The Hindu Business Line
Tuesday, December 27, 2016

Commerce Ministry rides out in support of struggling exporters

Seeks higher Budgetary allocation to step up incentives for labour-intensive segments

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New Delhi, December 26

As exporters struggle in a stagnant world market, the Commerce Ministry is signalling help in the form of more incentives in the next fiscal year. Aimed especially at labour-intensive sectors such as engineering products, leather, textiles and chemicals, the sops will, however, depend on the Commerce Ministry's request for more funds being accepted in Budget 2017-18.

The Ministry has already petitioned the Finance Ministry, and its list of demand includes enhanced annual allocations that could be pumped into the merchandise export incentive scheme (MEIS).

The MEIS, under which exports of specific products and to identified markets are eligible for direct sops in the form of duty-free scrips, started off in April 2015, with an annual budget of ₹18,000 crore. This was subsequently increased in tranches to ₹23,000 crore.

The scheme's coverage was also increased to 7,103 items from the initial 5,012.

"We have asked for a substantial increase in allocation, but don't know how much the Finance Ministry can spare. Once the allocation is made in the Budget, we can work on expanding the scheme," a Commerce Ministry official told *BusinessLine*.

Demonetisation effect

"Despite the small increase in shipments in recent months, exporters are continuing to struggle. Demonetisation has led to instability in many sectors, especially the labour-intensive ones. There is definitely a need for more incentives, and this can be given through MEIS," the official said.

The duty-free scrips equivalent to 2 per cent, 3 per cent or 5 per cent of the value of exports can be used for duty-free import of inputs.

The scrips can also be sold to other importers if the exporter earning them does not intend to import.

With India's exports having had a bad run all through 2015-16 and for moch the current fiscal year, exporters are looking for a booster shot in the Budget.

In 2015-16, exports declined 15.85 per cent to $261 billion and stayed flat in the April-November 2016-17 period at $174.92 billion. World trade, which grew 1.7 per cent in 2016, will expand between 1.8 per cent and 3.1 per cent in 2017 as against earlier predictions of a 3.6 per cent growth, according to the latest WTO projections.

Apart from higher incentives, exporters also want the government to refrain from taxing the assistance provided under the schemes. The Engineering Exports Promotion Council, in its pre-Budget memorandum, said that since the incentives are taxed at the normal rate and exporters are getting benefits discounted at 67 per cent, the purpose of giving incentives is not being fully met.

Looking ahead

- The Centre is examining the possibility of expanding and deepening sops
- Exporters want govt to refrain from taxing incentives
- Exports declined 15.85% in the previous fiscal year to $261 billion and stayed flat in the April-November period at $174.92 billion