDP numbers and planning for infra projects

New Delhi, 13 March 2013: The government is ready with a roadmap to capture interstate trade data, considered as essential for the proposed Goods and Service Tax regime.

Tracking of trade flows between states has never been attempted before in the country. Economists say such data could improve the credibility of statelevel GDP numbers and help in better planning for infrastructure projects on the basis of goods movement trends.

The commerce ministry will soon submit a report on creating such a interstate database to the Fourteenth Finance Commission, stating that domestic trade figures could be released on an annual basis to start with.

The Thirteenth Finance Commission had stressed on the need to compile inter-state trade data, especially in the context of the proposed goods and services tax regime which requires such transactions to be 'zero rated.'

The Directorate General of Commercial Intelligence and Statistics (DGCIS), which compiles India's foreign trade data, and the Central Statistics Office have submitted recommendations for creating an inter-state trade database, after conducting a pilot project to track trade flows between four states—Tamil Nadu, Kerala, West Bengal and Sikkim.

"We presently compile data on interstate trade through railways, river, air and sea," said Dipankar Sinha, director general at DGCIS. "Statistics of interstate movement of goods by road is not collected by any agency and has never been done before."

Such data can lead to significantly better policy planning and recommendations have been shared with the commerce ministry, he added. About 60% of the total freight movement in the country takes place by road and this share is likely to increase as India's road networks are developed further.

"Today, we can't ascertain states' gross domestic product at market prices, for which inter-state trade data is the missing component. This often renders state-level fiscal policies ineffective as they are based on wrong numbers," said NR Bhanumurthy, professor at the National Institute of Public Finance and Policy.

Although commercial tax departments have production data, they don't know the destination of the goods. Moreover, checkpoints at state borders don't rigorously inspect the transported goods' quantity or value.

The DGCIS has noted that states' descriptions of goods varied widely and were vague or incomplete.

The pilot study, conducted after extensive consultations with states, has thrown up the need to bring states onto common reporting codes for commodities and get state commissionerates of commercial taxes to share primary trade data with the DGCIS.

"We expect the total number of records across the states combined to run into crores during a year," Sinha said. "But 90% of the time taken for compiling the pilot data, was spent on codification of the commodities." Processing such goods trade would be "extremely difficult" till states agree on using common descriptions and codes, he added.

According to a CSO official, while most states do not follow any codification system, a few utilise some arbitrary coding system based on local requirements.

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Foreign Trade Policy to be announced early April

Business Line (The Hindu)

New Delhi, 14 March 2013: The annual Foreign Trade Policy is likely to be announced in the beginning of April soon after the Commerce Department finalises incentives and facilitative measures to boost exports.

"On March 31 we will have the provisional numbers (for exports and imports in 2012-13). I will wait for that. Soon thereafter the FTP will be announced," Minister for Commerce and Industry Anand Sharma told reporters after consulting representatives from exporters' bodies FIEO and AEPC on the policy. The Government is looking at ways to increase exports through the FTP to bridge the growing deficits in the trade and the current accounts and bring the balance of payments under control.

"The next fiscal will be a better year. But it (increase in exports) will not happen just like that. Exporters need to be properly incentivised. Transaction costs have to be reduced. Banks should come up with PCFA dollar credit at 4-5 per cent as we cannot operate with interest rates of 12-13 per cent," FIEO President Rafeeque Ahmed said.

Exports in 2012-13 are expected to be around $300 billion, about the same level as last year. The poor performance is being largely attributed to slowdown in the Western markets, especially the US, the EU and also to some extent Japan.

The concessions that are announced in the FTP should have a validity for at least three years as there has to be continuity in policy for exporters to take advantage of it, Apparel Export Promotion Council Chairman A. Sakthivel said.

The Commerce Department is examining a number of proposals from the industry that includes extending direct cash incentives to exporters of a larger number of products to targeted markets. Efforts are also on to convince the Finance Ministry to include more sectors in the interest subvention scheme being offered to exporters. The scheme gives a two per cent discount on interest rate charged by banks to exporters from select labour-intensive sectors.

A number of concessions for special economic zones will also be announced as part of the FTP, the Commerce Secretary had said earlier this week. This could include reduction in tax burden for both units and developers, relaxation in minimum area requirement for SEZs and some export incentives.

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Finmin eases stand on SEZs, more sops likely

Gireesh Chandra Prasad, The Financial Express

New Delhi, 15 March 2013: Marking a policy shift, the finance ministry has dropped its long-standing objection to further liberalisation of the special economic zone (SEZ) scheme. It is likely to give its stamp of approval for the relaxations of the SEZ policy, slated to be announced by commerce minister Anand Sharma in the upcoming review of foreign trade policy (FTP) to rekindle investor interest in these tax-free enclaves.

Whether or not a differential (lower) rate of minimum alternate tax (MAT) for SEZ developers and units could find mention in finance minister P Chidambaram's reply to Budget discussions in Parliament next month, other proposed relaxations like lowering the minimum processing area requirement for uni- and multi-product SEZs and allowing use of SEZ "social infrastructure" by consumers outside these zones would be endorsed by the finance ministry. Officials who told FE about this also said the focus on revenue would now remain largely limited to checking any abuse of the tax benefits for SEZs and plug "such leakages".

This is a significant departure from the finance ministry's earlier stand that the relaxations in SEZ norms proposed by Sharma were a subterfuge for the private sector to grab more land. When the proposals were first made by Sharma, the finance ministry wanted to know how many investors who had acquired land at below-market price with state backing have actually built SEZs. North Block's reluctance to ease the norms, mainly due to instances of abuse of tax concessions, have now clearly made way for urgent measures with safeguards to revive the economy.

The industry had been claiming that the imposition of an 18.5% MAT on SEZ developers and units as well as the 15% dividend distribution tax on developers have made projects unattractive for investors. The finance minister will take a call on these direct tax matters in consultation with the Central Board of Direct Taxes (CBDT), said an official.

The changes that Sharma may announce in the FTP include easing the minimum area requirement for specific as well as multi-product SEZs, land contiguity norms and opening up the social infrastructure like schools, hospitals and convention centres meant for use by SEZ employees to people outside the SEZ too. These steps would help in making SEZ projects more viable for investors.

The finance ministry has not only consented to most of the proposals made by Sharma but also agreed to streamline procedures to ensure that the entire incidence of indirect taxes like customs, service tax and excise duty on the raw materials and services that go into export production will be refunded without any hassles to the industry. The philosophy is to ensure export produce are not taxed. Whether it is done through exemption or duty drawback is a matter of procedure, explained an official privy to the discussions between the finance and commerce ministries.

"Revenue foregone is not a consideration for us. The purpose of the SEZ scheme is to facilitate economic growth, job creation and setting up of infrastructure that would integrate India's economy with the rest of the world," said a finance ministry official, who asked not to be named. The ministry's emphasis is now shifting from collecting taxes to fund welfare schemes for the poor to facilitating economic development that would render them less dependent on state benefits. Sources said that the revenue department already agreed last month to some relaxations in line with the new thinking. This includes allowing software developers in SEZs to set up disaster data recovery centres at SEZs in other geographical regions to back up their largest resource, digital data.

Chidambaram had said after presenting his Budget 2013-14 that he would announce more measures, particularly on indirect taxes, when he replies to the parliamentary debate on the Finance Bill. The minister also said he and his Cabinet colleague Sharma were on the same page on the need for measures to boost exports, which would lower the current account deficit.

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Three-pronged plan to up exports

The Telegraph

New Delhi, 23 March 2013: The government is likely to offer short-term incentives, simplify procedures and reduce transaction costs to boost exports, which are likely to fall short of the target this fiscal and further widen the trade deficit.

"We are looking at the number (exports) and what is very disturbing and challenging is that we have not even reached where we were before (in the last fiscal) at $306 billion," commerce minister Anand Sharma, who chaired the Board of Trade (BoT) meeting today, said. He added that the trade deficit was likely to widen to $193-196 billion this fiscal.

The BoT has representation from business associations and trade bodies such as the Engineering Export Promotion Council and the Federation of Indian Export Organisations (Fieo).

