

EXPORTS FROM LABOUR INTENSIVE SECTORS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

Ministry of Commerce & Industry

Exports from Labour Intensive Sectors

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The exports from labour intensive sectors registered a positive growth of 5.63% during 2016-17 over 2015-16. During 2017-18, it registered a positive growth of 7.04% over the year 2016-17. Due to different units of measurement, the total quantity of exports is not additive.

The values of India's merchandise exports and exports from labour intensive sectors along with the percentage share during the last three years are:

(Value in USD million)

Years	Exports from Labour intensive sectors	% Change	India's merchandise exports	% share of exports from labour intensive sectors
2015-16	116868.51	--	262291.09	44.56
2016-17	123443.40	5.63	275852.43	44.75
2017-18	132131.75	7.04	303526.16	43.53

Source: DGCI&S, Kolkata

In order to promote India's exports including labour intensive sectors, the Government has taken several measures through new Foreign Trade Policy 2015-20 launched on 1st April 2015, its Mid-term Review released on December 5, 2017 and other policy measures taken from time to time. The key measures include:

- i. FTP 2015-20 provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in line with the 'Make in India', 'Digital India', 'Skills India', 'Startup India' and 'Ease of doing business' initiatives.
- ii. The policy provides the framework for promotion of exports through schemes of incentives on exports and duty remission/exemption on inputs for export production.
- iii. The policy introduces two new schemes, namely 'Merchandise Exports from India Scheme (MEIS)' for improving export of specified goods by merging five earlier schemes for better coherence and 'Services Exports from India Scheme (SEIS)' for increasing exports of

notified services.

- iv. The Merchandise Exports from India Scheme (MEIS) was introduced in the Foreign Trade Policy (FTP) 2015-20 on April 1, 2015 with the objective to offset infrastructural inefficiencies and associated costs involved in exporting goods/ products which are produced/ manufactured in India. The Scheme incentivizes exporters in terms of Duty Credit Scrips at the rate 2, 3, 4, 5 and 7, 10 and 20% of FOB value of exports realized. The Scheme covers exports of 8057 tariff lines. The total annual financial envelope available for MEIS for Financial Year 2018-19 is Rs 30,819.91 crore. On the demand of the industry, at the time of mid-term review of the FTP in Dec 2017, export rewards under MIES were increased by 2% across the board for labour intensive, MSME sectors, ready-made garments and made ups. Later, rewards to some agricultural products such as Bengal Gram, Milk and Milk Products, Soya de-oiled cake and Non-Basmati rice have been provided/ enhanced under MEIS for a limited period in the year 2018-19 to boost the exports of these agriculture sector items. As on date, the MEIS scheme covers 8057 tariff lines at 8 digits level, and provide rewards.
- v. Interest Equalization Scheme on pre and post shipment rupee export credit introduced from 1.4.2015 helps exporters in accessing credit at reduced rates. Still then, it was observed that MSME sector is facing multiple problems. One of the problems faced by the MSME exporters is access to low cost export finance to make them internationally competitive. Therefore, interest equalization reduces the cost of the credit offered by banks to exporters and serves as a complementary tool for enhancing India's exports. Keeping in view the poor performance of exports from MSMEs and the difficulties faced by them in accessing loan at competitive rates, it has been decided that the MSME exporters would be given extra push by way of enhancing interest equalization rate from 3% to 5%. Accordingly, CCEA in its meeting held on 1.11.2018 has given its approval on increasing the interest equalization rate from 3% to 5% for exports being made by MSME sector under the ongoing Interest Equalization Scheme on pre and post Shipment Rupee Export Credit along with providing operational flexibility to carry out modifications in the scheme from time to time without changing its basic character.
- vi. The Government has implemented the Niryat Bandhu Scheme with an objective to reach out to the new and potential exporters including exporters from Micro, Small & Medium Enterprises (MSMEs) and mentor them through orientation programmes, counselling sessions, individual facilitation etc., on various aspects of foreign trade for being able to get into international trade and boost exports from India.
- vii. A new scheme called Special Advance Authorisation Scheme for export of articles of Apparel and Clothing Accessories was introduced from 1st September 2016 wherein exporters are entitled for an authorisation for fabrics including inter lining on pre-import basis and all industry rate of Duty Drawback for non-fabric inputs on the exports.
- viii. Trade facilitation and enhancing the ease of doing business measures have been taken with special focus on moving towards paperless working. The Government has launched a Single Window Interface for Facilitating Trade (SWIFT) clearances project with effect from 1st April, 2016. The scheme enables the importers/exporters to file a common electronic 'Integrated Declaration' on the Indian Customs Electronic Commerce/Electronic Data Interchange (EC/EDI) Gateway i.e. ICEGATE portal. India also ratified the WTO Agreement on Trade Facilitation (TFA) in April 2016 for enhancing trade facilitation.

- ix. The Mid-term Review of Foreign Trade Policy 2015-20 launched on 5th December 2017 provides more incentives for export promotion. Export incentives under MEIS have been increased by 2% for labour intensive and MSME sectors leading to additional annual incentive of Rs 4,567 crore. This was in addition to already announced increase in MEIS incentives from 2% to 4% for Ready-made Garments and Made Ups in the labour intensive Textiles Sector with an additional annual incentive of Rs 2,743 crore.

- x. In order to double farmers' income by 2022 and provide an impetus to agricultural exports, the Government has launched a comprehensive "Agriculture Export Policy" on 6th December, 2018 which would also integrate Indian farmers and agricultural products with the global value chains. Objectives of the Agriculture Export Policy are as under:
 - To double agricultural exports from present ~US\$ 30+ Billion to ~US\$ 60+ Billion by 2022 and reach US\$ 100 Billion in the next few years thereafter, with a stable trade policy regime.
 - To diversify our export basket, destinations and boost high value and value added agricultural exports including focus on perishables.
 - To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
 - To provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phyto-sanitary issues.
 - To strive to double India's share in world agri exports by integrating with global value chain at the earliest.
 - Enable farmers to get benefit of export opportunities in overseas market.

- xi. In addition to above, financial assistance under Agriculture Export Promotion Plan Scheme of APEDA were provided to exporters for export of APEDA's scheduled products under the following components:
 - i. Development of export infrastructure
 - ii. Quality development
 - iii. Market development

This information was given by the Minister of State of Commerce and Industry, C. R. Chaudhary, in a written reply in the Lok Sabha today.

MM/SB

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