

CUTS Comments on
Strategy for Doubling Exports in Next Three Years (2011-12 to 2013-14)
Department of Commerce
Ministry of Commerce and Industry, Government of India

General Comments

According to the Commerce & Industry Minister, this export strategy aims to doubling of exports in textiles, tripling of shipments in gems and jewellery and engineering, tripling of exports in electronics goods, doubling of agri exports and tripling leather sector exports.

The ambitious targets laid down in this strategy document may not come as a surprise as they are seamlessly followed from the National Foreign Trade Policy of India. The achievement of the stated objectives will depend not only on endogenous factors but also on some outside factors and other arms of the government. For instance, demand in the advanced economies is exogenous and the escalating primary commodity prices, including petroleum products, might act as hurdles on their recovery process.

Secondly, whilst this strategy document relies much on reducing transaction costs, the Department of Commerce may consider further simplification of procedures relating to say export incentives. For several other simplifications of procedures, it has to depend on other branches of the government. It is worthwhile to note that transaction costs, though arise due to poor infrastructure development, is a top priority of overall macroeconomic policy strategy of the country and even in case of trade-related infrastructure development the Department of Commerce will need to work in tandem with other infrastructure ministries/departments.

Thirdly, appreciation of the Indian rupee, which is frequently referred to as a significant deterrent to our export competitiveness, is an issue that concerns the entire economy and it is up to the Finance Ministry to consider a policy of rupee value adjustment to provide further boost to India's exports, balancing the need for imports.

Fourthly, any strategy document should be holistic not just in regard to steps to be taken but should also deal with the larger issues of implementing those steps. This strategy document articulates the imperative of building the image of Indian goods as a brand (and concomitant measures to attract investment in various sectors) but it fails short of providing a holistic set of means (the larger picture) through which this brand image is to be developed and nurtured so that there is incremental value addition to such a strategy and it does not become perishable over time. The following factors are to be taken into account to make this strategy more effective:

- Trade promotion with prime but not exclusive focus on exports;
- Investment promotion by taking into account trade-related investment measures – in host country as well as in home country;
- Attracting suitable technologies along with technology harvesting; and
- Management of India's development cooperation efforts, particularly to enhance Africa's capacity to attract more trade and investment

In this respect, India's economic diplomacy assumes a greater role and significance. Indian missions should be engaged in implementing this strategy – to consolidate traditional markets as well as in identifying new and niche markets. Not only that the capacity of commerce ministry officials on nuances of economic diplomacy (and vice-versa that of foreign ministry officials on implementation aspects of export strategy) be increased through a sustained and rolling programme, India, through its development cooperation efforts, should develop the capacity of its partners to enhance their knowledge and skills of economic diplomacy, particularly in Africa where such a gap exists. In other words, this strategy should be implemented not just by means of a transaction approach to trade but with the objective of fostering long-term partnership with India's trading partners.

Lastly, but not certainly the only one, there is a need to create a National Mission to Boost International Trade and Investment, including but not limited to exports, with the participation of all relevant ministries, state governments and other stakeholders. For example an Inter-State Trade Council was established long ago to work closely with State Governments, but has perhaps never met. In an increasingly federalistic nature of our country, it is important to take the States into the Mission by working with them closely through such a structure.

Specific Comments on Product and Market Strategy

High Value Products	Suggestions/Measures in the Strategy Document	CUTS Comments
Engineering Goods	<ul style="list-style-type: none"> • Formulate a Technology Upgradation Fund Scheme for the MSME engineering industry • Provide credit at low cost for investment in capital goods • Skill development fund for engineering industry • Need for a national shipping regulator • Existing NFTP instruments 	<p>No concrete plan on how the TUFS corpus will be utilised except for mention of how fund will be made available. This lack of strategy for utilisation of fund makes the strategy weak.</p> <p>The strategy does not mention which sectors/thrust products that the government intends to target within the engineering goods sector as India already has some niche market.</p> <p>Furthermore, the strategy further does not provide how exporters should aggressively target big and tough markets to achieve high growth and how to utilise niche markets to maintain the existing levels of</p>