Representatives from the ministries of finance, external affairs and micro and small and medium enterprises attended the meeting. It will give suggestions for the annual supplement to the foreign trade policy (2009-2014) to be unveiled in the first week of April.

Fieo president Rafeeque Ahmed said, "As we are much away from our targets fixed for 2012-13, we need to revisit our strategy for imparting competitiveness to exports while simultaneously pursuing aggressive marketing to realise better exports in 2013-14."

Sharma said, "Interest subvention was being provided to all SMEs and a substantial part of engineering has got the benefit. We are seriously considering how to strengthen it. I hope on dollar credit, we will be able to make some progress in disbursement."

He added that the downturn and limited availability of resources had made it difficult for the government to offer stimulus packages. "So, we have to think of some new ways, how to enhance productivity, how to remain competitive, and also to ensure that our presence grows."

CII president Adi Godrej pressed for the reduction in credit cost. "The cost of export credit is in the range of 11-12 per cent, which is much higher than competing countries in Southeast Asia, where it is around 5-6 per cent," he said.

The foreign trade policy will focus on sectors that constitute the bulk of shipments such as engineering, gems and jewellery, textiles and leather.

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Rs 2k-cr sops likely for exporters in policy review

NayanimaBasu, Business Standard

New Delhi, 23 March 2013: The government intends to give an incentive package worth Rs 1,500-2,000 crore as part of the annual review of the Foreign Trade Policy (FTP) 2009-2014.

Exports are set to register a decline this financial year, compared to last year. Lower costs for credit, full rebate on duties and taxes and reduction in transaction costs are some of the top items in the government's agenda for the supplement to the FTP, to be announced in the first week of April.

Exports have been in rough waters since the financial downturn in developed markets started in 2008. However, shipments from India were still able to register a positive year-on-year growth. This will be the first financial year since the recession when exports would see a fall compared to the previous year.

"We are looking at the (export) numbers and what is very disturbing and challenging is that we have not even reached where we were before (in 2011-12), $306 billion," Commerce and Industry Minister Anand Sharma said during the Board of Trade meeting on Friday.

In 2012-13, he said, the trade deficit might reach a record level of $193-196 billion. In FY12, it was $185 billion. "This is not a small number. Every institution must ensure faster movement," said Sharma.

As part of the Rs 2,000-crore package, the government was expected to enhance the duty drawback rates by at least three per cent, a senior official told Business Standard.

In the Budget for 2013-14, the government has allocated Rs 4,413 crore for export promotion, of which Rs 2,897 crore is non-plan expenditure and Rs 1,516 crore is plan expenditure.

"Exporters had been facing major loses ever since the government withdrew the DEPB (Duty Entitlement Passbook Scheme) and replaced it with duty drawback rates. Exporters are losing almost two per cent of their export value," said Sanjay Budhia, chairman of the Confederation of Indian Industry's National Committee on Exports and Imports and managing director of the Kolkata-based Patton Group.

Under the DEPB, discontinued with effect from October 1, 2011, exporters were compensated for the Customs duty they paid on shipments.

Besides, the government is expected to give incentives for the engineering and textiles sectors, which have seen a massive fall this year, in the form in interest subvention. During April-January, export of engineering products, gems and jewellery, textiles and petroleum products declined by four per cent, 10 per cent, eight per cent and four per cent, respectively, due to a massive slowing of demand in the American and European markets.

"We have asked the government to introduce a new scheme of increasing garment exports to a level of $30 billion in the next three years, by allowing man-made fabric and cotton speciality fabrics at a flat five per cent customs duty on only 10 per cent of export performance realised in the previous year on garments. This way, we will be able to regain the lost market share and secure jobs," said A Sakthivel, chairman, Apparel Export Promotion Council.

During April 2012-February 2013, exports reached $266 billion, representing a four per cent fall over the $277 billion achieved in the corresponding period of the previous year. Hence, to reach last year's figure of $305 billion of total exports, these would in March alone have to be close to $40 billion.

Last year, during the FTP review, the government had actually set an export target of $350 billion for 2012-13.

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Let's export our way out of trouble

M. Rafeeque Ahmed, Business Line (The Hindu)

25 March 2013: CAD (current account deficit) is the buzzword these days. A CAD of 5.4 per cent in the second quarter of the current fiscal is reminiscent of the 1991 crisis when we were faced with a rising trade deficit, high inflation and the Gulf War.

The trade deficit of over $182 billion in first eleven months of the current fiscal, inflation above 7 per cent and the crisis in West Asia are conditions akin to 1991. However, our economy is far more robust and in a position to meet such challenges.

With forex reserves of over $290 billion (sufficient to cover about eight months' imports), and with encouraging inflows through FII, FDI, ECB (external commercial borrowings) and private transfers, we are not faced with any immediate threat.

Nevertheless, sustaining such a high CAD will render the economy vulnerable to global challenges. It is clear that the main culprit for rising CAD is the merchandise trade deficit; in services as well as on capital account, we have a comfortable surplus.

Given the inelastic nature of India's imports, augmenting exports is the only option available for managing the CAD (the only option, perhaps, on the import side is curtailing gold imports through high tariff). Fortunately, the Government as well as economists are on the same side on this matter.

Manufacturing Exports Hit

Exports must act as drivers of the economy. If the Indian economy has clocked over 7 per cent GDP growth in the last decade, much of the same was contributed by a CAGR of over 20 per cent in exports in the same period. The fact is that Indian exports and the economy are intertwined.

Manufacturing holds the key to India's exports growth. This is because the share of manufactured products is increasing in the global trade basket. Overall exports suffered on account of decline in exports of main manufactured products, such as engineering, gems and jewellery, petroleum and textiles. These four sectors contribute to about three-quarters of India's exports.

Contraction in global demand, rising manufacturing cost and fall in global commodity prices have affected exports. Making manufacturing competitive should be the focus. The National Manufacturing Policy (NMP) and National Manufacturing Investment Zones (NMIZ) should add to competitive manufacturing.

However, let us also seek export-oriented FDI, which brings both technology and access to markets. Another challenge that confronts manufacturing is getting a skilled or semi-skilled workforce.

Market Opportunities

Unlike China, we have not been able to mobilise a workforce from rural India due to lack of skill. The National Skill Development Mission has taken the lead in imparting and upgrading skill, but there has to be a greater synergy between manufacturing needs and skill development.

Exports are equally affected by macro-economic variables such as inflation, world demand, non-tariff barriers and exchange rate. Except for the last factor, the rest are not favourable to exports. However, the global demand seems to be increasing.

The real-estate market in the US just saw its largest restorative growth since 2006 and the unemployment rate in the US declined to 7.8 per cent with the creation of 2,32,000 new jobs in February. The deficits of some European counties are becoming smaller. And the economies in Greece and Spain are recovering slightly.

The economic growth of MIST countries (Mexico, Indonesia, South Korea and Turkey) is on the rise. Since exports this fiscal would be lower than last fiscal, we need to attempt a 35 per cent growth in 2013-14. This is an ambitious but achievable target, provided the right mix of policies is in place.

Exports can be made competitive through lower cost of credit, full rebate on duties and taxes, reduction in transaction costs and better infrastructure to reduce the delivery cycle. However, aggressive marketing plays a pivotal role.

We have to be visible in the markets to get better returns. In a phase of contracted demand, return may take a longer period. Our demand for an 'Export Development Fund' emanates from this logic, coupled with the fact that a majority of exporters hardly have the financial wherewithal to meet the requirements of aggressive marketing. A fund with a corpus of 0.5-1 per cent of exports can be a gamechanger.

India is a global leader in IT, yet we are struggling with a complete electronic data interchange module for agencies involved in exports and imports. A little progress has been made, yet it is tardy and probably reflects the lack of will. A single window for exports, coupled with electronic flow of documents among the agencies concerned, will reduce the transaction cost by 2-3 per cent. If that happens, a saving of $6-10 billion will be achieved in exports with no cost to exchequer.

We, simultaneously, need to build on future pillars of exports which could be brands, high-technology products, e–commerce and countries or regions with potential such as Iran, China and Africa.
We need to exploit the opportunities in Iran for increasing exports of pharma, gems and jewellery, auto components and white goods, besides agriculture commodities.

