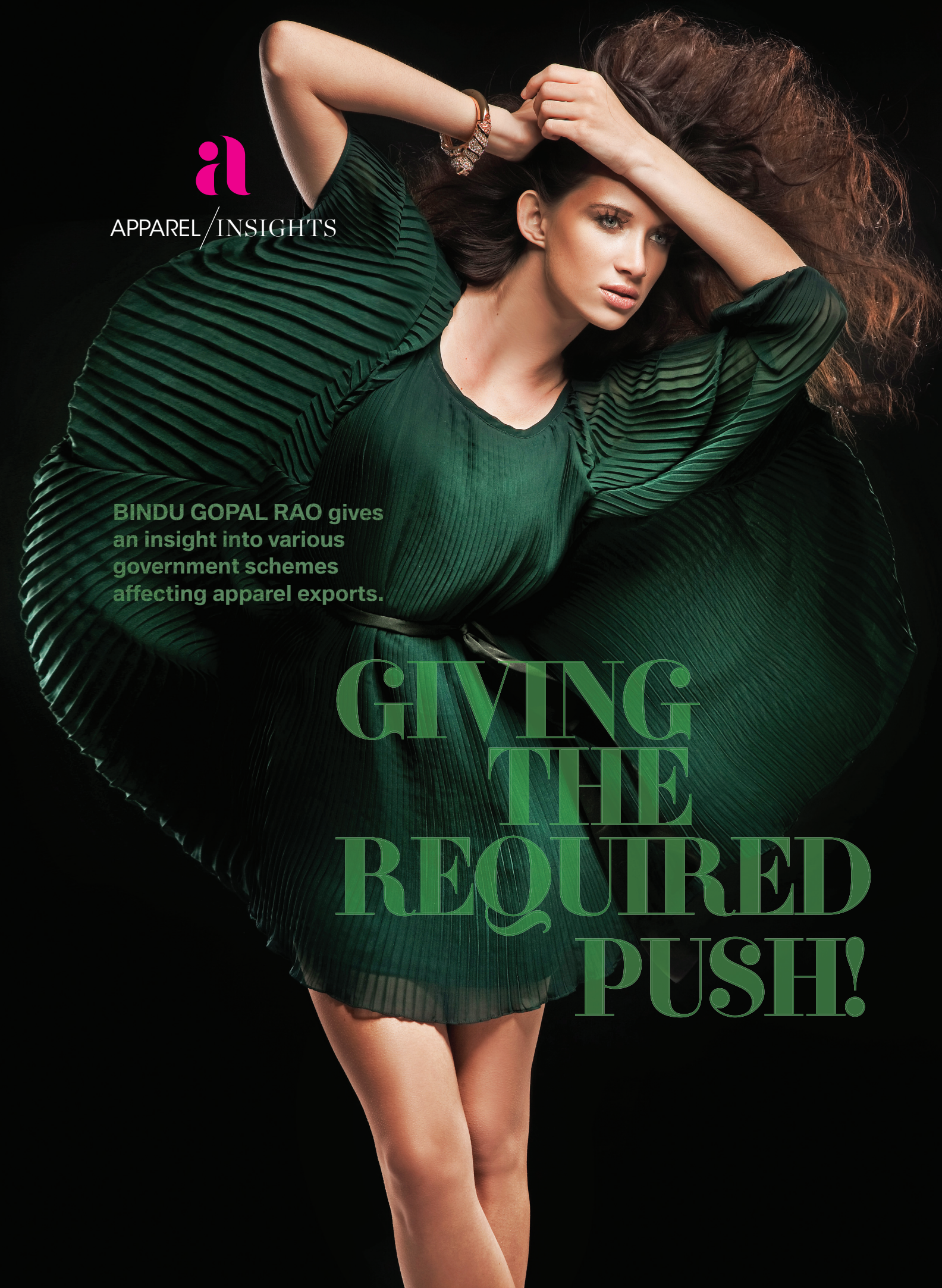

BINDU GOPAL RAO gives an insight into various government schemes affecting apparel exports.

GIVING THE REQUIRED PUSH!

India is the second-largest exporter of textiles in the world and its exports are expected to grow by 20 per cent annually. By this projection, garment exports will reach the ambitious target of US$ 37.32 billion by 2018-19. Given its employment and export intensity, the apparel industry plays a significant role in the economy. The apparel export sector is poised at an exciting juncture, considering that the Chinese advantage is waning due to rising wages. However, to take advantage of the situation while combating competition from other Southeast Asian countries like Cambodia, Indonesia and Vietnam, policy measures are the need of the hour. So, what is the government doing to aid apparel exports? Well, read on to know more.

THE MERCHANDISE EXPORTS FROM INDIA SCHEME (MEIS)

