

Proposed US law to hurt Indian exports

by [Arun Goswami](#) on August 13th 2010 and filled under [Exports](#)

While the controversial US visa fee hike bill is in the pipeline, yet another protectionist measure by the US - the proposed Foreign Manufacturers Legal Accountability Act or the FMLAA of 2010 - has caused panic among Indian exporters. The proposed act requires all foreign manufacturers exporting covered products' to establish a registered agent in the U.S. who would be in a position to take legal responsibility for the liabilities arising out of these products, thus also bringing Indian exporters into the ambit of US jurisdiction. The act, which seeks to protect U.S. consumers by requiring foreign manufacturers and producers to take direct responsibility on any liability arising out of such manufacturers’ or producers’ products, would significantly impact the competitiveness of Indian exports, said the Confederation of Indian Industries (CII) on Friday. "CII's preliminary estimates suggest that the additional cost of compliance with this new American law for Indian companies could be anywhere between US\$ 300 to US\$ 500 million," said CII Director General Chandrajit Banerjee. "This would significantly impact the competitiveness of Indian exports," he said, adding sectors like chemicals, textiles, and engineering products are expected to be the ones most impacted by this new regulation, he added. According to Banerjee, the act would prove to be very expensive for Indian exporters, especially for small and medium scale manufacturers and producers. "The cost of hiring registered agents on a permanent basis will prove prohibitive. Such a provision would be unjustified more so, because many Indian exporters do not export to the US all year round; some not even every year," he said. "This proposed law is also of grave concern because it applies not just to finished products, but also to intermediates. As per the Act, Indian exporters would be potentially liable for faulty products in which Indian made parts, components or intermediates were used," the CII chief added. "In addition to adding very high transaction costs for exporters to the US market, the Act also violates the underlying principles of free trade," Banerjee added.