The rising manufacturing cost in China, shifting of industries from coastal cities to distant landlocked regions, shortage of working population and a continuously appreciating currency have started compelling China to shut down manufacturing in high labour intensive products, opening an opportunity for imports from India. However, a close look at India's export profile with focus on value-addition will hold the key.

Destination Africa

Africa has emerged as an ideal region both for exports and investment. Consumer spending will double in Africa in the next 10 years and 75 per cent of countries in Africa will have an average per capita income of over $1,000. There is a growing resentment against China, which needs to be exploited by us. Efforts of all agencies should concentrate on Africa.

Let us set up a mega store such as the Dragon Mall in Dubai which is spread over a km and displays all products manufactured in China. African buyers do not visit China for procurement of goods and instead place their order in Dubai.

If we provide similar exposure for Indian products at any place in Africa, it will be a huge support for Indian exports.

Let us not miss the bus again and allow South-East Asian countries to overtake us.

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Foreign trade policy review on April 18 to perk up dwindling exports

Nayanima Basu, Business Standard

New Delhi, 2 April, 2013: The government is going to unveil annual supplement to the Foreign Trade Policy 2009-2014 on April 18 to provide incentives for the country's ailing export sector which contracted for eight straight months before rising a tad in January and February of 2012-13.

The sectors that are going to get special focus are engineering, gems &jewellery and leather. Besides, the government is expected to give a major thrust to the special economic zones (SEZ).

The package is going to be worth Rs 1,500-2,000 crore. Considering the fact that exports in US and European markets have taken major hit in 2012-13, the government might announce some special incentives for exporters to regain their market share in these traditional destinations. This will be announced under the Focus Market Scheme (FMS).

As a long term measure, the government is, however, expected to propose creation of an Export Development Fund having a specific corpus to give incentives for exporters to venture into newer markets since the demand in traditional markets of US and Europe has seen a sharp decline and is not expected to rise anytime soon.

The annual supplement to the FTP this year may extend 2% interest subvention to engineering, gems &jewellery and leather, officials in the commerce department told Business Standard.

Besides, this year the government may give a major thrust to the units situated inside special economic zones (SEZ) that enjoy a 100% income tax exemption for the first five years of operations. This was earlier supposed to come as part of the budget 2013-14 only. However, the government is now likely to announce some major scheme in this regard in the FTP.

The zones are facing rough weather ever since the government imposed a minimum alternate tax (MAT) and dividend distribution tax (DDT) in the 2011-12 Budget. Units were levied MAT, while developers both MAT and DDT. Of the 588 SEZs formally approved, 385 have been notified but only 161 are operational.

"In the current policy framework, SEZs no longer provide lucrative offer for unit holders or developers to continue investing in SEZs," said Adi Godrej, chairman of the Godrej group and president of CII.

He hoped that the Government will provide policy impetus by taking into consideration abolition of MAT and DDT.

After a 3.23% growth in April, exports continued to fall till December, before rising 0.82% in January and 4.23% in February of 2012-13. The figures for March and hence the entire 2012-13 would be announced before the FTP supplement.

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Govt announces host of incentives to boost declining exports

PTI

New Delhi, 18 April 2013: Faced with declining exports, the government today announced a slew of measures including extension of the popular EPCG scheme to all sectors and sops for Special Economic Zones (SEZs) to boost shipments.

The initiatives announced by Commerce and Industry Minister Anand Sharma as part of the annual supplement to the Foreign Trade Policy (FTP) are aimed at pushing exports which declined by 1.76 per cent to US $300.6 billion during 2012-13 and pushed up the trade deficit to US $190.91 billion.

The Export Promotion Capital Goods (EPCG) scheme, which allows exporters to import capital goods at zero duty, would be extended beyond March 2013 and would be applicable to all sectors, Sharma said.

"We have decided not only to extend the zero duty EPCG scheme beyond March 2013, but also merge it with 3 per cent EPCG scheme. Now, the zero duty EPCG benefit will be available to all sectors," the Minister said.

As regards the SEZ scheme, Sharma said, the minimum land area requirement for setting up such zones has been reduced to half and there would be no ceiling for IT and ITeS SEZs.

"We have taken note of the fact that there are acute difficulties in aggregating large tracks of uncultivable land which is vacant and contiguous and we have decided to reduce the minimum land area requirement by half for different categories of SEZs.

"...there would be no minimum land requirement for setting up IT/ITeS SEZs and only minimum built up area criteria would be needed to be met by SEZ developer," the Minister said.

On demands of a exit policy for the SEZs, Sharma said it has been decided to allow transfer of ownership and sale of SEZs units.

"I hope that the measures which we have announced today will go a long way in providing much needed support for exports," the Minister added.

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New FTP evokes mixed response from industry

The Hindu

New Delhi, 18 April 2013: The Foreign Trade Policy 2013-14 has evoked a mixed response from the industry and the business chambers. Confederation of Indian Industry (CII) President S. Gopalakrishnan said the steps announced could help in reviving investors' confidence in SEZs. "Granting interest subvention to all the sectors will help in strengthening exports performance," he added.

FICCI Senior Vice-President Sidharth Birla said the package contained a number of positive measures which would help boost exports in 2013-14. "Having a single zero duty EPCG scheme that will now be available to all sectors is a much-needed step in the right direction," he said.

The Federation of Indian Export Organisations (FIEO) President, Rafeeque Ahmed, rued that there were no big ticket announcements in the policy. He said FIEO had been pressing for the creation of $2 billion export development fund, which was not granted.

Textile bodies

The Apparel Export Promotion Council (AEPC) and EEPC India welcomed the policy, saying it would help in boosting textiles and engineering exports.

"Measure like expansion of zero duty EPCG scheme, extension of TUFS benefits to EPCG, announcements on promotion of incremental exports and widening the ambit of market and product focus scheme will help in promotion of garment exports from India," AEPC chairman A. Shaktivel said in a statement.

Confederation of Indian Textile Industry (CITI) also hailed the FTP announcements, stating that extending zero duty EPCG Scheme benefit to the TUFS beneficiaries was a request that the industry had been making for quite sometime.

It also welcomed the extension of 2 per cent interest subvention on export credit up to March 31, 2014 and inclusion of made-ups for this benefit.

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Government eases land norms for SEZs; IT gets a boost

The Times of India

New Delhi, 19 April 2013: The government on Thursday announced measures to revive interest in special economic zones (SEZs) and boost investment, but the much-vaunted Foreign Trade Policy (FTP) fell short of concrete steps to revive the export sector reeling under the burden of the global economic slowdown and rising input costs.

There was a promise of more to come with the Reserve Bank of India reviewing the dollar-credit window for exporters. Commerce and industry minister Anand Sharma also indicated that steps to boost gems and jewellery sector may be announced next month. A new task force on reducing transaction costs was also set up, a move that will bring much needed cheer to the industry which loses cost advantage due to procedural hurdles. But the key element of the "package" announced by Sharma was the move to halve the minimum area requirement for the enclaves. Those setting up information technology zones will not even have to worry about the minimum land requirement of 10 hectares as Sharma did away with the stipulation. Flexibility has been offered to other developers as well with the government also providing an exit policy for SEZ units.

But as reported by TOI on March 30, finance minister P Chidambaram refused to provide tax concessions, including doing away with minimum alternate tax, a major demand of the commerce department and SEZ developers, while agreeing to measures that will not have a bearing on revenue collections. Sharma was candid enough to admit that the tight fiscal situation played a part in policy formulation, although in the Budget, Chidambaram had promised measures to revive exports and bridge the current account deficit.

For Sharma's department, which had been pushing for changes for 14 months, even in its present form, the new regime will provide major comfort. But the announcements turned the FTP into SEZ policy session with Sharma limiting himself to announcing a series of extensions in schemes from interest subsidy to Export Promotion Capital Goods (EPCG). Under EPCG, the government promised simplified norms for companies importing capital goods, provided exports by them were six times the duty saved in the import of machinery. Of course, with the current fiscal being the last year of the current five-year policy, the minister was not in a position to announce major changes.