<p>Chemicals</p>	<ul style="list-style-type: none"> • Indian chemical inventory • Chemical management programme • Upgradation of skills of SME manufacturers/exporters of chemicals • Existing NFTP instruments 	<p>growth.</p> <p>The strategy should also mention the ways in which the Engineering Exports Promotion Council of India will be engaged and synergy therein and also the incentives for it to take this strategy forward. For example, if EEPC initiates market study/surveys to enable exporters to effectively target the identified thrust markets, how it will launch an aggressive campaign to improve the export orientation of the SME exporters.</p> <p>No mention of how target markets will be exploited other than general remarks on extension of markets to Asia, Africa and Latin America.</p> <p>No mention or focus on R&D on process innovation as well as product development.</p> <p>The strategy does not mention the way to deal with consolidation that has been in operation in last few years in this industry.</p> <p>The strategy mentions various skills up gradation programme though miss out on the linkage between academia and industry. For transforming ideas into new products, partnership between industry and academia is a must. Indian chemical industry should leverage the potential of educational and research institutions.</p> <p>The strategy also does not spell</p>
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<p>Pharmaceutical Products</p>	<p>Refer to Suggested Initiatives ‘a’ to ‘k’ of the document</p>	<p>out how to give big push to the chemicals industry; for example by setting up of Chemical Parks or Chemical Estates, encouraging utilisation of ICT interface and so on.</p> <p>No mention of how target markets will be exploited other than general remarks on extension of markets to Asia, Africa and Latin America. The strategy focuses on building a brand and other marketing strategies for promoting Indian pharmaceuticals. However mentions less on promoting and providing incentives in R&D in generics/formulations.</p> <p>Under developed overland transport means that delivery schedules are often delayed. Although the strategy mentions improvement of port infrastructure but has no reference to overland transport which is as crucial as any other infrastructure.</p> <p>Incentives in the form of export credit guarantee and other export incentives have not been dealt comprehensively in the strategy paper though some discussion on financial package is contained in the paper.</p> <p>The strategy should also strengthen functional desks of the ministry such as IPR cell, regulatory research desks, marketing desk and Learning and development centres to help the industry to comply with trade and regulatory</p>
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		requirements.
Light Manufacturing Products		
Leather Products	<ul style="list-style-type: none"> • Capital support • Continuing of existing policy support measures • Infrastructure development under ASIDE Scheme • Environment management • Development of mega leather cluster • Skill development • Production, design and productivity enhancement • Credit access • Marketing 	Special schemes targeted toward small players to be considered in the strategy document.
Gems & Jewellery	<ul style="list-style-type: none"> • Easy availability of raw materials like rough diamonds, coloured, gemstones, gold and silver • Credit availability • Facilitating India's development into a trading and manufacturing Destination • Consignment import of rough diamonds • Skill development 	<p>The strategy may look into providing direct means of providing rough diamonds and other gems.</p> <p>It should encourage more frequent and regular buyer-seller meet, exhibition and trade fairs could be promoted in different cities. This call for incentivising the industry bodies such as the Gems & Jewellery Exports Promotion Council. For example, currently only one exhibition, named JAS, is organised in Jaipur. These efforts need to be increased.</p> <p>The Strategy should provide for several marketing channels and direction for promoting export of branded as well as other type of gems and jewellery.</p> <p>The strategy may have schemes for actual benefit to percolate down to craftsmen/artisans/SMEs. Therefore, SMEs could be further strengthened through proper</p>

Textiles	Reference to suggestions for Cotton Yarn Fabrics, Man Made Yarn and Made Ups in the strategy document	<p>information dissemination and useful marketing strategies.</p> <p>Domestic as well as foreign direct investment is to be encouraged so that the pace of progress could be maintained. There should be investment-related incentives.</p> <p>There is a need to get into new areas (for example, technical textiles), which are expected to grow at a much faster rate. The strategy should encourage the industry leaders to continuously innovate, think about new fabrics and new designs.</p> <p>There should be a greater shift to branded products. In apparels, encouragement in the production and marketing of branded products is crucial.</p>
Natural Resources		
Agriculture	Reference to generic common measures along with sub-sectoral suggestions in the strategy document	<p>Strengthening and streamlining of supply chain in the agriculture sector is extremely crucial to achieve the desirable target.</p> <p>Identification of markets, establishing linkage between farmers and exporters in fruits & vegetables is critical for this sub-sector to enhance exports.</p>
Marine Products	Reference to Action Plan to Achieve Target points i) to vii) in the strategy document	<p>In-built incentives and/or special schemes targeted towards small players in the sector should be included in the strategy.</p> <p>Capacity building of fishermen and others to enhance their understanding of the value chain and to inculcate the fishing and preservation</p>

		practises demanded by importing countries is to be encouraged.
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