

## Chairman's Pen



*My dear fellow exporters,*

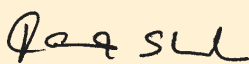
*The last week has brought about certain distressing news which the Council had been warning the Government for some time now. The rate of inflation touched 6.67% on March 29, 2008 and steel prices along with food prices contributed significantly to the inflation rate. The Council has been pointing out that the steel prices have risen abnormally in India for some time now and had suggested a two pronged approach: lowering the import duty on raw materials that goes into the manufacture of steel and levying an export duty on steel products as well as banning or a stiff duty on exports of all types of iron ore fines.*

*The Government has responded by temporarily suspending DEPB benefits on steel exports. The Council feels that this is inefficient step and may not curb the escalating steel prices. Further, such a step will only hit the DEPB benefits accruing to the small and medium scale exporters. A better way of handling this would be to use export duty as China has done. The Chinese domestic steel prices are lower than their FOB export price by nearly US 150 per tonne due to the export duty that China levies on its steel exports. Also it is critical to stop the export of all types of iron ore fines to ensure that our steel companies can have access to iron ore at competitive prices.*

*I may also mention that today, Morgan Stanley, has lowered the growth forecast for fiscal year 2008-09 to 7.1% clearly indicating that tough conditions are likely to be prevalent in the forthcoming fiscal year. In such a scenario, a progressive foreign trade policy can lessen the burden on the exporters and help instill greater confidence in the exporting community. The focus should be on ensuring a Rupee exchange rate that is conducive for exports growth and progressive support measures for promotional growth of exports as well as in offsetting the plethora of taxes on exports, both at the central and state levels.*

*In this context, the RBI's Annual Policy Statement for 2008-09 due in April 2008 can also play a catalytic role in promoting exports. The focus should be to combat the inflationary pressures by capacity creation rather than traditional counter-cyclical measures, since growth rate is south bound.*

*Yours sincerely,*



(RAKESH SHAH)