Textiles, which happens to be Sharma's other charge, was in line for some additional sops with firms having taken advantage of the Technology Upgradation Fund Scheme also allowed to avail of EPCG.
In several cases, the ambit of schemes was widened. For instance, 2% interest subsidy will not be offered to 134 more products of engineering sector. Similarly, the scope of duty credit scrips was expanded to allow for payment of service tax under the Focus Market Scheme, Focus Product Scheme and the VisheshKrishiGraminYojana.

Exporters demanded more with AEPC chairman A Sakthivel seeking interest rate cut and resumption of drawback payments. CII president Kris Gopalakrishnan demanded that the interest subsidy should be extended to all sectors.

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Govt sets up committee to boost exports from MSMEs

PTI

New Delhi, 28 April 2013: Worried over widening trade gap, the government has set up a six-member inter-ministerial committee under the chairmanship of Finance Secretary R S Gujral that will suggest measures to boost MSME exports.

Micro, Small and Medium Enterprises (MSME) sector contributes about 40 per cent in the country's total exports and over 8 per cent to India's Gross Domestic Product (GDP).

"The committee will suggest short and long term measures to enhance exports from MSME sector. It will submit its recommendations by mid-May," an official said.

The official said there is an urgent need to look at the MSME sector as exports are not doing well due to which the country's trade deficit has touched an all-time high of US $190.1 billion in 2012-13.

Although the government is taking every step including recent announcement of incentives and revamping special economic zone (SEZ) policy in order to increase shipments from the country, "more needs to be done", the official added.

India's exports declined by about 2 per cent to US $300.5 billion in 2012-13, way below the US $360 billion targeted at the beginning of the year, due to the global demand slowdown.

The widening trade gap is adding woes on the Current Account Deficit (CAD) front, which has emerged as a tough policy challenge for the government. CAD crossed 6.7 per cent of the GDP in the third quarter of last fiscal.

"Issues related with MSMEs need to be looked into greater depth as the sector would also help in boosting the growth of manufacturing sector," the official added.

The other members of the committee include Commerce Secretary S R Rao, Revenue Secretary Sumit Bose, MSME Secretary MadhavLal, Financial Services Secretary Rajiv Takru and Chief Economic Adviser RaghuramRajan.

According to experts, the government should take steps like providing credit to the sector at affordable rates.

"Government should also increase the marketing funds for MSMEs. It will help them in marketing and branding of their products in the international market," Apparel Export promotion Council Chairman A Sakthivel said.

As per estimates, the share of MSME exports has fallen from 40 per cent to 36 per cent to the country's total exports.

The sector accounts for around 45 per cent of the manufacturing output and provides employment to about 60 million persons through 26 million enterprises.

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RBI panel favours differential tax regime for exporters

PTI

New Delhi, 7 May 2013: Seeking to boost exports and bridge the ballooning current account deficit, a Reserve Bank of India (RBI) committee, on Monday, suggested a slew of measures such as introduction of differential tax regime, and increasing the scope of interest subsidy scheme for exporters.

"The global trade environment may not improve in the immediate period. There is, therefore, an urgent need to boost India's exports so that the trade deficit is narrowed down, and CAD stays within the projected cap," the RBI said.

The Reserve Bank had constituted a technical committee on services/facilities for the exporters under the Chairmanship of RBI Executive Director G. Padmanabhan to suggest ways for improving financial support from alternative sources.

Among others, the committee has made recommendations relating to review of Gold Card Scheme for extension of export credit to exporters, appropriate inclusion of export finance under the priority sector lending, and raising of foreign currency loans on pool basis for extension of export credit to exporters.It said there was a need to widen the scope of interest subvention to ensure larger exporter segment derive benefit from the Scheme.

The committee has recommended for "inclusion of additional sectors such as electronics and all engineering goods, especially automotive sector, and all exports originating from domestic tariff area units to SEZs".

It said that like Singapore and Sri Lanka, which offer differential tax rates to promote exports, the Government may consider offering this facility to Indian exporters.

It also asked for early introduction of GST (Goods and Services Tax) to make the tax structures more streamlined for exporters, who incur numerous levies, such as VAT (value added tax), purchase tax, turnover tax, octroi, electricity duty, which are making the export pricing uncompetitive.

Further, the committee recommended continuation of export credit refinance policy for three years which would provide certainty in availability of funds to the banks for managing their asset-liability positions, and would also build confidence among the exporting community.

It asked for setting up of a nodal agency for borrowing in foreign currency from abroad on a pool basis, and further lend to these companies in India at competitive rates.

"Borrowing on a pool basis will increase the bargaining power of this nodal agency with overseas lender thereby ensuring cost effective solution to exporters for its technological innovation/ upgrades/ capacity expansion," it said. Exim Bank could be nominated as the nodal agency for this initiative, it added.

CAD, which is the difference between the inflow and outflow of foreign currency, had touched a record high of 6.7 per cent in the December quarter of last fiscal year.

Exports declined by 1.76 per cent to $300.6 billion in 2012-13. The trade deficit during the period has touched an all time high of $190.91 billion.

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MEA to draw a road map to attract more investments

HumaSiddiqui, The Indian Express

New Delhi, 17 May 2013: In an effort to push export promotion activities and help the country to arrest export slowdown, the MEA is going to draw a roadmap for Indian Missions abroad in the identified core areas of export and investment so that all export promotion activities have a certain focus and are result oriented.

"This is part of the ministry's outreach programme—to be in constant touch with the industry chambers and to identify the core sectors so that all export promotion activities have a certain focus and are result oriented," a senior MEA officer told FE.

India's exports declined by 1.76 % to $ 300.6 billion in 2012-13. Trade deficit during the fiscal touched an all time high of $ 190.91 billion.

"The focus is now on regions like Latin America, Africa and emerging markets. The Indian missions abroad have always supported industry chambers. In this meeting we decided to now start focusing on specific products and countries, and attempt to expand our export market."

A delegation from the MEA led by PinakRanjanChakravarty, Secretary (Economic Relations) had a meeting with apex business chambers including FICCI, CII, ASSOCHAM and PHD Chamber and representatives of 26 Export Promotion Councils (EPC).

It was agreed that regular meetings on investments, exports and sectoral issues would be held by the MEA so that these interactions are dynamic and lead to substantial outcomes.

"This meeting follows an earlier meeting chaired by foreign secretary RanjanMathai, wherein it had been decided that regular meetings would be held with the business chambers and other entities to identify focus areas for trade and investments."

According to MEA, "Providing market intelligence was one area in which missions‟ assistance was found useful and this could be further strengthened. The possibility of investment promotion and business development in the two key sectors of pharmaceuticals and electronics was discussed."

The meeting tried to identify the possible thrust regions and products for undertaking export promotion activities. EPCs gave recommendations and suggestions on the kind of activities which could be carried out by the missions. Providing market intelligence was one area in which missions' assistance was found useful and this could be further strengthened.

The possibility of investment promotion and business development in the two key sectors of pharmaceuticals and electronics was discussed. In this context, the main features and incentives under the National Manufacturing Policy and the National Electronics Policy were also outlined.

The EPCs identified certain areas and countries, which in their view, could be concentrated upon for market expansion activities. These included markets of Latin America, Eastern Europe, East Asia and South East Asia. And indicated some of the problems being faced by them in different sectors. The participants were assured that their suggestions would be looked into and conveyed to Indian missions abroad, where necessary.

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Shot in the arm: Loans to exporters to be treated as priority sector lending

Arun S, The Financial Express

New Delhi, 17 May 2013: In a boost for the struggling export sector that has been demanding access to cheaper credit, the finance ministry has decided to back an RBI panel's suggestion that all loans to exporters be treated as priority sector lending.

The finance ministry will shortly send its comments to the RBI, supporting all recommendations of the panel to ensure that exporters get easier access to credit at lower rates to improve their global competitiveness, a senior ministry official told FE.

An RBI technical committee had suggested in its report last month that export credit should be included in the priority sector lending for all commercial banks for 3-5 years subject to periodic review.

The panel had also called for introduction of a sub-target of 8% of the Aggregate Net Bank Credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher for exports. Besides, it said that in order to encourage flow of credit to MSME sector, the RBI should look into the feasibility of fixing a suitable sub-target. Alternatively, the committee also suggested inclusion of „export credit‟ as an eligible sector for deployment of 50% of the respective bank's shortfall in priority sector, automatically allocated to export credit in the subsequent year, with the balance shortfall continue to be deployed in Rural Infrastructure Development Fund.

