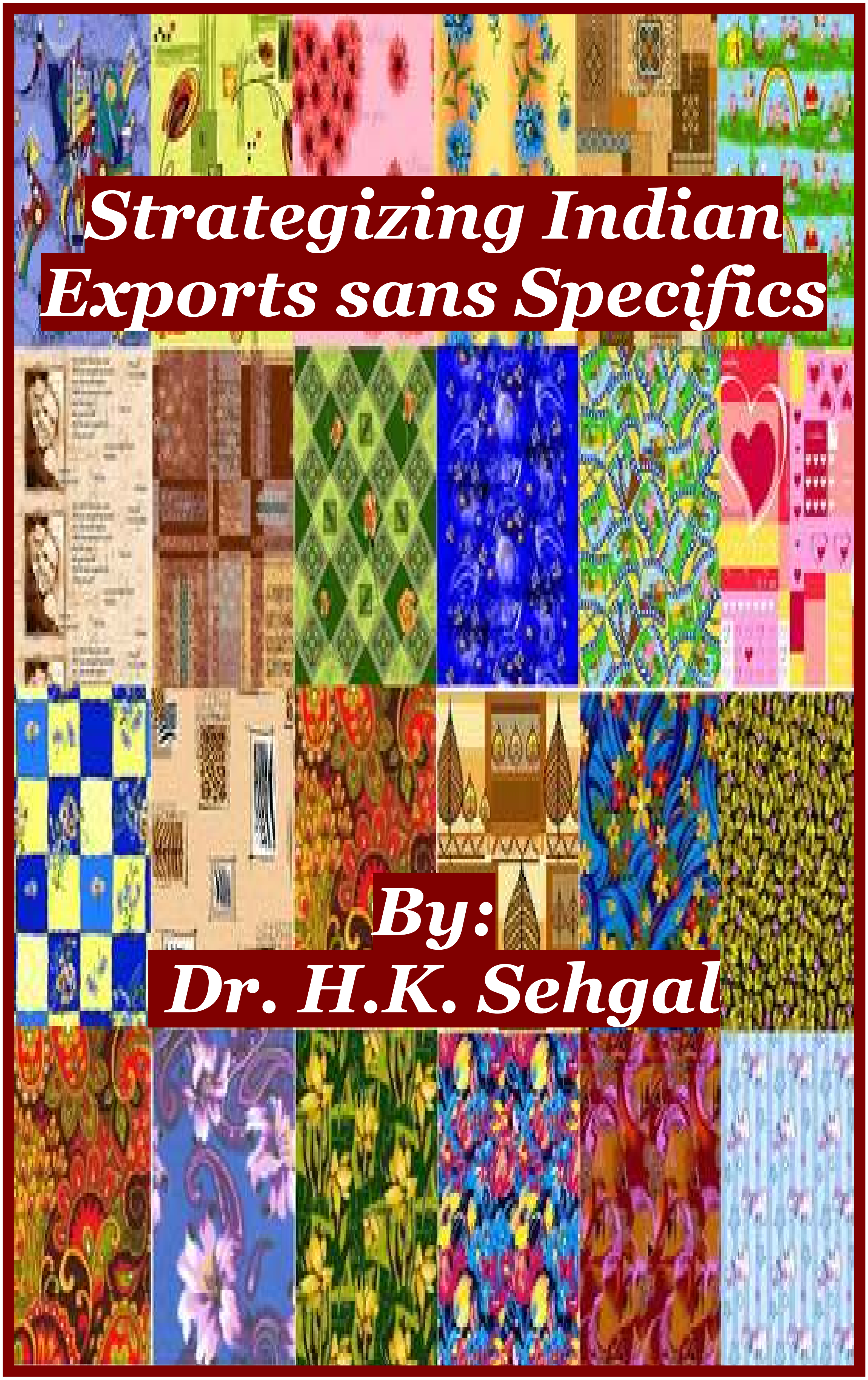
Strategizing Indian Exports sans Specifics



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The draft Strategy Paper for doubling exports over the next three years i.e. 2014 to touch $450 billion, based on the assumption that India's exports will touch $225 billion during 2010-11, has since been released by Anand Sharma, Union Minister of Commerce & Industry recently. Sharma stated that the Strategy outlined in this Paper would accelerate the growth of exports so as to keep the trade deficit within manageable bounds. Dr. Rahul Khullar, his Commerce Secretary added that the Strategy Paper is prepared mainly for increasing our exports and to double the same by 2014.

