

## Apparel Export Promotion Council, Gurgaon

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### **CABINET SECRETARY CHAIRS INTER- MINISTERIAL WORKSHOP ON RMG**

### **CHAIRMAN AEPC PROPOSES MEASURES TO BOOST GARMENT EXPORTS FROM INDIA**

New Delhi: 17<sup>th</sup> May, 2013

At the initiative of Dr. A. Sakthivel, Chairman-AEPC, an Inter-Ministerial Workshop was organized under the Chairmanship of Shri Ajit Seth, IAS, Cabinet Secretary, Govt. of India; here today. The meeting was attended by Secretary (Textiles), Finance Secretary & Secretary (Revenue), Secretary MSME,, Commerce & Industry Secretary, DGFT, DG NIFT, JS Ministry of Textiles, JS Customs, JS Duty Drawback, JS Shipping JS Financial Services senior officials of the Government of India.

Speaking on the occasion Dr. A Sakthivel stated that, "Textiles and clothing have been recognized as a thrust area for growth due to the sector's potential to boost productivity, employment and investment. As such, it is imperative to design a framework to re-position the sector with a long-term vision (2025) to enable it to achieve 10 per cent share of the world textile trade." Therefore, it was a felt need to evaluate the constraints and gaps for addressing the problems of the RMG Sector. This meeting is first of its kind where all the stakeholders of the GOI related to Textiles are under one roof. This meeting will serve the twin objectives: of boosting trade and generating employment." In the FTP, several employment intensive sectors are provided benefits viz. Handicraft, Handloom, Cottage and tiny sector. Therefore, there is strong case for including garment sector also. This sector is the major employer and with the investment of Rs. 1 crore, 750 jobs are created directly and another 750 jobs are created indirectly. Thus, around 1500 jobs are created with an investment of Rs. 1 Cr. Therefore, the garment industry needs special dispensation, he added.

Cabinet Secretary in the opening remarks congratulated Dr. A. Sakthivel to bring this forum under one roof. On the issues raised by AEPC related to labour, Shri Ajit Seth remarked, I have spoken to Labour Secretary who will look into the procedural simplification of issues related to labour - let us see what can be done.

Dr. A Sakthivel made the following proposal for boosting clothing and garment exports from country:

**Proposal-1:** Enlargement of the garment export basket by manufacturing garments (Knitted and woven) from fabrics which are not widely available in India – Issuance of duty credit scrip (offsetting custom duties) on import of specialty fabrics at the rate of 5% for the export performance in the year 2012-13 and in the entire 12<sup>th</sup> five year plan.

**Proposal-2:** To increase synthetic knitwear exports from India under the integrated skill development scheme (ISDS) by setting up of innovative research / resource centre.

a) Allocation of funds under the ISDS to AEPC for setting up resource centers at Tirupur and Kolkatta with a total project cost of Rs. 6405.00 Lacs with government share of Rs. 5577.00 Lacs

**Proposal-3:** Policy intervention for overcoming major non-compliance in garment factories through two amendments in the Factories Act, 1948.

a) Section 59 - Overtime – wages at the rate of one-and-one quarter times of the regular rate (as per ILO convention) instead of two times. Indian law exceeds the ILO convention.

b) Section 64 – The cap of 50 hours a quarter should be removed under this section (The para remains ILO compatible).

**Proposal -4:** Higher and assured three years direct financing to Apparel Export Promotion Council under market access scheme (Under chapter 3 of the foreign trade policy 2009-14 (Promotional measures in Department of Commerce).

- a) Allocation of funds under Market Access Initiative Scheme ( MAI) of Ministry of Commerce directly to AEPC through Ministry of Textiles for the period 2013-14 to 2016-17 for effective long term planning of export promotion activities.

**Proposal-5:** Gold Card Scheme. Dependency on using captive DG sets, by the garment exporters is increasing day by day due to the shortage of electrical power provided by the electricity boards, which increase the cost of production substantially. The diesel for using in the Gen sets should be provided to the garment exporters at international prices.

**Proposal- 6:** Calibrated exports of Cotton Yarn. The cotton yarn exports have already crossed 900 million kilos. It is proposed that cotton yarn exports, except 60s count and above, may not be permitted with immediate effect.

**Proposal -7:** 24x7 clearance of drawback shipping bills

**Proposal -8:** Separate chapter for getting export credit at fixed 7.5% interest

**Proposal -9:** 15% Investment Allowance is now available for Project of Rs. 100 cores and above. It is requested that for the apparel sector, the threshold limit may be reduced to Rs. 10 crores.

**Proposal -10: Service tax related issues:** Waiving of Service Tax on taxable services in sub clause (zzze) of clause (105) of Section 65 of Finance Act on services to specified associations under (zzze) of Finance Act) for the period viz. 16.06.2005 to 06.07.2009.

- Expansion of services under Section 66D (I) (ii) & (iii) of the Finance Act 1994 – negative list of service tax and service tax on vocational education/training courses.
- Expansion of services under Notification No. 25/2012-Service Tax dated 20th June, 2012 and exemption of taxable services from the whole of the service tax leviable thereon under section 66B of the said Act.

**Proposal -11:** Department of Revenue to issue clear-cut directions to field formations that no export consignment shall be stopped at ports, in line with FTP.

**Proposal -12:** Govt. to notify that Textiles Committee's opinion on clarification of garments shall be binding on Customs.

**Proposal -13:** Congestion in ports and connecting the ports online. Transport of export consignment from manufacturing place to ports; reduction in transit time.

**Proposal-14:** Constitution of a Standing Committee of Secretaries mainly from Finance, Commerce and Textiles, to sort-out policies and implementation related issues.

**Proposal-15:** The import of cotton is already allowed duty free and full duty drawback is available on exports out of this cotton.”

Shri Ajit Seth acknowledged that rate of growth of apparel exports has dipped. Some of the smaller countries are not only snipping at our ankle but has overcome us. We need to scale up the value chain in the manufacturing so that we are able to compete better. There is need for collective conscience where issues can be dealt in comprehensive manner. He suggested that a delegation consisting of 2 – 3 members of AEPC Committee along with the officials from the Ministry of Textiles and industry bodies can visit countries like Vietnam, Cambodia and China to study the competitiveness advantages they enjoy. Cabinet Secretary asked AEPC to work on the area of skill development.

On the issue of Service Tax matter, Finance Secretary said that the matter would be examined afresh. Similarly, on the issue of classification of garment, FC suggested that AEPC may submit its recommendations to drawback, committee for simplification of Duty draw back schedule in order to overcome classification issue at the exit level.

Shri R.S. Gujral, Finance Secretary replying to the various queries on the demands stated that we are looking at it. We need to balance different aspects and my suggestion is that AEPC should look into long term and broader aspects of the industry. On the issue of Knitwear Technology Mission, Government has agreed to consider favorably.

Smt. Zohra Chatterji, Secretary (Textiles) stated that we are examining all the issued that have been raised by AEPC and our job is to balance the interest of all stakeholders and we will do it.

Shri Seth concluded that we will give legitimate encouragement to the apparel sector which will give gainful employment and boost manufacturing. Secretary, Industry Shri Saurabh Chandra advocated for creation of domestic industry for manufacturing to meeting the 12th five year plan target.

Chairman AEPC informed that, "The Indian Textile and Apparel industry plays an important role in the Indian economy in terms of its significant contribution to GDP (4%), industrial production (14%) and exports (14.4%). It employs nearly 35 million people with 56 million people employed in allied activities. It has the potential to increase its textile and apparel share in world trade from the current level of 4.5% to 8% and reach US\$ 80 billion by 2020. "

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