Chairman's Pen

My dear fellow exporters,

The Annual Supplement to the Foreign Trade Policy for the current year was released by the Hon'ble Commerce & Industry Minister Shri Kamal Nath on April 11, 2008. The Policy has set a national target of US$ 200 billion for the current fiscal year and has also stated that India's Foreign Trade Policy would aim to target 5% of share of world trade by 2020.

While though no substantive policy measures have been announced to give a big push to the sliding exports from the country, certain positive measures have been announced. This includes, among others, liberalising the EPCG Scheme for technology upgradation of exporters, the extension of DEPB Scheme till May 2009, prolonging the interest Sub-vention Scheme by another year, extension of the Focus Market Scheme to 10 countries, inclusion of more products in the Focus Products Scheme and enhancing the limit of free import of samples from Rs. 75,000/- to Rs. 1 lac annually. It may be mentioned that engineering exports constitute around a fifth of India's total exports and in the current milieu where steel and pig iron prices have increased in the range 50-50% in the last 11 months, the steps suggested in the Foreign Trade Policy to control steel prices such as withdrawal of export benefits for steel exports, seems rather inadequate.

The Council has been suggesting to the Government to follow the Chinese example of imposing export duty of 25% for all categories of steel exports to stabilise domestic prices. It is also felt that even though the engineering exports last year showed positive growth, there have been seven engineering sectors like Hand Tools, Bicycle and Parts, Two-Three Wheelers etc., who have recorded negative growth and need to be given benefits at par with those sectors like Apparels and Textiles. It may be mentioned that all these negative growth sectors of engineering are extremely labour intensive and, therefore, they meet all the criteria of special privileges that have been given to sectors like Apparels, Textiles and Leather.

The Council has also informed the Government that the process of rebating fiscal levies on exports has been inadequately tackled in the policy. Service Tax reimbursement is still refund based and not exemption based and inherently adds to the transaction cost of the exporters. Similarly, it was hoped that some steps would be taken to rebate State Level Taxes. Unfortunately, this has not been done even though there has been some effort to lower transaction cost through the use of EDI and Information Technology as well as the commitment to pay 6% interest on terminal Excise Duty and CST refund, even though this is not clear from what date it is likely to be calculated since the due date is not known.

Yours sincerely,

(RAKESH SHAH)