



**EEPC NATIONAL AWARDS FOR 2008-09
WELCOME ADDRESS BY MR. AMAN CHADHA, CHAIRMAN, EEPC INDIA
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Respected Shri Anand Sharma, Hon'ble Shri Sumanta Chaudhuri, Distinguished National Award Winners, Fellow Exporters, Our friends in the media, Ladies and Gentlemen,

It was Lord Gautam Buddha who once said **“Your work is to discover your world and then with all your heart give yourself to it”**. Today, as we assemble here this evening, to congratulate the National Award Winners for Export Excellence, the words of this great visionary come to my mind. For exporters in India are both, literally and metaphorically, in the act of discovering the world and giving their heart to it, unmindful of the challenges that lay in this process.

Indeed, today is one of those occasions when EEPC India salutes the remarkable work done by its fellow members for their valiant efforts in making “Brand India” a name to reckon with in world markets, despite all odds. We take immense pride as we acknowledge the success of our fellow engineering exporters at the National level for the year 2008-09. **And who better to share with us this momentous occasion than our own Commerce & Industry Minister, Shri Anand Sharma.** A warm welcome to you, Sir, for sparing your valuable time despite your immensely busy schedule to be with us this evening and giving us the opportunity to show case to you the achievements of our member exporters. A hearty welcome to Shri Sumanta Chaudhuri, our Joint Secretary in the Department of Commerce and a constant source of wise counsel and advise for the Council. I also extend a warm welcome to all the other dignitaries and senior officials represent with us today evening.

At the outset, EEPC India takes this opportunity to express its grateful thanks to Hon'ble Shri Anand Sharmaji, for the most enterprising amendments to the Foreign Trade Policy that was announced by him on August 23, 2010. Sir, since your taking over the helm of the Union

Commerce & Industry Ministry, there has been a spate of policy measures and initiatives designed to promote India's foreign trade. The key objective of the Foreign Trade Policy to arrest the declining exports and reverse the trend last year was met with success with the export growth in the second half of the last fiscal year growing by over 19% and the trend having continued in the first quarter of the current fiscal year.

Ladies and Gentlemen, about a year ago, the phrase, "**green shoots of recovery**", attained great popularity after the American Federal Reserve chairman, Ben Bernanke, used it in a television interview to bolster his claim that the American economy was coming out of the global recession. Since then, economists all over the world have been debating for a considerable time whether spring has actually arrived or whether the green shoots will soon wither away and plunge the world into double-dip recession.

It is in this global context, the prudence shown by the Shri Anand Sharmaji to persevere with the policy stance chartered last year and provide benefits for sectors still struggling shows remarkable sagacity and calibration when it comes to unwinding the fiscal stimulus that was given last year. With respect to the engineering sector, as a result of the sectoral reviews in December 2009, February, 2010 and thereafter in April, 2010, it was possible for us to convey to the Department of Commerce the segments of the engineering sector that required handholding. We are, indeed, thankful to the Hon'ble Minister and his distinguished colleagues in DGFT and the Department of Commerce for having responded to our data analysis in the Annual Supplement to the Foreign Trade Policy. The inclusion of the engineering sector in interest subvention was long overdue and we are grateful for accepting this suggestion. This apart a combination of measures to make engineering exports competitive in world markets as well as for technology upgradation are most welcome and will help the engineering sector immensely.

Sir, one of the most noteworthy initiatives that were undertaken by you was the constitution of a Task Force on Transaction Costs under the guidance of Union Minister of State, Shri Jyotiraditya Scindia. EEPC India contributed to this process of deliberations as both me and my predecessor, Shri Rakesh Shah were members of the Task Force. Our analysis showed that 28 steps are required to be carried out by a manufacturer exporter belonging to the

engineering sector from the time of receiving an exporter till the remission of foreign agency commission. Further, for a medium sized export shipment worth USD 20,000, the **transaction Cost as a percentage of FOB value is 7.5% for shipments which are closer to ports and 10.5% for shipments which are from inland cities. Thus, if the transaction cost can be reduced by 40% as has been promised by the Hon'ble Minister, it will be a major step in enhancing our export competitiveness.**

Ladies and Gentlemen, let me take this opportunity to say a few words about India's Engineering industry. According to the Annual Survey of Industries, 2007-08, which is the latest available, out of the 25 major industry groups at two digit level of NIC-2004 classification, engineering industry accounts for 8 groups. These 8 engineering groups represent 25.98% of total factories in India, 34.91% of invested capital, 28.86% of total persons engaged, 36.35% of total industrial gross output and 40.83% of the total Net Value added. To top it all, engineering exports accounts for over 20% of India's total exports. It is for this reason that a slowdown in the engineering industry and exports not only affects industrial investment and growth but also employment in the country.

2008-09, the year for which the National Awards will be presented by Hon'ble Shri Anand Sharma today represents in many ways the end of high growth years of engineering exports. Significantly, while non-engineering exports, by and large, began to slide sharply from October 2008, given the long gestation nature of engineering contracts, our exports decline was less and we attained USD 40.49 billion in 2008-09 which implied a growth of 20.01% from USD 33.73 billion in 2007-08. In terms of percentage share, engineering exports accounted for 21.85% of India's total exports in goods.

Nonetheless, the signs of an impending crisis were beginning to emerge. This is evident from the fact that during April-September, 2008, engineering exports was to the tune of USD 23.21 billion which was a growth of 48.92% over USD 15.59 billion in April-September 2007. However, in the second half of the year, that is, between October 2008 and March 2009, engineering exports reached USD 17.27 billion which amounted to 4.83% lower than USD 18.15 billion that was achieved in the second half of 2007-08. It is in this backdrop that we need to bear in mind the contributions of our Award winners today. It will, of course, be remiss

on my part, if I do not mention our other members who may not have won the Awards, but whose contribution to the national efforts are equally significant.