Currently, export credit is not a separate category in the total priority sector lending target of 40% of ANBC or credit equivalent amount of Off-Balance Sheet Exposure (whichever is higher) for all commercial banks. However, export credit to eligible activities under agriculture and MSME is considered for priority sector lending under those two categories.

According to the Economic Survey 2012-13, export credit — as a per cent of net bank credit — fell drastically from 9.8% as on March 24, 2000, to just 3.7% as on November 30, 2012.

The panel had pointed out that export credit was taken out of the purview of priority sector advances (PSA) for foreign banks with 20 branches and above, while for such banks with less than 20 branches, lending to export sector continue to be part of PSA (without any specific sub-target for exports).

It wants these banks to achieve the revised targets (32% of ANBC for foreign banks with less than 20 branches and 40% for banks with 20 or more branches) and sub-targets (of 8% of ANBC or credit equivalent amount of Off-balance Sheet Exposure) within five years from April 1, 2013. The panel observed that as on March 31, 2011 and 2012, ten and five foreign banks, respectively, did not achieve 12% target in respect of export credit (Within PSA , 12 % credit had to go to export sector).

In a bid to give certainty in availability of funds to the banks for managing their asset-liability positions as well as to build confidence among exporters, the ministry is also supportive of the RBI panel's recommendation of continuing for the next three years the facility of 50% of the outstanding export credit being eligible for refinance under the export credit refinance policy.

The government also favours the implementation of the panel's suggestion to extend the dollar-swap facility that banks have with the central bank for three more years with annual rollover.

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India's stance on compliance raises fears of copycat action

Amy Kazmin, Financial Times

29 May 2013: Throughout the 1990s, India was the bete noire of western pharmaceutical companies. It was a country that did not recognise drug patents and had a large generics industry churning out low-cost copycat medicines for domestic use and to export to other developing countries. India was expected to fall in line with global intellectual property rights standards in 2005 when New Delhi adopted a patent law ostensibly compliant with its obligations to the World Trade Organisation, which it joined in 1995. However, the refusal in April of the Supreme Court to grant a patent to Swiss group Novartis for its cancer drug Glivec is seen as the latest sign that Indian attitudes towards drug patents are little changed. The ruling follows a series of recent Indian decisions to override or revoke patents on cancer and hepatitis C drugs from "big pharma" companies such as Bayer, Pfizer and Roche. These rulings have raised hackles among western companies and fears that other emerging markets could soon follow India's lead. "We still don't have an ecosystem [in India] that encourages patents," Ranjit Shahani, managing director of the territory for Novartis, says. "Most of the patents granted are either revoked or violated, or a compulsory license is issued." Jason Rutt, a patent lawyer at Rouse, an intellectual property law firm, says: "The trend that has emerged is that India is an unfair place for innovative pharmaceutical companies. Pharmaceuticals are a global market and you would expect everybody to behave the same way in each country." India's parliament deliberately drafted the patent law to set a high standard for inventiveness and to ensure sufficient flexibility for generic companies to provide low-cost medicines if the original patented drugs were too expensive for local consumers. Indians buy around $13bn worth of drugs a year - tiny compared with the US at $400bn - but the market is growing by more than 10 per cent annually. India exports about $13bn worth of pharmaceuticals a year, about 40 per cent of which go to the US and the EU. India's law tries to prevent "ever greening" - the practice of companies renewing patents on old drugs by making minor changes - under section 3d, which states new patents can only be issued on previously known molecules if the modified versions show much improved efficacy. Unlike most countries, where only governments can seek a compulsory license authorising production of low-cost copies of patented drugs, India permits generics companies and patient groups to apply directly to patent authorities for such licenses. Western companies fear other developing nations, such as South Africa, may take the cue and dilute patent laws - making it tougher to obtain or extend patents and easier for patents to be overridden. That is worrying for the industry as it seeks growth in emerging markets to compensate for pressure on margins in advanced economies and tries to fund innovative drug research. "India has said: 'We are the thought leaders in terms of the ever greening of patents'," says Kiran Mazumdar-Shaw, founder of Biocon, a Bangalore-based biotech company. "Others are jumping into the fray saying: 'This is a good decision and we want to follow the path'."

Yet given the high stakes, India is likely to come under intense pressure to adhere more closely to global patent practices. Pfizer has appealed to the US government to make India's failure to adequately protect intellectual property an important issue in bilateral relations. The response of western governments has so far been muted. But India's Congress party-led government is considering a batch of compulsory licenses for costly cancer drugs. If those go ahead, western pharmaceutical companies will surely find a way to make their fury felt. "If you are a country that has a patent law, and a WTO commitment, don't make it a sham," says Mr Shahani. "There will be a point where the red line will be crossed."

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Government set to protect domestic market

Chetan Chauhan, Hindustan Times

New Delhi, 2 June 2013: India is readying to protect its domestic manufacturers from Chinese products swamping the market, despite the danger of WTO rules looming large. The move, however, courts the danger of other countries dragging India to WTO terming the favours granted as unfair trade practices under the international agreement. Three Central ministries - Telecom, Heavy Industries and Renewable Energy - would soon have policies to protect domestic producers from the increasing penetration of foreign manufacturers especially in the form of cheaper equipment from China. These three sectors contribute to around 1/3 of annual manufacturing output in terms of money but their growth has slowed down in the recent years, with many players opting for cheaper and less reliable Chinese goods, thereby making the market unprofitable for domestic manufacturers. • \The Bharat Heavy Industries Limited has already manufactured equipment required to generate power in the 12th plan. We have expanded facilities to meet the target of the 13th five year plan also. But, the buyers are opting for cheaper Chinese power generation equipment and we are helpless,. said a senior official of the ministry of heavy industries. This has prompted heavy industries minister Praful Patel to urge Prime Minister Manmohan Singh this week to take a policy initiative which would protect the domestic manufacturers. He suggested incentives or mandatory sourcing of certain amount of equipment from the manufacturers as a part of the policy. The ministry also wants higher duty on power equipment imported from China. The Telecom Ministry is working on the guidelines of making, minimum procurement of 20% of equipment from domestic manufacturers, mandatory for all telecom companies in a bid to revive the

sagging telecom manufacturing industry. The reason for plight here is also same - cheaper Chinese equipment which has flooded the market. There is already a policy in place for public sector bodies prescribing procurement of certain amount of equipment from domestic players. Now, the ministry has formed guidelines to extend a similar policy framework for the private sector, a move opposed by certain foreign companies. A ministry committee has already identified 18 hardware items including sim-cards and modems to be mandatory procured from domestic players. Another emerging sector in India, solar energy, is also facing the Chinese heat. Almost 60% of solar goods sold in India are from the northern neighbour even though they are extremely low on efficiency. The Ministry of new and renewable energy in its draft policy document for Jawaharlal Nehru Solar Mission (JNSM) has provided a provision that certain amount of solar energy under phase-II of the mission will be manufactured only from home produced equipment. The government is keen to provide the protection as zero growth in domestic manufacturing sector was one of the reasons for economic slowdown in the last financial year which was the year the growth rate stagnated at 5%. The move, however, is laced with the danger of other countries dragging India to WTO terming the favours granted to domestic industry as unfair trade practice under the international agreement.

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Govt relaxes norms for export of imported goods

PTI

New Delhi, 8 June 2013: To encourage shipments, the government has allowed export of imported goods with 15% value addition to countries from where the proceeds are realised in Indian rupee.

The Directorate General of Foreign Trade (DGFT) will notify the names of those countries as to which exports under the new dispensation could be made.

"An enabling provision has been made to allow export of goods imported against payment in freely convertible currency where export proceeds will be realized in rupees," it said.

It said that this dispensation will be applicable to such countries as would be notified by DGFT from time to time.

"They also have to achieve 15% value addition," it added.

India's exports in 2012-13 fiscal fell for the first time in three years reporting a dip of 1.8% to $300.6 billion in 2012-13, taking the country's trade deficit to a record high level of $191 billion.

