



**EEPC REGIONAL AWARD PRESENTAION FOR 2005-06
EASTERN REGION, KOLKATA
February 28, 2008**

Address by Mr. Rakesh Shah, National Chairman, EEPC

Hon'ble Shri Manab Mukherjee, Consul General of Germany, Mr. Guenter Wehrmann, Shri R P Sehgal, Fellow Exporters, Distinguished Guests, Members of the media, Ladies and Gentlemen,

Thank you, Shri Sehgal, for your warm words of welcome. I am, indeed, glad to be present here on the occasion of the Export Excellence Award for the year 2005-06 for distinguished performance from the Eastern Region. May I also welcome our Hon'ble Minister Shri Manab Mukherjee for his gracious presence on this auspicious occasion and profusely thank him for kindly acceding to our request to present the Awards to the member exporters of the Council from the Eastern Region. A warm welcome to German Consul General, Mr. Guenter Wehrmann, for his kind presence at this function. EEPC members have strong ties with your country and it is, indeed, a privilege to have you with us on this occasion.

Let me, at the outset, congratulate the Award winners for their achievements for the year 2005-06. For the Council, you are our heroes whom we salute and look up to for the milestones that you have achieved. The EEPC Export Excellence Award, be it at the Regional Levels or at the National Level, is an extremely competitive selection process, based on the strict adherence to a set of guidelines and is therefore extremely difficult to get unless the said exporter has truly attained remarkable heights during the period under consideration.

Given the strict and transparent selection criteria for the Awards, while congratulating the Award Winners, may I also thank the other members belonging to the Eastern Region who have competed in each Award category but could not make it for the year 2005-06. Your contributions in the national effort of export promotion can by no means be belittled. You too have played an equal part in promoting the Brand India image to over 60 countries around the world and in show casing the tremendous progress that Indian engineering industry has made over the past six decades since our independence. As William Penn, one of the founding fathers of the United States of America said and I quote: *“To have striven, to have made the effort, to have been true to certain ideals, this alone is worth the struggle”*. Unquote.

Indeed, undertaking exporting activity is a difficult proposition in the best of times. And for Indian engineering exporters, to enter new markets and create a presence over time is, in many ways, an uphill task. Our exporters, therefore, are the unsung heroes and that is why the EEPC Award Ceremony is so special to us and our members.

It was in the year, 2005-06, that India’s engineering exports crossed the USD 20 billion mark. The total engineering exports of goods and services in 2005-06 was to the tune of USD 20.35 billion registering a growth of 23.53% over 2004-05. This accounted for a fifth of the total exports from the country which makes engineering the number one commodity in India’s merchandise exports. Further, 16% of the total engineering exports from the country can be attributed to emanate from the Eastern region amount to a little over USD 3 billion. Some of the engineering items that were exported out of this region were castings and forgings, metallurgical items, steel based exports, ferrous and non-ferrous items, machine tools, instruments, auto parts and agricultural implements.

In fact, Germany has been one of the leading destinations for Indian engineering products. India’s exports to Germany grew by 15.71% in 2005-06 to USD 694

million over 2004-05. It must be stressed that the growth in 2006-07 was even more impressive when it grew by nearly 30% to USD 900 million. This growth was on account of a number of interactions between India and Germany and in particular the Hannover Fair in April 2006, where India was the Partner Country, which played a pivotal role in giving the necessary impetus to engineering trade between our countries.

I must, however, draw attention to the fact that the conditions prevailing in 2005-06 was far more conducive to exports. The exchange rate was considerably favorable to the exporting community while the VAT system had just begun in some States of the Eastern Region. Thus, the remarkable growth that the engineering exports witnessed during the fiscal year 2005-06 is an indicator of what an “enabling environment” can do to boost the export capability, especially of those belonging to the micro, small and medium scale sector.

Today, unfortunately, as the world market has turned more uncertain and competitive, it does seem that our policy makers are yet to fully appreciate the need to create a domestic environment that can enable the MSME exporting units, in particular, to meet the challenges of the international trading arena. To elaborate a little, the exchange rate policy, in particular, followed by India in recent times has been beyond our comprehension. Not only has the exchange rate not been beneficial to Indian exporters, but as the recent Industrial production data for the month of December 2008 has shown, it has had a sharp negative impact on domestic industrial production. Moreover, the Rupee appreciation by nearly 15% in the fiscal year 2007-08 has been more beneficial to our competitors like China.

Engineering exports account for over 8% of total employment on account of exporting activity in the country. A recent EEPC survey showed that an Rs 1 crore loss in engineering exports leads to job losses for 44 workers. Further, sixty percent of the engineering sector is served by the MSME units. The MSME

sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country. In recent years, the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. The labor intensity in the MSME sector is estimated to be almost four times higher than the large enterprises.

The woes on account of sharp Rupee appreciation have been further compounded by sharp escalation in steel prices in India. The average steel price increase between April 2007 and February 2008 has been around 20% in different categories of steel and is perhaps the highest compared to China, EU, USA, Far East, Latin America and CIS countries. The Hon'ble Union Steel Minister, Shri Ram Vilas Paswan himself has acknowledged the price escalation in steel and there is now an urgent need to ensure that the MSME sector gets adequate engineering raw material at competitive prices.

Credit cost is another factor that seems to be quite out of line with international trends. Globally as banks cut interest rates to boost their economies in the current year, our rates remain static making our final products uncompetitive in world markets. It is, therefore, not surprising that exports growth has dropped in current fiscal year and for December 2007, India's exports growth was a mere 2.5% in Rupee terms as opposed to nearly ten times the growth rate in December 2006.

Hon'ble Minister Sir, while foreign trade policy remains primarily in the domain of the Central Government authorities, the role of the State Governments too needs to be emphasized since they play a pivotal role in helping exporters in creating a conducive climate of export promotion. We do believe that State Governments need to take a far more proactive role in promoting exports from their respective states. In the state of West Bengal, for instance, a major problem has been with regard to the refund of VAT. Most exporters in West Bengal are yet to receive

VAT refund since 2005-06. It needs to be noted that exporters have already paid income tax on the VAT refund due and unless the VAT is refunded in time, the working capital of the MSME units in particular get affected considerably. Sir, as the State Minister looking after the well being the MSME units, I would urge to take up this matter with the Finance Department so that this problem can be resolved. I may add that the Council has also submitted a paper on the Best Practices for VAT refund with the hope that State Governments will consider adopting some of these practices. Further, specifically for West Bengal, the Council has also submitted a set of suggestions seeking changes in the current VAT legislation with regard to the VAT refund and we do hope that the State Government will consider our suggestions.

Ladies and Gentlemen, I have taken the opportunity of the kind presence of Shri Manab Mukherjee, to raise certain issues that are today having an adverse impact on engineering exports, particularly, in the MSME sector. This should not, however, take away from the fact that engineering exporters from India and the Eastern Region have built long sustaining relations with the global engineering community, particularly in the last five years, that needs to be nurtured for future growth and a mutually beneficial relationship. For this purpose, the Indian engineering industry needs to work with their international partners to develop a holistic relationship that requires strategic thinking and goes beyond a one-dimensional buyer-seller relationship. It is to this task that the Council is committed to and looks forward to work with all stakeholders in the days ahead.

With these words, may I congratulate the award winners, once again, and wish you all the very best for the future.

Thank you.