

## **AEPC members meet new ministers as pre-budget exercise**

**(pl leave space for a double column pix of chairman with Maran-- will submit early next week)**

The Apparel Export Promotion Council (AEPC) held a series of meetings after the new government took over last month with a list of industry demands to be considered while finalising the union budget for 2009-10 and the new foreign trade policy.

Leading garment exporters met finance minister Pranab Mukherjee, commerce minister Anand Sharma, textile minister Dayanidhi Maran and senior government officials.

The exporters led by AEPC chairman Rakesh Vaid called for immediate and concrete action in the face of economic recession worldwide and its consequences on the Indian apparel export sector. Right after the meetings, president Pratibha Patil addressed a joint session of parliament which laid out the roadmap for prime minister Manmohan Singh government's second term.

"The government is to focus on adversely affected sectors such as textiles, exports, infrastructure and housing in order to restore India's growth momentum," she said. Mr Mukherjee, Mr Sharma and Mr Maran also assured that a stimulus package for exports and labour-intensive sectors like textiles and apparel will be announced shortly.

Briefing the ministers, Mr Vaid said the current global scenario is not good. US imports of apparel tumbled by 10.48 per cent in January to March this year while Canada imported 1.69 per cent less garments in February. The estimated global apparel trade totalled 373 billion last year while India's share was only 2.6 per cent at 10 billion dollars.

By 2015, the global apparel trade is expected to be 692 billion and India must achieve 18 billion to retain the share of 2.6 per cent. For that, investment of Rs 143,000 crore, additional sewing machinery installation by 18.44 lakh and 27 lakh new jobs will be required.

Mr Vaid listed three demands as a short-term measure to tide over the current slowdown in exports:

- increase duty drawback at the rate of 14.61 per cent on FoB value from September last year from the current level of eight per cent,

- restoration of section 80 HHC of the Income Tax Act and
- removal of fringe benefit tax.

The long-term recommendations included:

- budgetary allocation for product development
- 50 per cent capital subsidy for garment machines
- greater funds for Technology Upgradation Fund Scheme (TUFS)
- additional interest subvention of four per cent
- moratorium of two years for repayment of principal amount against term loan
- prime lending rates for textile and clothing industry should be pegged at two per cent lower normal level
- exemption of CVD on garment machinery
- exemption of custom duties on industrial garment machines
- financial support for undertaking research and development activities like in Pakistan and China.

Mr Vaid said as per approach paper for the 12th five-year plan period, 1.7 crore new jobs will be created in the textile and clothing sector. The apparel export sector is the only one which can absorb workers migrating from agriculture to non-agriculture activities.

The AEPC chairman said the textile and apparel sector is the second largest employment generator after agriculture, providing work to about 3.3 crore people directly and another 5.5 crore indirectly. Of these, 70 lakh million are involved in garment manufacturing -- 39 lakh for exports and the rest for domestic market.

To increase installed capacities in the apparel sector, he said, the new government will require reforms in five broad areas: fiscal incentives to the tune of Rs 2,600 crore, a Rs 250 crore product development fund, simplification of exim norms, facilitating capital investment and friendlier labour laws.

Mr Vaid hoped the government will push ahead a more comprehensive and competitiveness enhancement strategy in the form of a stimulus package as Indian goods are over 20 per cent costlier than those supplied by India's competing countries. "The higher cost is due to higher credit rates, wages for labour and transaction costs," he said.

Garment exports from India totaled 10.13 billion dollars in 2008-09 compared to 9.68 billion dollars in the previous year.

Mr Vaid described 15th Lok Sabha election results a vote for development and hoped that the UPA government will continue its progressive social and economic agenda for inclusive growth and good governance. The people seem to have favoured the Congress-led coalition because of its development initiatives which are intended to narrow down the rural and urban divide, he said.

"The verdict proves that the government which talks and ensures development and stability will have the acceptance from people of India," he added.

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122003

Phones

98914-18961  
95124-270-8256