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FDI policy: Mayaram committee pitches for complete overhaul

The Financial Express

New Delhi, 19 June 2013: The government took the first step towards hiking sectoral caps in foreign direct investment in major sectors like telecom and defence with a committee headed by secretary, department of economic affairs, Arvind Mayaram, submitting its report to the finance minister outlining the road map.

The report, which is in the form of a discussion paper was submitted by Mayaram late on Monday evening, has recommended hiking FDI caps in various sectors, including in defence to 49% from 26% and in telecommunications to 100% from 74%. The recommendations also state that the hike in caps should come with stringent security riders to allay the concerns of the defence and the home ministry. Broadly the panel has suggested that wherever the caps are at 26% be raised to 49%, wherever it is at 51% it be raised to 74% and wherever 74% it should be made 100%.

While a hike in the cap for FDI in defence to 49% may be welcomed by domestic companies like Mahindra which have evinced interest in this space, hiking the same to 100% in telecom would be greatly welcomed by the mobile operators. In particular it would provide room to Bharti Airtel, which is looking for ways to ease its debt burden. Global companies like Vodafone and Telenor, which currently operate in India with minority Indian partners may then prefer to go solo.

Sources said that finance minister P Chidambaram will meet commerce minister Anand Sharma once the latter returns from his trip to the United Kingdom on June 26. The ministers will then meet the Prime Minister Manmohan Singh before any decision is taken on lifting or raising sectoral caps. The policy decision announcing recommended sectoral caps along with new definition for foreign direct investment (FDI) and foreign institutional investment (FII) is likely to be announced by first week of July, a senior government official said.

Sources said the panel has also recommended for raising the FDI limit in insurance to 74% from the current level of 26%. However, this would require the approval of the Parliament unlike in other cases where the caps can be hiked by executive order. Interestingly, it has also suggested that FDI cap in multi-brand retail sector be raised to 74% from the 51% the government allowed in September 2012.

The panel has also suggested hiking FDI cap in public sector banks to 49% from the current 20%. The RBI has refused to allow increasing FDI in private banks, currently capped at 74%.

The panel has also advised that FDI limits in information and broadcasting be raised. The current limit is 26% for print, radio and television news media, however the extent to which this cap maybe raised was not immediately known. Though in non-news broadcasting sector 100% FDI is allowed, in segments like DTH it is capped at 74%.

Last week, Chidambaram had said that the government will announce a series of steps over the coming few weeks to revive investment, including opening up FDI caps in some sectors. He had added that the policymakers were looking at every sector and every sectoral cap, and would remove caps in those sectors which are not serving the purpose.

The discussion paper also recommends that any FDI investment in India should be allowed through the automatic route till upto 49%, in the permitted sectors, except in defence, wherein every FDI investment proposal will have to go through the approval route, owing to security concerns.

Additionally, the committee has also sought clarifications from DIPP regarding FDI in brownfield investments, in which currently 100% FDI is allowed via the approval route. The panel has recommended that FDI up to 49% be allowed under the automatic route.

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Sharma to take up exporters' suggestions with PM

PTI

New Delhi, 2 July 2013: Commerce and Industry Minister Anand Sharma will take up with the Prime Minister the suggestions of exporters such as providing differential rate of credit for them to boost outward shipments.

The indication for the same was given by Sharma during his meeting with members of Export Promotion Councils and industry chambers yesterday. "Sharma assured a concerted effort to help exporters and inform them about his meeting with the Finance Minister and forthcoming meeting with the Prime Minister in which he will take up the suggestions received during this consultation," an official statement today said. He said the differential rate of credit should be provided to exporters as interest subsidy still falls well short of global lending rates. "...it is crucial as Indian exporters in any eventuality have to deal with high transaction costs on account of infrastructure bottlenecks. He indicated that he will take it up when the meeting with Prime Ministers happens," it said. India's exports entered the negative zone after a gap of four months, recording a contraction of 1.1 per cent in May and leading to a trade deficit of USD 20.1 billion, highest in the last seven months. Further, acknowledging the importance of high-tech products, Sharma said the ministry would encourage export of the items. "The list is under preparation. Emphasis on value-added products will be given," said the statement quoting Sharma. The minister has asked the export bodies to focus on SMEs which account for sizeable chunk of exports. He also sought suggestions from the industry and councils to clear bottlenecks for exporters. Sharma said the rising trade deficit has a cascading impact on current account deficit (CAD). He also said that efforts will be made to bring down transaction cost through Electronic Data Exchange. "24x7 custom clearance at ports will be pursued in a mission mode and senior Ministry officials will visit the major ports to expedite it at the earliest," Sharma added. In 2012-13, exports stood at US 300.2 billion, while imports touched USD 491.9 billion, leaving a deficit of USD 191 billion. "Sharma cited weakening global demands along with developments like mining restrictions in Goa and Karnataka, and unprecedented rise in gold import as the major contributors," the statement added. During the meeting, exporters demanded expansion of incentive schemes.

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Electronics sector sees setback as govt suspends 'buy India' policy

Pankaj Mishra &Leslie D'Monte, Mint

Bangalore/Mumbai, 9 July 2013: Companies that have proposed investing thousands of crores in India's electronics sector may do a rethink if the government revises its "Buy India" policy, caution industry experts and lobby bodies.

Under the policy, introduced in February, a portion of all electronics products bought by the government have to be manufactured locally. The central government alone, estimate experts, accounts for almost 25% of all buying in the Indian electronics market. State governments, government-run companies and private firms account for the rest.

According to information on the Department of Electronics and Information Technology's website, there is a pipeline of Rs.5,000 crore of investment proposals under the government's modified special incentive programme (excluding investments in semiconductor fabrication units that run into billions of dollars). Most of these depend on the projected demand for electronic goods under the government's preferential market access (PMA) and special incentive programmes.

India's electronic system design and manufacturing industry is estimated to grow from $64.6 billion in 2011 to $94.2 billion in 2015, according to the India Electronics and Semiconductor Association (IESA). Another lobby group, the Consumer Electronics and Appliances Manufacturers Association, sees demand for electronics hardware in India growing at 22% annually till 2020, which would make it a $400 billion opportunity.

These projections may go awry if the government revises the PMA policy that will encourage imports. On 8 July, the Prime Minister's Office said in a statement that the overall PMA policy for domestically manufactured electronic goods "will be recalibrated and submitted to the cabinet".

"The recent announcement from the government that certain clauses of the PMA policy are being 'put on hold' signals an unwarranted policy rethink which could hurt India's Current Account Deficit (CAD) in the short-term, since it will encourage imports and not provide any motivation for domestic manufacturing of electronics," IESA said in a statement on Monday.

In the long-term, the lobby body said, the move will affect India's ability to build competition in domestic manufacturing of electronics, and jeopardize an opportunity to create a $400 billion electronics system design and manufacturing industry in India.

Dow Jones Newswires, in a report on Monday, cited government officials as saying they wanted to address the concerns of foreign companies and governments. International companies had told the government that the policy might prompt them to set up operations elsewhere, the report said, citing Gaurav Verma, head of the New York office of the US-India Business Council.

P.V.G. Menon, IESA president, said that was not the case with the PMA policy. "The policy was also very fair in that it did not discriminate on the ownership of the company (foreign or Indian), and hence in no way violated WTO (World Trade Organization) norms, as was the apprehension expressed by some sections of the industry," he said over the phone.

Ajai Chowdhry, co-founder HCL, who is involved in the electronic policy area with the principal scientific adviser's office as co-chairman of the electronic research and development committee, had a similar view.

“In 2005, there was a zero import duty regime, which made imports very cheap. So PMA was the government’s way of stirring up demand and increasing employment. Every country has a right to protect its manufacturing sector just as governments do it in the US, Australia and China,” said Chowdhry.

T.R. Madan Mohan, founder of management consulting firm Browne and Mohan, which advises technology firms on corporate strategy, said changing the policy will hurt India’s competitiveness globally, especially compared with rival countries such as China.

“The Indian government has abdicated its policy role and pandering to the wishes of investors,” said Mohan.

