

## New FTP Brings Signs of Economic Recovery

Written by Faiz Askari, Editor-Technology, Small Enterprise India.com  
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With the advent of new Foreign Trade Policy, the export oriented businesses have received a positive message from the Government's side. Though the industry welcomed this new draft of FTP, it is keeping the fingers crossed for witnessing the actual signs of economic recovery.

It is a good sign that people have at least started talking about signals of economic recovery. Even as the export sector is showing signs of recovery, a survey by an industry body has revealed that a complete recovery for India's crisis-stricken exports sector would happen only by the year-end.'

India's exports fell 26 percent from a year earlier in July, while the country's imports during July fell 35 percent. Meanwhile merchandise exports had slipped 27.7 percent from an year earlier in June to \$12.81 billion, after falling 29.2 percent in July 2009. The new Foreign Trade Policy (FTP) proposed by the UPA Govt has 'feel good factor' for the business fraternity..

According to Anand Sharma, Union Minister for Commerce & Industry, Government of India, "The new Foreign Trade Policy 2009-14, attempts to diversify India's export products and market.

This statement has been made at such a time when export oriented businesses were actually struggling to see some signs of economic recovery.

The minister however, acknowledged that the new policy has been unveiled in a very challenging backdrop and added that though targets set in the policy are conservative, they are pragmatic and realistic.

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Sharma addresses the industry stakeholders at Interactive Session on the Foreign Trade Policy [2009-14], organised by the Confederation of Indian Industry (CII), in New Delhi. He further said, "The government has tried to use the available resources judiciously to focus on labour-intensive sectors. These sectors would help "create more jobs", while generating more resources in the economy."

Expansion of Market Linked Focus Products Scheme (MLFPS) to 13 new markets and 1700 products was the highlight of the new policy, opined Sharma. He also expressed hope that the new policy will help exporters to tide over the current slowdown.

He was of the view that at a time when traditional markets for Indian exporters are in a recession, it is important to engage with other countries and diversify exports. At the time of crisis, it may be convenient to turn protectionist, however it may not be the right choice, as it carries the risk of deepening the recession, added Sharma.

"The Government is determined to reduce transaction costs for Indian exporters. The current policy has already reduced the application fees for exporters and the government will work to simplify export policies and procedures," the Union Minister also highlighted, "Electronic trade is important and will be looked at in a time bound manner."

Despite the challenges of weak demand in the international market, frequent exchange rate fluctuations, increasing competition and high cost of credit, signs of an economic turnaround are now starting to appear.

Having said this, even in such conditions this kind of efforts from the Government agencies are being welcomed by the industry. Although it would be too early to draw any conclusion about export growth, experts from the industry do believe that the real recovery of the sector will be only when we get to the target we had reached October last year when the downslide started.

For the smaller export oriented units belonging to SME segment, the fluctuations of economic scenario is very dangerous. The economic slowdown has led many SMEs to re-look on their business strategies and some of them even restructured their overall approach towards the

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market.

However, coming back to the newly introduced Foreign Trade Policy, Chandrajit Banerjee, Director General, CII welcomed the new policy and complimented the Union Minister, Sharma for his leadership and for unveiling realistic, transparent, innovative and achievable Foreign Trade Policy.

Dr. Rahul Khullar, Secretary, Department of Commerce, expressed his hopes in the new Foreign Trade Policy and called it as a realistic draft and not overambitious. Khullar also added that diversification of Indian exports was the overall theme of the policy.

Sunil Kant Munjal, ex-President of CII, commented on the need of establishing an overarching umbrella organisation to promote trade and investment in India. He said the simplification of process and procedures in the policy was timely and added that industry will work closely with the Government to achieve targets set in the policy.

Sanjay Budhia, Chairman, CII National Committee on Trade thanked Sharma for coming out with an ambitious and long-term vision in the Foreign Trade Policy.

However, special compensation packages and an extended help is still needed to motivate the exporter belonging to an SME segment. The justification of such demand can be judged by the amount of impact that these small level exporters have witnessed over last few months