

Chairman's Pen



My dear fellow exporters,

Friends, the RBI's move to suck out Rs. 15,000 crore from the system by the raising of the CRR on Friday, March 30, 2007 will have considerable repercussions in escalating the cost of credit further. Such a direct method of credit squeeze will raise interest rates across the board that have already shot up by over 3% in the last few quarters thereby making it extremely difficult for micro, small and medium scale units, in particular, to meet their export commitments.

Your Council has taken up the phenomenon of escalating interest rates with the RBI Governor and the Commerce & Industry Minister and has drawn attention to the fact that since December 2006, the impact of extreme counter cyclical measures and rising interest costs is now casting a shadow on export growth. Till about October 2007, our exports and particularly, engineering exports were growing at a healthy rate that led analysts and industry watchers to believe that USD 125 billion total export growth target would be easily achieved. The recent Ministry of Commerce & Industry data for the month of February 2007 clearly indicates that the exports have tapered off in the last quarter and the USD 125 billion export target set by the Ministry for 2006/07 is unlikely to be achieved given that a whopping USD 16 billion worth of exports will have to be made in March 2007 to meet the target. The Council has also pointed out that if such high interest rate regime continues for another quarter or more, India's exports, particularly, engineering exports will be adversely affected and will come down to a single digit level in the current fiscal year. This is because EEPC member exporters not only have to grapple with high interest costs, but the escalating cost of raw materials inputs further eats into their cost competitiveness. The RBI will also be coming out with its Annual Statement for the current fiscal year this month. In response to a request received from the RBI, your Council is in the process of submitting a wide range of issues pertaining to export credit, exchange control, FEMA issues and transaction costs related issues for consideration by the RBI so that suitable changes can be made in the forthcoming Annual Statement of the RBI.

In order to meet the growing requirement of Council Members desiring clarifications with regard to both direct and indirect taxes, the Council has retained the services of Shri N. L. Lakhanpal, Chairman, Zetgeist Advisorate, New Delhi to look into the various problems faced by members in carrying out the various procedural requirements of our direct and indirect tax laws and Exim Policy related issues. Shri N. L. Lakhanpal is a former Director General of Foreign Trade and is eminently qualified to render consultancy services with regard to tax laws. Members are requested to kindly forward direct and indirect tax related issues as also Exim Policy related issues that require a clarification or interpretation of laws to their respective Regional Offices of the Council where the concerned Regional Director will screen the request and forward the same to Shri N. L. Lakhanpal for seeking the said clarification. Members are requested to avail of this new facility and take the benefit of the advice rendered by Shri N. L. Lakhanpal.

Yours sincerely,



(RAKESH SHAH)