The impact of global economic recession still persists despite signs of green shoots recovery. 2009-10 was a particularly difficult year when engineering exports fell by 19.21% and our share in total exports fell to 18.31%. While early data for the current fiscal year shows a rebound, it seems more a base effect due to low growth in the last fiscal. Engineering exports is estimated to be about USD 14.72 billion for the four month period April-July, 2010. This implies that it has grown by 39.15% over April-July 2009, when the export was USD 10.57 billion. However, it is still 8.32% lower than the USD 16.1 billion attained during April-July, 2008.

Further, there is evidence of slowing of engineering export growth between April-June 2010 and July 2010. The engineering exports grew by a whopping 41.87% during April-June 2010. However, this growth rate fell to 16.43% in July 2010. Thus, we are keeping our fingers crossed and are extremely grateful to Hon'ble Shri Anand Sharmaji for continuing and strengthening the range of policy support measures that he had undertaken last fiscal.

EEPC India began its journey in 1955 and at its Golden Jubilee celebration in 2007, the then **Hon'ble President of India, Dr. A.P.J. Abdul Kalam, set us** an engineering exports target of USD 100 billion by 2016. The **Ernst & Young Strategy Paper for the Growth of Engineering Exports** which was released by the Hon'ble Shri Anand Sharma in April 2010 has further upped the target to USD 110 billion by 2014. To achieve this aspiration, Indian engineering exports will have to show an annual growth rate of 22-25% in the period 2010-2014. Achieving this target would also have a considerable impact on the Indian economy as it is expected to lead to a sustainable increase of 0.5-0.6% in India's real GDP growth rate and create an additional 8.9 to 9.4 million jobs in the entire economy while increasing India's engineering exports share in world engineering exports to 1.7% by 2014.

Sir, it was the French Philosopher, Voltaire who said that "it is the present which is pregnant with the future". Indeed, our future is in many ways inextricably linked to the policies that Shri Anand Sharma and his distinguished colleagues will pursue in the immediate.

Therefore, given his distinguished presence in our midst today, let me raise a couple of issues that affects not only engineering exporters but the entire exporting community. Permit me, therefore, Sir, to make the following remarks:

- ☑ *There is much confusion over the issue of Tax Deduction at Source for Foreign Agency Commission paid by exporters after a CBDT circular issued in October 2009. We met a senior CBDT official as well in this regard but there seems to be some resistance in clarifying this point. We would urge your kindly taking up the matter with the Finance Ministry so that a clarification can be provided. We just need to know whether TDS on Foreign Agency Commission is applicable or not ;*
- ☑ *Second, the fountain head of capitalism is increasingly turning protectionist. The proposed Foreign Manufacturers Legal Accountability Act, 2010 in the US will have considerable negative impact on Indian exporters, particularly, those belonging to the MSME sector. We sincerely feel that such Acts are not required given that Product Liability exists and there are sufficient instruments to ensure that harmful products are not exported to the US. Also the WTO compatibility of this legislation, if it becomes operative, needs to be looked into.*
- ☑ *Finally, the sectoral negotiations under the auspices of the Doha Round need to be carefully looked at by Indian negotiators. The proposal to reduce import duties in major engineering sectors like Hand Tools, Bicycle and Parts, Electricals, Industrial Machinery, Auto and auto parts are unlikely to benefit us. The MSME sector is already finding it extremely difficult to survive and the proposed cuts will further aggravate the situation. The Government of India has unilaterally reduced the applied tariff rates and the present average industrial tariffs in around 7.5% and we are embarking into many bilateral regional trade agreements. Thus, our tariffs are in line with the present stage of India's industrial development.*

Sir, on the auspicious occasion of the National Excellence Award for Exporters for 2008-09, I have taken the liberty of your distinguished presence in our midst to raise some issues for your kind consideration.

There is an African proverb which says that until lions tell their own history, history will always glorify the hunter. Let me therefore, at the end, say a few words on EEPC India's Awards for Export Excellence. In 1967-68, EEPC India, then called the Engineering Export Promotion Council, recognized the contribution of its member exporters and awarded badges and certificates of merit to those members who had exported more than 10% of their production and/or had exceeded an export performance of Rs 2.5 lakhs during that year. 74 firms were recognized on this basis that year. Thus, the 2008-09 National Awards for Export Excellence is the 41st year of presentation of National Export Excellence Awards by EEPC India.

Today, Hon'ble Minister Shri Anand Sharma will be giving away a total of 107 Awards, of which 11 belong to the Top Exports Award categories comprising Gold and Silver Trophies, 86 representing 34 categories of engineering groups, 7 Silver Plaques representing Special contribution for highest growth in exports, participation in Council's promotional activities, best performances with respect to Thrust Markets and Thrust Products and 3 Quality Awards respectively. The Who's Who of Indian Engineering have competed with each other in order to bag the Awards.

As I conclude, I must thank the entire team in Union Ministry of Commerce & Industry for the support that we have received from them at all times. My congratulations to the National Award Winners for 2008-09, once again, and hope that they will continue to serve the cause of the country in future with all determination. With these words, may I, once again, thank Shri Anand Sharma and Shri Sumanta Chaudhuri for their encouragement and valued presence on this momentous occasion?

Thank you.