The chief executive officer of an Indian company that makes hardware said he was disappointed the government had taken the easy way out by using the excuse of an absent ecosystem for hardware manufacturing to “not even make a start”. The person didn’t want to be named.

HCL Infosystems Ltd and Tejas Networks are among a handful of home-grown hardware firms that have the capability to manufacture computer hardware and telecom equipment in India.

There are dissenting voices, though, against the policy.

“PMA makes sense for government purchases, but it’s not sensible to extend it to private telecom operators since the telecom sector is capital-intensive and many telcos are under stress. It won’t help that industry,” said Benoy C.S., director, information and communications technology practice, at Frost and Sullivan.

“It is early days to comment on the issue. We had voiced our concern that the PMA was difficult to implement since there is no electronic ecosystem in the country,” said Anwar Shirpurwala, executive director, Manufacturers’ Association for Information Technology.

“Now that the government proposes to revise the policy, we would like our suggestions to be heard.”

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India eases foreign investment rules in new reform push

Agence France Presse

16 July 2013: A group of Indian cabinet ministers late on Tuesday cleared plans to remove the foreign investment cap in telecoms and relax overseas ownership rules in a host of sectors in a new economic reforms push.

The moves are aimed wooing investors and kickstarting the struggling economy before the scandal-tainted Congress government faces voters in general elections due by May 2014.

"We expect more foreign direct investment to flow in with these decisions," commerce minister Anand Sharma told an evening news conference.

The government is seeking to rebuild confidence in the economy which grew at its slowest pace in a decade at five percent and boost the ailing rupee which has hit a string of lifetime lows in recent weeks.

Among the steps, the ministers at a meeting chaired by Congress Premier Manmohan Singh approved raising the ceiling on foreign direct investment (FDI) in telecommunications to 100 percent from 74 percent.

They also decided to abolish the need for government approval for certain levels of foreign investment in single-brand retail and petroleum refining. In insurance, it approved raising the FDI cap from 26 percent to 49 percent.

But in the contentious area of defence, the FDI cap will remain at 26 percent with proposals beyond that considered on a case-by-case basis.

The ministers' decisions will still require the approval of the full cabinet -- likely to come at a meeting next week -- and the move to hike the insurance cap requires parliamentary clearance, Sharma said.

The announcement came after Finance Minister P. Chidambaram visited the United States for a second time in three months last week to reassure foreign companies that India remained a hospitable place to invest.

"We welcome the move and it indicates that reforms are underway," said Federation of Chambers of Commerce and Industry president Naina Lal Kidwai.

FDI in India -- seen as vital to improving its shabby infrastructure and boost manufacturing to employ its burgeoning youth population plunged to $22.4 billion last year from $36.5 billion the previous year, government figures show.

Underscoring foreign investor unhappiness with India, South Korean steel giant Posco scrapped a $5.3 billion deal to build a steel plant in the southern state of Karnataka due to land acquisition delays and local opposition.

Economists say India needs foreign investment to spur growth and also to close its wide current account deficit -- the broadest measure of international trade -- that has alarmed global credit ratings agencies.

To improve India's investment attractiveness, economists say the government must reduce the country's burdensome red tape, speed up slow project approvals and lessen widespread corruption.

The government has been dogged by a string of graft scandals during its second term in office, which has derailed many of its efforts to push through promised pro-market reforms.

Last year, the government opened up the supermarket, civil aviation and broadcasting sectors to wider foreign investment in a burst of reforms after being accused of policy paralysis.

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Sensible export policy would have saved the day

S. Murlidharan, Business Line (The Hindu)

Let's not pin hopes on a falling rupee to boost exports. The CAD problem calls for another approach.

17 July 2013: There is something moronic about the utterances of economists who they see in the current rupee-dollar exchange rate crisis a silver lining. They aver it would spur the nation to export more.

If only it was so simple! China, the world's largest exporter, has about 50 per cent of its GDP coming from exports with the comparable figure for us being less than 15 per cent, which does not place us in the category of leading exporters.

Indeed, we are not. In the rough and tumble of the export market, there are no quick fixes or shortcuts. There are both endogenous and exogenous factors that operate in determining the strength of a country's currency, with exogenous factors often exerting greater influence.

All floating currencies of the world have perforce to yield to the US dollar, which was foisted as the global currency by the US in 1944 through a combination of trickery, audacity and technological and military supremacy.

Indeed, the US dollar defies all theories and truisms. A country suffering from perennial Current Account Deficit (CAD) would willy-nilly have to live with a weak domestic currency. This, however, does not apply to the US. Despite leading the pack in having the highest CAD, it has a fairly strong currency.

Policy Paralysis

It is not as if we have been done in by the external environment alone. The rot could have been stemmed through several policy initiatives, such as:

The only area we reined supreme for a while was IT and IT-related exports but somewhere down the line we allowed that advantage to slip through, though the world-wide recession admittedly was also responsible. Countries like Vietnam and Philippines were snapping at our heels through furious cost-cutting and catching up on English language skills but we buried our heads in the sand, ostrich-like. Our IT companies, instead of preserving our advantages, set up shop in these countries in the sobering realisation that if you cannot beat them, better join them.

We were once upon a time a leading cotton garments exporter. But the Johnny-come-lately, Bangladesh, has not only stolen a march over us but has been giving the more dogged Chinese a taste of their own bitter medicine — furious under-cutting of price. What the government must do immediately, now that India grows cotton in enormous quantities, is to throw open the garment industry to the large-scale sector. Huge economies of scale and the much-needed resilience to cope up with the ever-changing fashions are attributes uniquely present only with the large companies, which have the resources to import the most modern machines. Reviving the cotton textile industry should be the government's priority that would give fillip to the downstream garments sector.

Employment opportunities would get a leg-up. This, however, does not mean the rupee would turn the tide, immediately because there would always be a lag between investments and exports. Export markets are notoriously difficult to prise open especially when faced with under-cutting of quotations and devaluation of currency, adopted by China.

Our captains of industry were itching to invest abroad. It is one thing for students to itch to study abroad but quite another for industries to invest abroad. Of course, they were not entirely to blame.

The government drove them to take this extreme step when back home investment was becoming a tough proposition — the 'economy versus ecology' dichotomy, among others, was making investments difficult. And the government played ball with them in facilitating the exodus, whereas it should have restrained them through tough norms.

The rather easy norms for outbound foreign investments have depleted our precious forex reserves; besides, Indian ended up buying a pig in a poke. Yes, many of the outbound investments have gone sour for two reasons — the recession there and winners' curse of paying an excessive price for acquisitions abroad in the anxiety to prevent competitors from stealing a march. Domestic investments, by contrast, have a multiplier effect like creation of employment opportunities, greater revenue for governments and better infrastructure.

Making External Commercial Borrowings (ECB) laughably simple through the automatic route through which a company can borrow as much as the equivalent of $700 million in a financial year was suicidal even without the benefit of hindsight. The economy is paying through its nose now that the rupee has dropped steeply from what the dollar fetched at the time of borrowings.

Huge redemption losses stare the borrowing companies in particular, and the economy, in general. Mercifully, the RBI put its foot down on borrowings from abroad for less than three years.

Revolving door mechanism extended to FIIs. FIIs bring hot money and are fair weather friends. They must be reined in. We need to take steps that would make us a manufacturing nation, so that we have an export surplus.

Right now, our exports have a huge import content, be they petroleum products or gems and diamonds. The government is now giving a pep talk to the industry, exhorting it to increase steel production. But it has to walk the talk.

(The author is a New Delhi-based chartered accountant.)

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Export controls are disastrous

Tejinder Narang, Business Line (The Hindu)

After wheat and iron ore, the Government is messing around with cotton exports.

The Textile Ministry wants to create a "Market Stabilisation Fund" (MSF) by imposing a cess/tax between Rs 1,000 and 2,000 per candy (356 kg) on cotton exporters. The new policy suggests that "surpluses only" may be permitted for exports after determining domestic demand. Some of the other 'straight out of the 70s' ideas are to permit exports "after the crop is ready" with farmers; and providing loan waver for weavers.

