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Increasing Export*ers*

Everyone knows that the solution for a current account deficit lies in the increase of exports. Anyone would tell you that increasing exports is directly related to the increase in export*ers*, without which there can be no exports. This is something that policy makers need to review as, unfortunately, the current rules and processes discourage new entrants into the sphere of exports.

To start with, exports of gold jewellery are only possible through 22 cities, where there is a Customs Appraiser. This means that aspirants in tier 2, 3 or even 4 cities have to establish a presence in one the 22 cities before they may export, which seems bizarre, especially when one takes into consideration that our differentiating factor is the handmade jewellery that is specific to different regions.

Our large non-resident population often return to India to visit their relatives. Such visits are usually marked with shopping and unfortunately, due to the high import duty along with GST, (which is a total of 13%), makes the purchase of gold jewellery unviable. These non-resident Indians usually purchase their jewellery in-route, through Dubai, thereby denying India of precious foreign exchange.

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With the advent of GST, this could change to permit any shopkeeper to claim input credit of the value of the import duty and GST. Doing so would make all retailers potential exporters. The same could be applied to internet sales too. It is of utmost importance to point out that the value addition on gold sold is highest when sales are made to the final consumer, which is where the nation would benefit most.

Sadly, the current rules articulate that gold jewellery may not be shipped via courier agencies. This completely decimates internet sales, which should be an area of focus, as this is all B2C transactions, (direct to the customer). So, while the world is moving to the internet, our policies overlook its potential. The dichotomy is that the nation is craving to increase its exports of gold jewellery and the value addition thereof, yet policies are framed otherwise.

Banks are the nominated agencies from which exporters may procure gold at international prices but, unfortunately, they charge a premium on the supply of gold. Banks view this as a transaction for which is viewed from the lens of profitability alone, not realising that they are actually disabling exports of gold jewellery from the nation. For a buyer overseas that is able to procure gold jewellery priced at a discount from the LBMA quote, purchasing gold jewellery from India becomes unviable. This would lead to a larger question of the very need of the RBI Nominated Agencies itself?

If done away with completely, competitiveness in the pricing of gold would enable and encourage exports of gold jewellery.

Reading through the Handbook of Export Procedures, it is easy to see that the current policies only support B2B, (business-to-business), transactions. Obviously, such business would lead to high turnover, but low profits, (read: value addition). Thus, if there is an aspiration to increase the value addition of exports, it is imperative to permit B2C, (business-to-consumer), transactions, all of which has been mentioned above. This needs to be recognised so that all further policies, if and when made, are sensitised to this fact and help enable this further. Sadly, a recent report states that 60% of the handmade jewellery exported from Dubai is classified as 'Indian Jewellery'.

The fact that Indian jewellery is not being purchased from India should be a reason of concern and introspection. If anything, it endorses the fact that our policies need to be reviewed and evaluated from an international perspective. The GST offers an incredible opportunity through its self-assessment of input credit for the calculating the tax payable. That is, refund of import duty and GST may be done immediately through claiming it as input credit and the GST returns may be prepared accordingly. Given that most exporters also have a domestic business, the GST vehicle

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can and should be used to unleash the potential of the Indian gold jewellery industry and using it to help the economy of the nation. Lastly, and most importantly, the removal of import duty on gold can play a huge role in the boosting of exports of gold jewellery. One of the lesser recognised facts is that approximately 6000-9000 tonnes of gold jewellery 'sits' in the form of inventory with jewellers across the country. The removal of import duty would immediately make all of this inventory saleable in the international markets. Moreover, given the tenacity of Indian entrepreneurs, expanding of the market place would enable them to sell overseas aggressively. Importers that travel to Dubai to purchase 'Indian' gold jewellery would then start coming to India for their requirements. The entire jewellery industry is aware that buyers visit Dubai carrying pure gold bars with them, which is bartered against gold jewellery. If the markets were opened up, this trade would migrate to India.

All in all, it is for the policy makers to decide as to how aggressively they desire to increase gold jewellery exports and its value addition. What is becoming glaringly apparent is the need for a holistic view on gold from an international perspective, failing which we shall continue to limp behind world markets. As I close, I would like to remind my readers that Christopher Columbus was looking for India, which was considered 'the land of gold'. The time has come for us to seize the moment and to relive our destiny of becoming the global destination for gold. ■

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