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PRESS RELEASE

Union budget for 09-10 well short of expectations: AEPC

New Delhi, July 6 – The union budget for 2009-10 presented in parliament today is a step in the right direction for empowering the ‘aam admi’ but much short of expectations of the labour-intensive textile and clothing sector which has taken the brunt of global economic meltdown, the Apparel Export Promotion Council (AEPC) said.

It welcomed abolition of fringe benefit tax and exemption of service tax for export promotion councils on membership fee. Goods transport agents and commission agents have also been exempted from service tax. The AEPC said the exemption should have been extended to other activities as well.

The budget presented by finance minister proposed increasing the market development assistance fund by 148 per cent to Rs 124 crore. The council said it is much short of the assistance required.

But no steps have been taken to remove problems of the small and medium enterprises which generate mass employment and form the backbone of Indian economy, said AEPC chairman Rakesh Vaid.

“Due to high central and state-level taxes besides equally high transaction costs, the Indian garment export industry has become uncompetitive over the years,” he said. “Indian goods are 15 to 20 per cent costlier than those supplied by competing countries like China, Bangladesh, Vietnam, Cambodia and Indonesia.”

The country's share in 373 billion dollar global clothing industry has fallen from 3.3 per cent to 2.8 per cent to 2.6 per cent in 2008-09. To retain the current market share, India needs to export 18 billion dollars worth of garments annually which will require 2.7 million additional manpower and investment worth Rs 143,000 crore.

"We are disappointed as the sector was expecting cess holidays similar to those available for special economic zones," said Mr Vaid. "Our power costs, credit costs and wages for labour are all higher than in neighbouring countries."

He hoped the government will soon rationalise duty refund rates for apparel exports. The AEPC has been calling for fiscal incentives to the tune of Rs 2,600 crore, a Rs 250 crore product development fund, simplification of import export norms, facilitating capital investment and friendlier labour laws.

Garment exports from India were 14 per cent short of the 11.62 billion dollar target for fiscal year 2008-09 and totaled 10.13 billion dollars, 4 per cent up from 9.68 billion dollars in the previous year. The downward movement started in August 2008 when retail orders from the United States, the European Union and elsewhere began to feel the impact of worldwide economic recession.

In the current fiscal, apparel exports were down 9.5 per cent in April to 809 million dollars (886 million dollars in April 2008-09) and 11.58 per cent in May to 763 million dollars (863 million dollars in May 2008-09).

The Indian textile and clothing industry contributes four per cent to GDP, 14 per cent to industrial production and 12 per cent to foreign exchange earnings.

It is the second largest employment generator after agriculture with direct employment of 33 million people and indirect employment of 55 million people. Of these, 7 million are involved in garment manufacturing -- half of them for exports.

The AEPC represents over 8,000 small, medium and large exporters. The country ranks sixth among the top garment exporting countries globally.

Nearly 78 per cent of garments exported from India are cotton-based. The main products are ladies garments, blouses, skirts, T shirts and trousers.