MEIS, introduced through the Foreign Trade Policy (FTP) 2015-20, is a major export promotion scheme implemented by the Ministry of Commerce and Industry. Rewards under MEIS are payable as a percentage of realised Free on Board (FOB) value of covered exports. They are payable by way of the MEIS duty credit scrip, which can be transferred or used for payment of a number of duties, including the basic customs duty. The textile and apparel sector has emerged as one of the major beneficiaries of these amendments. The government has increased support for the export of readymade garments and handmade wool shawls. With the revision, the MEIS benefits have been extended to incorporate textile and readymade garment exports to African countries. Textile exporters will now get the MEIS benefits when they send their shipments to Group 'A' countries like the US. The duty benefit amendments as part of the allocation have been increased from ₹18,000 crore to ₹21,000 crore for MEIS. The MEIS has provided a duty reward to eligible textile and apparel categories, to the extent of two per cent of FOB value in countries falling under Group 'A' (includes traditional markets like the USA, EU-28 and Canada) and a single country in Group B (includes emerging markets), Japan. Norway, Switzerland, Iceland and Liechtenstein were shifted from Group 'C' (includes other markets) to Group 'A' and a two per cent duty benefit was provided for fabric exports to Bangladesh and Sri Lanka in an amendment. Eligible categories under HS Code Chapters 50 to 63 will now be entitled to a duty reward of two per cent to all Group 'A', Group 'B' and Group 'C' countries. For eligible apparel and made-ups categories under HS Code Chapters 61 to 63, the duty reward has been extended to all Group 'A' and Group 'B' countries. The government has removed restrictions for exporters amidst concerns over stagnating garment and textile exports. The decision, announced by the Directorate General of Foreign Trade, implies that exporters have been relieved of submitting the landing certificate of goods in order to avail benefits under the MEIS. The decision of the government to issue duty credit scrips under the Incremental Export Incentivisation Scheme (IEIS) without any restrictions will certainly improve the cash flow of exporters.

The apparel export sector is at an exciting juncture, considering the Chinese advantage is waning due to rising wages.

OTHER SCHEMES

The foremost objective of the government has been to increase the production of textile garments through various policy interventions. These schemes are intended to strengthen the country's textile sector and generate employment opportunities for textile workers. The Technology Upgradation Fund

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Scheme (TUFS) provides technology upgrades to the textile industry with a one-time capital subsidy for eligible machinery. The National Handloom Development Programme schemes consist of the National Handloom Development Programme, the Handloom Weavers Comprehensive Welfare Scheme, the Yarn Supply Scheme, the Trade Facilitation Centre and Craft Museum, CHCDS–Handloom Mega Cluster, the Weavers Service Centre and other Handloom Programmes. These are some other government schemes for the traditional handloom sector. The Integrated Processing Development Scheme (IPDS) aims to make the textile processing industry globally competitive using environmentally-friendly processing standards. The Scheme for Integrated Textile Parks (SITP) has been launched by merging apparel textile parks and upgrading infrastructure facilities of textile growth centres. One of the primary purposes of introducing the SITP was to provide the industry with world-class infrastructure. This is to ensure that the industry sets up their textile units to meet international, environmental and social standards. Likewise, the Textiles Labour Rehabilitation Scheme (TLRS) provides interim relief for adjustments to the workers who have lost their jobs as a result of closure of mills. This is to enable them to settle in other jobs. The North East Region Textile Promotion Scheme (NERTPS) helps promote textiles in the northeastern region of India, including Sikkim. The scheme for usage of geotextiles in the northeastern region introduces a plan for promotion and application of geotextiles. The aim is to utilise geotextiles in the development of northeastern infrastructure through pilot projects, at first. The ultimate objective is to ensure the use of modern cost-effective technology in the northeastern region and other regions of the country on a large scale.

One of the primary purposes of introducing the SITP was to provide the industry with world-class infrastructure.

BUDGET PUSH

The Union Budget for 2016-17 has announced some measures that are expected to give a boost to the garment industry. The addition of one per cent FOB value of exports in the custom duty-free category for specified fabrics would help garment exporters undertake production of those garments that were not competitive earlier. In the year 2016-17, if fabrics worth around ₹1000 crores were eligible for import and custom duty of ₹110 crores, garment exporters could potentially save that amount. This will not just create an avenue for new product development but will also provide for additional exports of ₹2500 crores in a year. The continuation of duty-free import of trimmings and embellishments to the extent of five per cent of FOB value of exports would give additional garment export of ₹5000 crores in the year 2016. The government has also changed the post-manufacturing drawback rate from 0.18 per cent to 0.21 per cent and the effect of this would be additional 0.03 per cent drawback on service tax on garment exports on FOB value of exports. Total additional exports of ₹7500 crores in the year 2016-17 are envisaged due to the incentives announced in this Budget.

WORKFORCE MATTERS

The Ministry of Textiles has initiated several measures for promotion of the textiles industry, in general. It aims to assist the youth, women and disadvantaged segments of society, in particular. If the government aids the garment export industry to achieve high-growth targets, it can potentially generate 2,200 jobs with an investment of ₹30 crore in land, buildings, machinery and utilities. The textile industry accounts for 14 per cent of industrial production, which is around four per cent of India's GDP. Out of 45 million workers in the textile industry, 11.22 million workers are in garment sector alone. 60 to 70 per cent of this workforce comprises of women, mostly coming from the weaker sections of society. Naturally, there is a need for employment-linked incentive schemes for this sector. Labour law simplification is the need of the hour.

WISH LIST

However, there is much more that the industry wants for apparel exports to be boosted. These include the industry's demand for the inclusion of fabrics to the extent of two per cent of FOB value of exports under the overall five per cent entitlement in the customs notification and also the announcement on the three per cent interest subvention for garment exports. There is also a demand for deduction in the income tax for undertaking research and development, reducing the threshold investment limit from ₹25 crore to ₹one crore. The industry duty drawback rate should be enhanced immediately, after taking into account the new incidence of service tax, excise duty and increase of excise duty on diesel. Enlargement of the garment export basket by manufacturing garments (both knitted and woven) from fabrics which are not widely available in India is another long-standing demand. Non-implementation of twenty-four-by-seven clearance of drawback shipping bills at customs and speedy implementation of FTAs with major importing blocks like the EU, to mitigate the disadvantage suffered by India due to preferential market access available to India's competitors like Bangladesh and Pakistan also need addressing. Garment exporters are constantly leveraging the existing strengths in terms of raw material and compliant factories but the availability of specialty fabric as a raw material is a key constraint.

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