Indian cotton export has demonstrated consistent performance over the last three years — $3 to $4 billion per annum. This year, it may decline to $2 billion (one million tonnes). China's appetite for imports is tapering. The US Department of Agriculture (USDA) report of July 11 reflects higher global inventories, production almost unchanged at a high of 20 million tonnes (118 million bales) and falling prices. The need of the hour is to ensure more exports at best prices to improve foreign exchange earnings and bring down the current account deficit, especially due to the highest-ever output seen in 2013-14 owing to a good monsoon. *Ad hoc* interventionism by various arms of the Government has undermined macroeconomic fundamentals. The ban on iron ore exports has made the country suffer. Wheat export has been hit by inflexibility in pricing by the Food Ministry, while a surplus of 16 million tonnes lies hoarded. High "State Advisory Prices" (SAP) on sugarcane has priced India out of the export market, while making the country a net importer of sugar despite having abundant local supplies. The brunt is borne by the farmers as the industry is unable to make payments for the cane supplied. Now, cotton export is under threat of being destabilised.

Unfair Tax On Exporters

The proposed "export tax" for MSF is to be levied on cotton exporters. The Government is attempting "to kill the export demand" by diverting a large part of the proceeds to this fund.

Poor demand will manifest in more market availability. Such domestic surpluses will be openly exploited by the spinning/textile mills at their whims and fancies by pushing domestic prices down.

This will result in lesser realisation for farmers. Undeniably, exports contribute to demand expansion, which has been a major driver of production of cotton over the past decade. The Textile Ministry's intent is to provide freebies before elections to the industry. This is contrary to the recent directions of the Supreme Court to the Election Commission.

Act of Discrimination

Cotton "export tax" smacks of the domestic industrial lobby trying to dupe farmers, on the one hand, and mismanaging the export economy, on the other through the introduction of a new scheme proposed by the Ministry. Such a fund is also an arbitrary discrimination between exporters *vis-à-vis*spinners, textile mills, garment exporters and retailers at the cost of farmers. Legally and morally, this may be untenable.

A sugar development fund (SDF) under the Ministry of Food has been in operation since 1983 for modernisation of the sugar mills, funded by Indian consumers as part of the price of sugar paid to mills. As per the Food Ministry Web site, the status of SDF up to 2010 is — Rs 5,132 crore disbursed and Rs 2,352 recovered, indicating loss/under recoveries of 54 per cent. The disbursements of such funds (SDF

or MSF) are subject to discretionary patronage by politicians and bureaucracy at the behest of lobbies. Money once disbursed cannot be monitored or accounted.

Spinners and mills suffer from logistical, labour-related, technical and performance-centric inefficiencies, apart from acute shortage of power. Had it been otherwise, Indian textiles and garments would have been cheaper than those exported by China, Vietnam, and Bangladesh. Mills cannot be compensated by taxing the farmers.

Further, the quantum of cess also indicates the ignorance of margins that the market allows internationally. It is not a cakewalk to do business in cotton export where competition is intense and market volatility ranges between 20 per cent and 50 per cent. Profits are scant, say, Rs 200-400 per candy or (0.5-1 per cent) — for an export value of Rs 40,000/candy.

The cotton crop arrives in October and goes through a variable supply/demand/speculative cycle in the next 12 months. There is no way by which the "quantum of surplus" can be predetermined after covering domestic demand. The pattern of production of *kapas*, ginning, spinning, milling and garments is a continuous process in which the trade participates on a daily basis. That is the way "marked to market prices are discovered" locally and abroad.

Stable Policies

All commodities are purchased and sold throughout the year and cannot be linked to "physical arrival" of crop. Futures are traded and hedged in exchanges and business is done by mitigating the risk. Indian cotton export market cannot be "closed" or temporarily terminated till such time each bale is counted. The fundamentals of doing any business, including export, is to have stable policies, rather than to be influenced by vote-bank politics. Domestic supplies are good and augmented by e-auction of Cotton Corporation of India's 22 lakh bales. Authorities must understand that market is a natural balancing force and globally interlinked.

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‘Curbs on non-essential imports will have limited impact’

Kirtika Suneja & Banikinkar Pattanayak, Financial Express

New Delhi, 24 July 2013: The government's plan to curb the trade deficit by putting a lid on some to-be-identified “non-essential imports” would serve little purpose other than making the policy intent clear, analysts said. The most prominent among non-essential imports, that of gold with a 17% share in the country's total imports, has anyway been restricted with taxes and central bank regulations and there's little room here for further curbs. Importers of electronic goods, the third largest item in India's import list and which could be considered “non-essential” in some cases, are enjoying the benefit of zero import duty under the information technology agreements with several countries that cannot be revoked unilaterally. The scope for clamping down on imports is seen more in consumer goods, which include luxury items like imported cars, watches, alcohol, etc. Sources say the government's ability to make any meaningful difference in the trade deficit and, thereby, the current account deficit, by suppressing demand for these items would be limited. This is because in the overall trade value, these items don't account for a very significant share, besides the demand being largely price-inelastic.

“Gold is the prime candidate to be labelled a non-essential commodity, along with finished diamond products that are not for re-exports. But the government has already put some restrictions on its imports. However, most of our imports continue to be of essential commodities, such as crude and edible oils, coal, fertilisers, etc, and apart from precious metals, non-essential commodities constitute a negligible portion of overall imports,” said KT Chacko, former director general of foreign trade.

Chacko added that barring gold, which the government has already targetted, the plan to curb imports of other non-essential items may have some value for public consumption in the sense that the government will be seen as doing something to trim the trade deficit, but the tangible results of any such move may not be much to take note of.

Analysts said since gold imports have already dropped significantly to 31.5 tonne in June from 162 tonne in May and 142.5 tonne in April, the scope for curbing the purchases further has been significantly squeezed. Moreover, gold demand in the country has remained subdued due to government crackdown and absence of festivals and imports are expected to be around 70 tonne in the next two months, said Ashok Minawala, board member of the All India Gems and Jewellery Trade Federation.

“Other consumer durables which attract a duty of 7.5-10% may see a sharp fall if the duties are raised to anywhere between 25-40%,” said an expert adding that close to $35 billion of consumer electronics are imported into the country.

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Export sops hiked to 3% from 2%

Business Standard

New Delhi, 1 August 2013: Concerned over export contraction in May and June, the government on Wednesday announced a hike in interest subsidy to engineering goods, textiles and related segments to three per cent from the current two per cent, taking a hit of Rs 450 crore in remaining seven months of the financial year.

The higher interest benefits would be available from Thursday. This means when exporters borrow from banks, the government will pay them subsidy equivalent to three per cent of the interest payment, effectively reducing their interest burden.

The government will also clear claims of exporters on interest subvention for 2012-13, which will dent the government kitty by another Rs 1,550 crore. Announcing this, Commerce and Industry Minister Anand Sharma promised more export sops to reverse fall in outbound shipments, which are targeted to touch $325 billion (Rs 19.71 lakh crore today) in 2013-14, compared with around $300 billion last financial year.

The minister has convened a board of trade meeting on August 27, which may witness some export incentive measures being announced, including expanding interest subvention to other sectors as well as increasing the corpus of the market access initiative (MAI), market development assistance and central assistance to states for developing export infrastructure and other allied activities (ASIDE) schemes.

Interest subsidy is given to certain engineering goods, textiles, handicraft, carpets, toys, sports goods, processed agricultural products and readymade garments. "The move will help in reducing the cost of credit and adding to competitiveness of exports," said M Rafeeque Ahmed, president, Federation of Indian Export Organisations.

Sharma said the directorate general of foreign trade was identifying sectors which could be given interest subvention.
The commerce department did not specify how much the exchequer would be hit by giving increased interest subvention.

The minister also announced that pending claims of exporters on interest subvention were being expeditiously cleared.

"The government is making available the required resources to clear all claims of the exporters...And the provisions are being made to ensure that claims of the all the exporters are settled forthwith", he said.

Pulled down by subdued demand overseas, India's exports declined 1.41% at $72.45 billion in the first quarter of 2012-13 against $73.49 billion in the previous year. Sharma stuck to the target of $325 billion dollars for the current year, which represents 8.12% growth over the previous year. India's exports declined 1.76% to $300.5 billion in 2012-13 against $305.96 billion a year ago.

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