Budget 2022: Time to roll eyes over titillating 'Zero' & Laser-focus on job creation!

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By Shailendra Kumar, Founder Editor

LIFE is back on the hook! Omicron has injected fresh 'wrinkles' in the life of common Indians rather across the universe! It has hit us like a thunderbolt! Though it is kinder in terms of lesser severity of illness but has showboated far greater 'fertility' for infections and thereby disruptions! Though ICU beds tagged with fully-bottled oxygen containers have thus far gone begging for almost-rare visitors but economic conditions of a major swathe of freshly-unemployed salaried persons and never-hired employable young are akin to ICU-like! ***SacrÃ© bleu*** with no palladium in sight, life is completely jack-knifed!

It is also true that it was sailing too close to the wind! But what had provided a flicker of hope was the reasonably swift pace of exit from a state of economic stasis which is now almost certain to be 'shipwrecked'!

A quick parsing of December month CMIE statistics unspools the gloomy fact that total employment in India was 406 million - lesser by 2.9 million vis-a-vis 2019-20. Since the advent of COVID-19 the salaried class has suffered a brutal bout of loss of about 9.5 million jobs . Another million was lost among entrepreneurs. Such gigantic loss was partly offset by gains in employment among daily wage labourers and farmers! However, going by the tall order of e-Way bills and eye-watering average of GST collections in the last six months, the economy seemed to have found the reverse gear to slither out of slowdown! But it was arguably not acceptable to elfish Corona clan which has a propensity to thumb its nose at anything even distantly-related to normalcy! It has cast a pall of fear among the citizens who have got an 'uprooting' kick in their teeth!

Time is indeed as slippery as an eel! Humph! Nonetheless, against such a train wreck job situation and edgy political calm, the Union Finance Minister, Ms Nirmala Sitharaman, is expected to cut a swathe through the walloping pandemic and also cut a wide swath while thumbing through her 4th Budget Speech, of course, with not-to-miss gumption! The Union Budget is her oyster and she is required to seize the day without cease!

Obviously, the Minister would be raising curtain over a brolly of adroitly-crafted fiscal and non-fiscal proposals. The fact that she is no longer an off the boat Finance Minister, it would be ditzy to presume that she would be unfolding schemes designed on the back of an envelope! However, to improve the job scenario in the economy, she will have to pull out all the stops rather than resorting to over-thumbed measures to overcome the ghoulish situation! It is no brainer to assume that she is aware of the abnormal fabrics of the Indian economy which directly graduated from its agricultural status to a services sector-led growth path. That is why we today confront a ballooning army of job-seekers but there are no secure salaried jobs!

Our vulnerable belly is the manufacturing sector! True, the Modi Government has a long-term plan to raise its share to about 25% of our GDP in the coming years and that is why we have a mission called ***Atmanirbhar Bharat Abhiyan,*** cushioned by 'Make in India' Mission! Since the government is quite serious about this mission, onus descends on the Finance Minister to align her fiscal matrix with this tall ask! First, India which is busy holding FTA talks with many new potential trade chums like UK and Australia, needs to keep it in mind that no zero tariff regime is to be offered to any trade partner if domestic investment is to be nudged . Zero duty regime envisaged under many of our existing FTAs has done a great deal of undoing to the sentiments of private investment in the economy. This is arguably one of the key baleful factors walling off private investments. Zero duty on import of fruit, vegetables and pulps and concentrates under FTAs has harmed our domestic investment spirit. The Ministry of Food Processing documents indicate that only about 2% of fruit production gets processed and vegetables and fruits worth crores go waste for lack of cold chain warehouses. Instead of helping farmers barrel them to the market, India depends on imports to meet domestic demands! This calls for public and private investments into refrigerated chain of cold storage and, of course, robust logistics infrastructure provided concessional funds and tax sops are dangled!

Here I would like to draw attention to an ***Ã la carte*** Customs Circular No 17/2009-Cus dated 25th May 2009. This is about giving bank guarantee under certain export promotion schemes. This provides exemption for clearance of imported capital goods under EPCG. This covers all except merchant exporters.

A little tweaking of the Circular would widen the ambit to encompass merchant exporters with decent track records and they can be coaxed to set up manufacturing units and generate jobs. While extending the facility, the Customs may prefer laying down conditions like high turnover in the past five years or corporate or income tax payment of over Rs one crore or Customs duty payment of over Rs 5 Crore etc. By simply making them eligible for such benefits which locks their working capital, a good number of them may end up setting up units in the coming years!

Another simple change which may save genuine exporters from unwarranted hassles is the submission of EODC which is to be furnished on discharge of export obligations. Unless it is submitted, the Customs does not cancel LUT or bond. Since EODC is issued by the DGFT, ideally, the same should be uploaded online at one place and the Customs should have access to it or a simple online prompt may be allowed to pop up in the Customs network. Thus, Customs need not insist on physical copies. In fact, even after submission, cancellation keeps pending for eons for no kosher reasons! In today's minimum-government eco-system, since both the DGFT and the Customs are computerised and also work together for various purposes, they can make it an auto-process rather than putting exporters to avoidable paperwork!

This brings me to the crisis which has walloped the entire global supply chain - the Dearth of containers! It has triggered such a surge in the freight cost that economists have come to reckon it as one of the 'incendiary' factors for inflationary trend in many economies. And it is not going to tail off so soon! At present, China alone makes the specific steel required for the manufacture of containers - almost 80%! India needs to invest in the manufacture of this particular type of steel and if USD 5 trillion goal is to be achieved, we need to be self-reliant in this area as well. Till then, let's bury the hatchet for some years and have more containers from China to push our exports! Secondly, India needs to groom a global shipping company to control levers on the soaring freight cost. At present, India spends oodles of forex linked to transport services for exports - a whooping USD 65 billion in 2020. It ought to be in the range of USD 100 billion in 2021 - thanks to the stubborn crisis. Once we take long strides towards USD 5 trillion economy, such a cost would leap to USD 200 billion. Even if our Indian company corners 25% of the shipping business, we can save in the range of USD 50 billion. Let's not forget the doctrine that the forex saved is forex earned! Secondly, such activities also create secure jobs - sorely and acutely needed in our society!

Finally, I have a bare minimum expectation from the Finance Bill which should proclaim a Customs tariff matrix, fully subserving the economic and industrial policies promoting investments in the manufacturing sector. Time to not miss pulse of the schemes like PLI and others. Laser-focus should be on pruning tariff only for components which are not made in India or only the OEMs may have the control over the supply chain but certainly not finished goods! A good example can be a high-end 'Louis Vuittonish' mobile phone - an out-and-out NO because it dampens scalability ladder for domestic investors! A good number of components and parts compiled by the MeitY and sent to the Budget Division do deserve gingerly examination rather than butter-fingered treatment in toto! Huge investments have been made in the electronics sector in the recent years and more would come under the PLI Scheme and a return on such investments ought to be ensured by putting a protective but certainly not competition-stifling tariff policy. If the eye of the goal is to promote manufacturing, then let's not make it ***laissez faire*** for the merchant-importers and also trading partners who often embark on FTA journey with a 'cannibalistic fantasy' to haggle for the elusive but titillating zero tariff! ***Carpe diem***!