The strategy for export promotion hinges around four key elements. At the first level, there is a product strategy where clearly we need to build on the intrinsic strengths of our industry. Sharma added "We have constituted a Group of Government and industry to come out with a clearly defined roadmap and strategy on how to occupy the space which is emerging on the horizon." The Strategy Paper says that leather products and textiles not only generate tremendous employment and have a high value addition, but have been sources of traditional strengths. In the leather sector, the Minister said "It shall be our endeavour to ensure diversification of products based (sic) and move into high value added products specially the high end fashion shoes in the developed world and similarly, in the textiles, we would like to give a focused attention on specialized niche markets which would add to our export potential."

The second pillar has been identified as a strategy of market diversification, as in the coming years, the developed world is unlikely to see high growths and strong demand. There is a clear rebalancing of the global economic order underway and markets in Asia, Africa and Latin America will certainly have far greater potential. "Therefore, in the last one and a half years, we have stepped up our engagement with the countries of East Asian region after signing the Free Trade Agreement with ASEAN, CEPA with Japan, Malaysia and Korea and we have initiated action for similar agreements with New Zealand and Indonesia. With Europe, I am hopeful that in the next few months, we will see a conclusion of a deal and we would step our deals with the MERCOSUR countries and the countries of African region." Minister highlighted.

The third pillar of the Strategy was for support used for technology and R&D, for which there is no reference to the textile and garment sector that we are concerned with.

On the last and the fourth pillar, Sharma declared "We also will give a focused attention in building a Brand India which would need strengthening of quality enforcement regime through BIS, Export Inspection Council and our export promotion councils will be tasked with building a brand strategy which will resonate in the global markets. On the whole, by 2014 we would like to see doubling of exports in textiles, tripling of our exports in gems and jewellery and engineering, tripling of exports in electronics goods, doubling our agric-exports and tripling our leather sector exports."

The summary export projections for the total textiles sector, which includes readymade garments, cotton yarn fabrics and made-ups, man-made yarn fabrics and made-ups, carpets and jute assumes the total value for the year 2010-11 at $22332 million, reaching $40,000 crore at the end of 2013-14, which represents 179%.

Recognizing readymade garments as the most significant item in the basket of goods exported in the textile sector by India by contributing 3.6% share in the total world export of garments and is one of the top ten export items of India, the year-wise projections have been set out as here under:

(Value in million of US $)

2010-11	2011-12	2012-13	2013-14
11,237.75	12,642.47	14,854.9	17,974.43
5%	12.50%	17.50%	21%

Now the growth in three years, based on the assumption of our exports in 2010-11 through 2013-14 works out to less than 1.60 times and – not double, as has been claimed.

Now the hypothesis for the growth:

The Strategy Paper says, "The pace of investment has to be further speeded up if the target of $ 18 billion is to be achieved. Towards this end, the following steps are to be taken:

1. A substantial increase in production capacities is required. The increased investment is required to be made not only in garmenting but also in downstream activities. This infusion of investment is critically required if we are to complete with our major competitors like China, Bangladesh and Vietnam. **100% depreciation may be allowed on capital expenditure on textile machinery for income tax purposes so as to encourage fresh investment.** (Emphasis added).

This recommendation is highly unlikely to be accepted by the Government should be known to anybody, who has read the Government's mind on granting of concessions to the garmenting sector-a sector that has repeatedly begged the Government from time to time to spare it from the rigorous, but wholly avoidable requirement of first paying the taxes and levies which the Government says can be claimed back as refund. It should also be borne in mind that the Commerce Ministers, from time to time, right from Kamala Nath down to Anand Sharma that the Government is against the export of taxes, year after year after year, and yet the exemption from paying taxes and levies has been honoured only in breach and not in fulfilment. **I feel that the recommendation made in the Strategy Paper is only a wishful thinking and highly unworkable and therefore unlikely to be accepted by the Government. It is no use making recommendations like that.**

2. The Strategy Paper says "The exports of cotton and cotton yarn need to be regulated in a manner which protects the domestic industries from the major fluctuations in raw material prices." Everyone in the textiles and garment industry knows too well as to what has been the Government decision on this very point; who knows it better than Confederation of Indian Textile Industry (CITI). As its Secretary General, A.K. Nair, who had had to organize massive, all-inclusive industry meets repeatedly to bring this point home to the Government, with a short-lived success.

3. The third recommendation states "A huge potential exists for increasing exports by undertaking capacity building in this sector. The following specific initiatives are recommended for capacity building:

(i) Improving compliance level in the factories by introduction of Common Compliance Code for Apparel Industry. An estimated sum of ₹12.73 crore is required." The Paper fails not only in providing the basis for the estimate of ₹12.73 crore and for what period, as this amount is considered to be paltry, unless the Paper comes out with the steps to be taken to ensure the Compliance, but also as who would provide these funds? I fail to understand as to how and why such important aspects have been left unspecified?

