

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

RAJYA SABHA
UNSTARRED QUESTION NO. 1010
TO BE ANSWERED ON 19th DECEMBER, 2018

DECLINE IN EXPORTS

1010. SHRIMATI KANIMOZHI:

Will the Minister of **COMMERCE & INDUSTRY** be pleased to state:

- (a) whether there is a decline in the exports in major sectors resulting in increase in trade deficit, if so, the details thereof along with the reasons therefor, sector-wise and its impact on country's economic growth; and
- (b) the details of the problems/ challenges being faced by Indian exporters along with the steps taken by Government to address them including the export incentive schemes announced by Government for exporters?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY
(SHRI C. R. CHAUDHARY)

(a): India's merchandise exports have increased since 2016-17. During the current period 2018-19 (Apr-Nov), India's merchandise exports registered a high positive growth of 11.58% as compared to the corresponding period of previous year. The values of India's merchandise exports, imports and trade balance for the last three years and the current year are as follows:

(Value in US\$ billion)

Year	Exports	% Change	Imports	% Change	Trade Balance
2015-16	262.29	--	381.01	--	-118.72
2016-17	275.85	5.17	384.36	0.88	-108.51
2017-18	303.53	10.03	465.58	21.13	-162.06
2017-18 (Apr-Nov)	194.93	--	301.31	--	-106.37
2018-19 (Apr-Nov)*	217.52	11.58	345.64	14.71	-128.13

Source: DGCI&S (*: figures are based on quick estimates)

The data given in foregoing table reflects that the trade deficit decreased in 2016-17 over 2015-16. However, it increased in 2017-18 and 2018-19 (Apr-Nov) as compared to the

corresponding period of previous year. Trade deficit depends upon relative fluctuations in the imports and exports of different commodities due to the global and domestic factors such as demand and supply in domestic and international markets, currency fluctuations, cost of credit, logistics costs, etc. The increasing trade deficit in spite of positive growth of exports is mainly due to higher imports particularly of the Petroleum Crude & Products, Electronics Items, Iron & Steel, Chemicals & Related Products, Coal, Coke & Briquettes, Fertilizers, Machinery and Non-ferrous Metals, which contribute to more than 65% share in total imports. The Trade Deficit adversely affects on country's economic growth as exports less of imports is a component of GDP.

The sector-wise values of exports for the last three years and the current year is given at **Annexure-I**.

(b): The major challenges being faced by Indian exporters emanate from global and domestic factors such as demand and supply in domestic and international markets, currency fluctuations, cost of credit, logistics costs, global competitiveness of products and depreciation of Indian currency against international currencies, especially US Dollar. In order to address these challenges faced by exporters, 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. Facilitating Transparency through Ease of Doing Business and IT initiatives:
 - (a) Directorate General of Foreign Trade (DGFT) and Special Economic Zone (SEZ) online integrated with Customs ICEGATE.
 - (b) Mandatory documents required for exports and imports reduced to 3 each.
 - (c) Import Export Code (IEC) integrated with PAN and MoU signed with GSTN for complete integration.
 - (d) Electronic bank realisation certificate (eBRC) system shared with 14 States Governments for quick tax refunds.
 - (e) MoU signed with GST Network for integration of E-BRC with GSTN.
- iii. The main policy objective is to enable India to respond to the challenges of the external environment keeping in view the rapidly evolving international trading architecture and make trade a major contributor to the country's economic growth and development.
- iv. The policy provides the framework for promotion of exports through schemes of incentives on exports and duty remission/exemption on inputs for export production.
- v. 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.

- vi. The MEIS 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. The online e-com module to grant MEIS benefit without any manual intervention under a system authenticated mechanism for most HS Codes of the MEIS schedule was launched and has been running successfully since Sept 2018. Further, a facility has been incorporated in the module, so that the authorization's dispatch by speed post can be tracked by the exporter. A new Risk Management System has been developed to scrutinize cases under MEIS based on HS Codes rather than random selection and is under implementation by the field offices of DGFT. MEIS benefits to some agricultural products such as Bengal Gram, Milk and Milk Products, Soya de-oiled cake and Non Basmati rice have been provided for a limited period in year 2018-19 to boost the agriculture sector.
- vii. Under the SEIS, there are rewards on net foreign exchange earnings, to service providers of notified services who are providing service from India to the rest of the world, in the form of Duty Credit scrips which are transferable and can be used to pay certain Central Duties/Taxes including customs duties. The service exporters are eligible for SEIS at the rate of 5% and 7% of the net Foreign Exchange earnings. The total financial envelope for SEIS is Rs 2,640 Crore in 2017-18. The sectors covered under the scheme are Business Services, Communication services, Communication services, Construction and related engineering Services, Educational Services, Environmental Services, Health related and Social Services, Tourism and Travel related services, Recreational, Cultural and Sporting Services and Transport Services. The last update were done vide PN 45 dated 05.12.2017.
- viii. Under the EPCG scheme, procurement of capital goods from indigenous manufacturers is incentivised by reducing specific export obligation from 90 percent to 75 percent of the normal export obligation.
- ix. Advance Authorisation allows duty free import of inputs, which is physically incorporated in export product within a specified timeline.
- x. 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.

