

Thrust on job creation in rural areas

India's Exim Policy Targets Higher Share in Global exports



India's Foreign Trade Policy for 2006-07 (April/March) is aimed at stepping up the country's share in global trade at the same time providing a large number of jobs in rural areas.

This year's document, an annual supplement to the Five-Year Foreign Trade Policy ((2004-09), was announced by Commerce and Industry Minister Kamal Nath on April 7, 2006, laying emphasis on exports of items

such as handicrafts and handlooms in view of their potential to provide a large number of jobs in villages and rural areas.

With India's merchandise exports touching \$101 billion in 2005-06, the government is bullish on improving the country's share in global exports to 1.5 percent. With trade in services estimated at around \$100 billion and merchandise import of \$140 billion, India's foreign trade is now around \$340 billion. The government wants to use this \$340-billion trade muscle to create more jobs.

Focus on Africa

This year's Exim Policy provides additional incentives to exporters who focus on emerging markets like Africa, CIS nations and Latin America and aims at broad-basing the country's exports and ensure their faster growth.

Identifying Africa as the new focus market in view of its huge potential, India is intensifying its efforts to further boost exports to that vibrant continent. The Government is planning to pump Rs 600 crore (\$133

million) to push up exports to Africa. The two crucial economic ministries - Commerce and Industry and Finance - had worked out the special package for Africa, which was announced as part of the current year's Exim Policy.

The focus on emerging markets would be a big boost to those focusing on non-traditional markets. The strategy would help in reaping long-term benefits.

Services Sector

For the urban youth - skilled or semi-skilled - the government is targeting new employment opportunities in the services sector.

Service sector companies will be allowed to transfer accumulated import entitlement under the 'Served from India' scheme and rupee payments by foreign tourists will be taken into account for calculating foreign



exchange earnings of hotels and tour operators.

Auto Components

To promote India as an auto component hub,

AVENUES

the government will allow import of cars for R&D purposes without going through expensive homologation. This will enable import of new model cars for testing components.

Handicrafts & Handlooms

Apart from the focus on emerging markets such as Africa, additional incentives will be available to export of fish, marine products, leather, leather products, processed food, handicrafts, handlooms, sports goods, fireworks and stationery.

How the common man must benefit from trade was the underlying theme of the Exim Policy with leather, fish, gems and jewellery, khadi items, fireworks and stationery chosen for special incentives.

The common thread linking sops to these products is their employment-generation potential, with Kamal Nath emphasizing that two million new jobs will be created in 2006-07 through 20 percent growth in exports. The rural thrust is expected to cost Rs 2,500 crore in terms of revenue foregone.

A recent study has shown that exports supported nearly nine million jobs in 2004-05. In addition, nearly seven million jobs were supported indirectly as exports during the year touched \$80 billion..

While the focus on handicrafts and handlooms is expected to boost rural jobs, the government is banking on services and gems & jewellery for the urban and semi-urban centres.

Exporters have also been promised exemption from service tax and fringe benefit tax. While the export-oriented unit (EOU) scheme has been made more flexible to benefit agri-export zones, the popular duty entitlement promotion scheme (DEPB) has been retained in its existing form.

The export promotion capital goods (EPCG) scheme has also been made more flexible with additional time for fulfilling export obligation. To reduce transaction costs, Kamal Nath has promised to shift all licensing work of the Directorate General of Foreign Trade (DGFT) to the online mode.

Exporters will be in a position to get their clearances through the electronic data interchange (EDI) system. The government has also promised interest payment on delayed refunds.

GM Crop Imports

The government would lay down clear guidelines on imports of genetically modified (GM) crop varieties, Kamal Nath said.

Precious metals, stones & jewellery

India will make imports of precious metals and stones easier in order to promote gems and jewellery exports, Kamal Nath said, adding Mumbai has to match Dubai and Tel Aviv in gems and jewellery trade.

There are a number of unutilised gems and jewellery manufacturing units, which need to be revived, he said, Tax benefits would be extended only to inputs and not for finished jewellery products.

Persisting with its efforts to promote India as a gems and jewellery hub, the



government has reduced the value-addition criteria for exporters from this sector to 4.0 percent as compared to earlier level of 7.5 percent.

Import of used jewellery and scrap of precious metals has been allowed, and exporters can bring back export jewellery and ship their exports on consignment basis.

The idea behind these steps is to prevent India's gems & jewellery business from shifting to Dubai. Boosting the gems & jewellery sector would create more jobs in smaller centres like Surat.

Aviation fuel supplies

With a view to making India an aviation refueling hub, Kamal Nath announced that jet fuel supplies to long-distance flights of international carriers would be treated as



exports, which would enable oil firms offer fuel at competitive rates.

Export status to aviation turbine fuel (ATF) supplied to international airlines would help

AVENUES

oil firms claim duty drawback or rebate on duty chargeable on imported crude oil used in the manufacture of such fuel. This would essentially translate into lowering of fuel prices.

"In order to tap the business opportunity in supplies of stores (food, beverages and other supplies) and refueling of long distance flights, it has been decided to treat such supplies on an equal footing with other exports, making them eligible for benefits under various export promotion schemes," the Minister said. .

This would enable India offer competitive fuel prices and attract mid-route stops of international flights, he said.

Currently, most airlines on this route replenish supplies or refuel at Thailand, Malaysia or Singapore. Since these supplies were not treated as exports in India and suppliers could not obtain the duty neutralization benefits available to other export products, the store supplies from India became largely uncompetitive.

Now such supplies are being brought on equal footing with other exports and supplies of stores on board of the foreign going vessel/aircraft shall be treated as exports for the purpose of availing benefits under various Export Promotion Schemes. ■

Exports boom to create 20 million jobs by '09-10



India's booming exports will not just earn valuable foreign exchange , but could also generate more than 20 million jobs by 2009-10 across the country.

According to a study by Research & Information System for Developing Countries, released by Commerce Minister Kamal Nath, if India achieves \$150 billion exports target by 2009-10, total additional jobs created would be 13.6 million..

Of this, 8.1.5 million jobs would be direct incremental employment , while 5.4.6 million jobs would be in indirect jobs created through backward linkages and in logistics.

However, if exports cross \$165 billion by 2009-10, 20.1 million incremental jobs could be created. This would include 12.4 million direct jobs and 8.63 million indirect jobs in export-related sectors, the RIS study projected.

The total employment in export sectors by 2009-10 would jump to 29.5 million or 36.9 million depending upon whether exports touch 150 billion dollar or \$165 billion.

"It is only with a multi-pronged, multi-dimensional efforts that we can address the massive challenge of finding jobs for millions of our unemployed youth. Export-oriented production has a huge potential for generating jobs," Kamal Nath, who released the report while announcing the Foreign Trade Policy said.

India's exports have already crossed 100 billion dollars in 2005-06 and the government has set a target of 120 billion dollars in 2006-07. With an annual growth rate of about 25 per cent, the country's exports may well cross this target. ■