

Chairman's Pen



My dear fellow exporters,

Friends, the Rupee has once again breached the Rs. 40 barrier against the US Dollar and the media is hinting that, perhaps, the RBI would further tighten its monetary policy by increasing the Cash Reserve Ratio (CRR). The Council is extremely concerned over these developments and has been taking the issue up with all the concerned authorities. I may also mention that the Rupee appreciation has hit other exporting sectors as well like the textiles, apparel, tea, information technology and so on. Moreover, the rate of inflation too has come down to some extent and therefore it seems all the more beguiling as to why the RBI is not intervening. It may sound a little paradoxical too that at a time when the major problem lies with inflow of dollars into the country, the RBI has so far not attempted to revise lowering the ECB ceiling and in fact increased the ceiling a couple of months back.

Some analysts have also stated that the Rupee appreciation will not harm the overall balance of the economy, given the increased import intensity of Indian industry and the fact that ASEAN country currencies too have appreciated against the dollar. The Council would like to state that while import intensity has, indeed, increased and the Rupee appreciation may lower the cost to that extent, it must be kept in mind that a large majority of Indian exporters are generally low value added exporters who would gain very little from lower cost of imports. In fact, what is likely to happen a form of "deindustrialization" of the micro, small and medium scale exporting units. Perhaps, these units would look to selling their products in the domestic market, which is increasingly getting swamped by imports; but more importantly, if they succeed, this will have a long term adverse impact on India's balance of trade. Further, comparing India with ASEAN countries is an inappropriate way of looking at things since India's main competitor is China which continues merrily to have a sticky exchange rate. We are clearly moving to the Pre-1991 era when exports were given very little priority to the detriment of our economy.

This week the Council will have an opportunity to raise these issues before the august presence of the Hon'ble Commerce & Industry Minister, Shri Kamal Nath. The Council will be felicitating its National Awards Winners for Export Excellence for the year 2005/06 on June 1, 2007 at New Delhi. It was a herculean task for the Council to select the Award Winners, given the tremendous competition in each category. So while the Council will be felicitating 86 Award Winners in different categories of products, those who have missed the bus should not feel disheartened since their contribution in national export efforts have been no less and they will, I am sure, emerge as Awards Winners in the years ahead.

The Annual Award Presentation Ceremony on June 1, 2007 will also be the occasion when the Council will fulfill another commitment that it made to the Hon'ble Commerce & Industry Minister. This relates to the preparation of a comprehensive Strategy Paper on the prospects of growth of Engineering Process Outsourcing (EPO) from India. The Council had commissioned A.F.Ferguson & Co. to carry out a detailed Strategy Paper. This Strategy Paper is now ready and will be released on June 1, 2007 by Shri Kamal Nath. I do hope the recommendations in the Strategy Paper will be gone through by all stakeholders and appropriate steps will be taken to ensure that the potential that India has in the EPO sector will be realized in the years ahead.

Yours sincerely,



(RAKESH SHAH)