GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

STARRED QUESTION NO:1
ANSWERED ON:02.07.2009
COMPREHENSIVE PACKAGE FOR TEXTILES INDUSTRY
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Will the Minister of TEXTILES be pleased to state:

(a) whether the Government is contemplating a comprehensive package to overcome the crisis prevailing in the textiles sector due to the global economic slowdown;

(b) if so, the details thereof;

(c) whether any action plan is being drawn up by the Government to tackle the loss of job opportunities due to this crisis;

(d) if so, the details thereof;

(e) whether the Government has also taken note of a recent study of the United Nations Conference on Trade and Development (UNCTAD) regarding job loss in the textiles sector; and

(f) if so, the reaction of the Government thereto?

Answer

MINISTER OF TEXTILES(SHRI DAYANIDHI MARAN)

(a) to (f): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO.1 FOR 02.07.2009.

(a) to (d): The Government is aware of the impact of global economic slowdown on the Indian textiles industry and on its employment potential, and has been in continuous dialogue with the industry, which is passing through a challenging time. India's textiles exports have marginally declined by 5.31% during April-February' 2008-09 over the corresponding period of previous financial year. The Government is closely monitoring both the domestic & international economic developments and had announced two stimulus packages on 7th December, 2008 and 2nd January, 2009 to boost exports, arrest the impact of economic slow down and to improve liquidity.These measures/packages have helped to meet the crisis to a great extent. The Government is constantly monitoring the situation and after analyzing the impact of the stimulie packages, further appropriate measures would be taken.

The measures announced under the above two stimulus packages,inter alia ,include:-

i) Additional allocation of Rs.1400 crore to clear the entire backlog of Technology Upgradation Fund Scheme (TUFS).

ii) All items of handicrafts to be included under 'Vishesh Krishi & Gram Udyog Yojana (VK&GUY)'.

iii) Across-the-board cut of 4% in the ad-valorem Cenvat rate till 31.3.2009.

iv) Interest subvention of 2% upto 31.3.2009 subject to a minimum of 7% per annum on pre and post-shipment export credit (since extended to 20.9.09 in the Union Budget 2009-10).

v) Provision of additional funds for full refund of Terminal Excise Duty/Central Sales Tax.

vi) Enhanced back-up guarantee to ECGC to cover for exports to difficult markets/products.

vii) Refund of Service Tax on foreign agent commissions of upto 10% of FOB value of exports as well as refund of service tax on output service while availing benefits under Duty Drawback Scheme.

viii) Credit targets of Public Sector Banks revised upward to reflect the needs of the economy.

ix) State Level Bankers Committee would hold meetings for resolution of Credit issues of MSMEs.

x) Guarantee cover under Credit Guarantee Scheme doubled to Rs. 1 crore with cover of 50%.

xi) DEPB rates restored to pre-November, 2008 levels and extended till 31.12.2009.

xii) Duty Drawback on knitted fabrics enhanced retrospectively from 1.9.2008.

The above measures are in addition to the following relief measures that had been introduced earlier to overcome the crisis facing the manufacturing industry in general:-

i) Income Tax benefit to 100% EOUs under Section 10B of I.T. Act,extended by Government for one more year, beyond 31.3.2009.

ii) Customs duty payable under EPCG scheme reduced from 5% to 3%.

iii) Average export obligation under EPCG for Premier Trading Houses shall, as an option, be calculated; based on the average of last 5 years export, instead of the present 3 years.

iv) Exports made towards fulfillment of export obligation under EPCG Scheme shall be eligible for incentives/rewards under promotional schemes.

v) In case of textile and granite sector EOUs, payment of only excise duty on DTA sale,in case the use of duty paid imported inputs is up to 3% of the FOB value of exports.

vi) Enhanced duty credit scrip of 2.5% (instead of the normal 1.25% under FPS) would be allowed for export of High value added manufactured products.

vii) Inclusion of 10 more countries within the ambit of Focus Market Scheme.

viii) Measures to reduce transaction cost to the exporters and procedural simplification have also been incorporated.

In addition,the following benefits have also been specifically extended to the Textiles & Clothing sector:-

The Focus Market Scheme (FMS) was launched in April, 2006 as part of the Foreign Trade Policy 2004-09 (FTP-2004-09) under which 83 foreign markets were notified as focus markets.Exports of all textiles products to these markets are eligible for duty credit scrip at 2.5% of FOB value of exports.Similarly, the Focus Product Scheme (FPS) was launched in April, 2006 as part of the FTP-2004-09 in terms of which silk yarn is being given incentive at 1.25% of exports since 1.4.2008. Hand-made carpets and other textiles floor coverings have also been included under this scheme with incentive of 5% on exports since 23.2.2009.The Market Linked Focus Product Scheme was introduced on 1.4.2008 and exports of garments to Australia, Japan and Brazil are given incentive of 2.5% on exports w.e.f. 1.1.2009. In addition, garments exported to EU-27 and USA are eligible for incentive of 2% of exports on FOB value from 1.4.2009 to 30.9.2009.

Other incentives provided by the Government for exports of textiles, during the period in question; includes 71 items of handicraft under the Vishesh Krishi and Gramin Udyog Yojana (VKGUY) Scheme, which is a scheme designed for export promotion of agro, marine, forestry and rural origin products. Exports of raw cotton have also been provided incentives under the VKGUY Scheme for the period 1.4.2008 to 30.6.2009.

The Government has strategized for the short term, mid-term and long term, ways and means to improve the health and productivity of the textiles sector so that it is able to generate maximum job opportunities. The strategy includes rationalizing the fiscal structure in respect of the textiles industry, introducing duty and tax concessions, enhancing credit facilities, to impart greater efficiency to existing schemes, like the Technology Upgradation Fund (TUFS) Scheme and Scheme for Integrated Textiles Park (SITP), apart from improvement of the infrastructure and imparting new direction to the industry in line with global trends.

(e) to (f): The United Nations Conference on Trade and Development (UNCTAD) India,has prepared a draft report on "Impact of Global Slowdown on India's Exports and Employment".Final report is awaited. As in case of manufacturing sectors all over the world, in India too,the manufacturing sector,including textile sector,has faced the impact of global economic slowdown.The Government is conscious of any possible job loss in textiles sector and has taken steps in the form of reliefs and concessions announced so far as detailed above.These steps will mitigate the adverse impact of global economic slowdown on Indian textiles industry.The Government is constantly assessing the situation and will act positively whenever required.