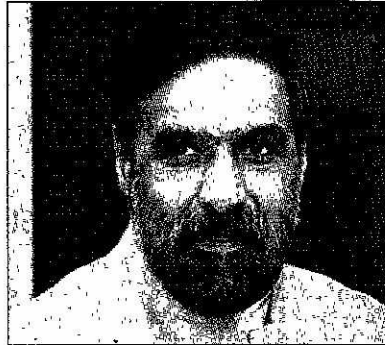


# Sector-specific stimulus likely for exporters

Commerce and industry minister Anand Sharma feels there are signs the worst may be over for India's exports sector. Despite the improvement, the government is working on another stimulus package for exports. In a chat with Amrit Sen onboard the minister's special aircraft, Mr Sharma discusses wide-ranging issues, including the effect of the economic crisis on exports, the need to bail out debt-ridden coffee farmers, the status of FDI policy and the impact of the EU's regulations on pharma exports. Excerpts:



Commerce minister Anand Sharma

## Exports have shown negative growth for 12 months, but the drop in September has been lower than in previous months. Is that a sign of improvement?

There has been a visible improvement in exports. There was a period when exports were falling every month at the rate of 33-34% year-on-year. This was primarily because of the global economic crisis and the contraction in major economies like the US, Europe, Japan, which are India's traditional export destinations. However, there are signs that the dark clouds are parting over Europe and the US. Moreover, the measures that we took in the foreign trade policy this year to stimulate growth in the industry and develop new markets in Latin America and Africa have also been effective.

## What has been the impact of the incentive packages?

Earlier this year, we took measures to incentivise sectors that had been hit very hard, such as handicrafts, leather, engineering, electronic goods and pharmaceuticals. The latest trade data shows that many of these, such as gems & jewellery, handicrafts and leather, are now beginning to look up. We need to see what more can be done now to give support through policy measures to the sectors that are still lagging behind.

## Are you suggesting there could be a new stimulus package for exporters?

When we released the foreign trade policy in August, we had said that by the middle of November we will start collating information from all sectors, and then have a review and take measures, which could be sector-specific. Our endeavour will be to close the gap (between exports last year and this year). I am optimistic that in the coming quarter (October-December), we should be closing the gap, and in the last quarter, we would have crossed over as far as foreign trade is concerned.

## Which sectors are likely to benefit from the new package?

Some of the sectors have already responded very well. Until we have the final numbers, we cannot tell which sectors will need support. Engineering may need some support. We will see if we can do something more for apparel and handicrafts. Gems and jewellery has already picked up.

## Since the government is going to carry out a sectoral review, are there chances

## of withdrawal of the benefits already given if certain sectors are found to be doing very well?

It is too premature to even think about exiting. Only when we are sure that we have moved into positive territory and stay there for some time, we should think of it. As a policy, we think that our incentives and stimulus have done better as compared to most other countries. It is very clearly reflected in our industrial growth.

## Is there scope of further liberalisation of the foreign investment policy in sectors such as retail?

As of now, the FDI policy is working fine. It is clearly reflected in how foreign investors are looking at it. We had gone in consciously for rationalisation of the policy by defining ownership and control. As we move, we will keep on evolving. But for the time being, I do not see any need to revisit the issue including for sectors like retail, where we already allow FDI in single brand.

## The plantation sector seems to be in trouble, especially the debt-ridden coffee growers. Are there plans to bail them out?

The government has come out with a comprehensive package for replantation. That has proceeded very well. I am sensitive to the problems being faced by coffee growers. We have cleared a package, which hopefully the Cabinet should approve soon. It will also address the indebtedness of the small coffee growers. The Cabinet has constituted a group of ministers (GoM) on the plantation sector to look into the structural issues and come up with a comprehensive plan.

## Our pharmaceutical exporters have recently faced trouble in Europe while exporting goods to third countries. What are we doing about it?

Some countries in Europe had confiscated shipments from other countries. This is in violation of the WTO. I have taken it up firmly with the EU trade commissioner Catherine Ashton. We have been assured that they will take corrective action. The India-EU summit is taking place in New Delhi in November. We will assess the situation after their response.