

**Chairman's Pen**

*My dear fellow exporters,*

*EEPC India which is India's largest trade and investment promotion body in the engineering sector is strongly against the reduction of import duties to zero in major engineering sectors like hand tools, bicycle and parts, electricals, industrial machinery, auto and auto parts etc. which are being discussed in the sectoral negotiations under the auspices of the Doha Round of the WTO.*

*The proposed cuts will lead to deindustrialization and massive job losses that will further aggravate the social tensions that are currently rearing its ugly head in large parts of the country. I may add that a bulk of the above sector belongs to the micro, small and medium scale (MSME) sector and they are already finding it extremely difficult to survive. It may be mentioned that the Government of India has unilaterally reduced the applied tariff rates and the present average industrial tariffs in around 7.5%. Thus, our tariffs are comparable to ASEAN rates of tariffs and is in line with the stage of India's industrial development.*

*In this context, the Government of India should keep in mind that MSMEs contribute about 8 per cent of the GDP of the country, about 45 per cent of manufactured output and about 40 per cent of exports. This, coupled with a high labour to capital ratio, high growth and high dispersion makes them crucial for achieving the objective of inclusive growth. As per the quick results of the 4th All India Census of MSMEs (2006-07), there were 26 million MSMEs in the country, which provide employment to about 60 million persons.*

*It may be noted that the engineering sector employs 24% (22.7 lakhs) of total employment in the organized sector (92 lakhs), while it accounts for 6% of employment in the unorganized sector.*

*EEPC India has also carried out detailed trade analysis of the impact of zero duty import regime and it has been found that India does not gain from the sectoral tariff reduction in the above engineering tariff lines. The benefit of such reduction accrues only to the developed world.*

*I, therefore, feel that given the need for inclusive growth, reduction in income inequality and increasing regional balance within the country, the Government of India should not be party to these sectoral negotiations.*

*Yours sincerely,*

A handwritten signature in black ink, appearing to read 'Aman Chadha'. The signature is stylized and cursive.

(AMAN CHADHA)