(ii) "State Apparel Parks under the SITP Scheme. 40 projects already approved by the Ministry of Textiles involving investment of ₹19,459 crore needs to be implemented at the earliest." Again, the Strategy Paper fails to point out as to where is the money? Has anybody really examined as to what has been holding the implementation of the Scheme back, which does not seem to have been probed. I personally feel that making easy chair recommendations has indeed pre-empted all possibilities of any reasonable or even sensible Strategy Paper.

(iii) "Increased funding of the Textile Centre Infrastructure Development Scheme". This recommendation is good, so far as it goes, but again, where is the money?

(iv) "Productivity Improvement Programs" Here again, the Strategy Paper has carefully avoided any specificity; be it in terms of which programs? Where? How? Who would it? and above all, where are the funds?

(v) "Extension of Knit Wear Technology Mission": Here again, the Strategy Paper has left it to the reader to fend for himself all the questions, related to the topic, including what, by when, by whom and of course the funds required for implementing what the authors of the Strategy Paper had in mind and chose not to disclose even in the Strategy Paper.

(vi) "Budget needs to be substantially enhanced for Technology Upgradation Fund Scheme (TUFS) "

I doubt if the authors of The Strategy Paper have any knowledge, leave aside intimate knowledge, as to how niggardly the allocations for TUFS were made and what has been the disbursal rate and that what was the time gap between the entitlement to get refunds under TUFS and that how much loud noise was made for release of TUFS funds, after every known trade body raised due and cry, giving vent to their feeling of frustration if getting the funds that they were legally and officially entitled to get. There have been heavy defaults in making refund of entitled amounts by the textile industry. To my mind, no Strategy Paper should make recommendations that they know, would not stand any chance of being accepted.

(vii) "Creation of domestic production centres for sewing machines and machines for allied activities. ""

The Strategy Paper has failed to bring out what has been in its mind. What Action Plan the authors had had in their minds when they made this recommendation. The recommendation seems to have been picked up from thin air without giving any idea as to what it really has in vision or thought, even if you leave aside the practical part of the recommendation.

(viii) "Setting up of more design studios for encouraging indigenous Design Development." This recommendation is again devoid of any concrete basis. Who should set these up? Where will be the money coming from? What is the economics of such a proposal, even if it is quite desirable situation to have?

4. "In order to achieve the addition in exports, value addition to the existing export products is required. It is further proposed that productivity improvement programmers be run simultaneously. "

"Value addition to the existing export products" is the most often used, but probably lease understood niche, which has been used recklessly, as a readymade solution for expanding exports. Nobody can ever disagree with the need for "value addition", which recommendations represents a mere truism and such overly used cliché that it has almost lost is sanctity.

This recommendation further speaks of "That productivity improvement programmes be run simultaneously". How it is different or additive to whatever has been stated in recommendation at Sr. no. 3 (iv) above? The utter haste in adding on points to make the presentation look formidable and well-conceived and thought out that even the ordinary precaution of avoiding repetition from the immediately previous recommendation has been overlooked.

5. "In order to be able to carry out extra production, the pool of trained workers needs to increase substantially (1.75 million workers need to be trained). This would require liberal financial assistance for training initiatives. "

It is good to see somebody churning out a pleasing figure of 1.75 million workers as the estimated requirement of the trained manpower. But in what trades or sub-trades within the garmenting sector would the requirement lie? What is the present level of training people for garmenting and that whether that has been taken into account, while working out this figure? One could appreciate if the strategists working on the Strategy could have identified the break-up of the areas in which the trained manpower is required, specifying areas like technology, fashion designing, merchandising and all such areas that offer both the need and prospect of genuine training programmes. Anybody would like to know as to how this magic figure of 1.75 million training workers has been worked out. Further, whether it should be completely funded by the Government, as it already doing through AE PC or would like to seek to achieve this target through PPP model?

There are far too many loose ends, even loose thoughts, which even if noble, would lose their relevance without the necessary, specific details on which these recommendations rest. My comments on each of the recommendations made in main paragraphs or sub-paragraphs would need to be looked into, before this Paper, called Strategy Paper could ever command the professionalism and the sanctity and the respect that such serious documents of the Government deserve.

Compiling a list of wishful thinking cannot be treated as a Strategy Paper, which should have its clear-cut basis, vision, philosophy, commitment and professionally required and acceptable details of what it proposes, which, unfortunately, the present Strategy Papers clearly ignored.

The author has expressed his views