- xi. 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, counseling sessions, individual facilitation etc., on various aspects of foreign trade for being able to get into international trade and boost exports from India.
- xii. A new scheme called Special Advance Authorisation Scheme for export of articles of Apparel and Clothing Accessories was introduced w.e.f. 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.
- xiii. 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.
- xiv. A new scheme called "Trade Infrastructure for Export Scheme (TIES)" has been launched from 1st April 2017 to address the export infrastructure gaps in the country.
- xv. A new Logistic Division was created in Department of Commerce to focus on improving logistic efficiency and enhancing growth.
- xvi. The Mid-term Review of Foreign Trade Policy 2015-20 launched on 5th December 2017 provides more incentives for export promotion. During the mid-term review of Foreign Trade Policy in December 2017, export incentives under Merchandise Exports from India Scheme (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. Further, incentives under Services Exports from India Scheme (SEIS) have also been increased by 2% leading to additional annual incentive of Rs 1,140 crore.
- xvii. 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.

Annexure-I

Statement referred to in reply of part (a) of Rajya Sabha Unstarred question no. 1010 for answer on 19th December 2018.

Sector-wise India's export

(value in US\$ million)							
S. No.	Major Commodities	2015-16	2016-17	2017-18	2017-18 (Apr-Nov)	2018-19 (Apr-Nov)*	% Change
1	Engineering Goods	61949.53	67216.12	78695.69	50210.87	53950.72	7.45
2	Petroleum Products	30582.64	31545.26	37465.08	23136.88	33931.1	46.65
3	Gems And Jewellery	39284.27	43412.76	41544.44	28025.64	27035.75	-3.53
4	Organic And Inorganic Chemicals	13696.98	14476.86	18508.5	11341.49	14644.77	29.13
5	Drugs And Pharmaceuticals	16909.49	16785	17282.81	11082.66	12326.79	11.23
6	Rmg Of All Textiles	16964.36	17368.15	16706.94	11040.58	9976.14	-9.64
7	Cotton Yarn/Fabs./Madeups, Handloom Products Etc.	10119.36	9862.2	10260.36	6588.52	7503.06	13.88
8	Plastic And Linoleum	5764.18	5796.46	6851.13	4293.32	5744	33.79
9	Electronic Goods	5959.52	5962.93	6393.12	4091.72	5475.32	33.81
10	Marine Products	4767.51	5903.06	7389.22	5232.81	4793.7	-8.39
11	Rice	5846.62	5733.79	7806.15	4960.21	4602.81	-7.21
12	Leather And Leather Manufactures	5407.84	5165.6	5289.13	3512.32	3452.6	-1.70
13	Man-Made Yarn/Fabs./Madeups Etc.	4621.66	4557.08	4826.33	3138.16	3291.99	4.90
14	Meat, Dairy And Poultry Products	4575.47	4368.79	4610.06	3117.57	2941.47	-5.65
15	Mica, Coal And Other Ores, Minerals Including Process	3656.04	3578.16	3776.88	2336.01	2669.84	14.29
16	Spices	2541.46	2851.95	3115.37	1999.59	2095.89	4.82
17	Ceramic Products And Glassware	1712.05	1856.63	2131.78	1375.21	1672.45	21.61
18	Fruits And Vegetables	2268.81	2454.72	2513.33	1477.06	1439.93	-2.51
19	Handicrafts Excl. Hand Made Carpet	1648	1926.75	1823.34	1195.03	1202.58	0.63
20	Cereal Preparations And Miscellaneous Processed Item	1319.75	1270.85	1416.64	910.94	1006.45	10.48
21	Carpet	1440.07	1490.19	1429.82	953.15	985.38	3.38
22	Oil Meals	553.01	805.45	1093.16	692.05	801.84	15.86
23	Iron Ore	191.46	1533.53	1471.06	933.55	787.32	-15.66
24	Oil Seeds	1246.89	1355.23	1174.34	749.81	754.71	0.65
25	Tobacco	982.01	958.69	934.25	596.03	644.73	8.17
26	Tea	720.03	731.26	837.36	545.43	534.94	-1.92
27	Coffee	783.87	842.84	968.57	642.75	531.99	-17.23
28	Cashew	768.55	786.93	922.41	657.58	435.29	-33.80
29	Other Cereals	261.18	212.3	248.59	145.42	230.54	58.53
30	Jute Mfg. Including Floor Covering	295.36	309.95	335.08	224.73	221.97	-1.23
31	Others	15453.12	14732.96	15705.21	9727.81	11830.44	21.61
India's total Export		262291.09	275852.43	303526.16	194934.90	217516.51	11.58

Source: DGCI&S, Kolkata (*: Quick Estimates)
