



DRAFT

KERALA EXPORT PROMOTION POLICY 2023

For comments from various stakeholders

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Introduction

1 About Kerala

- 1.1 Kerala, known as "God's Own Country," is a coastal state located in the southern part of India. Nestled between the Western Ghats and the Arabian Sea, Kerala boasts breath-taking natural beauty, a rich cultural heritage, and a vibrant economy. With its strategic location, educated workforce, and favourable business environment, Kerala offers immense potential for export-oriented industries. Kerala is strategically located on the transnational trade corridor, with substantial contribution to India's economic output. It has a coastline of around 590 km and boasts of fertile midland, lush highlands and is watered by 44 rivers running across the breadth of the state.
- 1.2 Kerala has long been recognised as a hub of trade and commerce, with a history of maritime trade dating back centuries. Today, it stands as one of India's prominent states for exports, contributing significantly to the country's trade balance. The state's diverse economy encompasses a wide range of sectors, including agriculture, fisheries, textiles, spices, coir, tourism, IT and IT-enabled services, healthcare, and manufacturing. The state also boasts a large and affluent diaspora spread across the world.
- 1.3 Kerala is also one of India's most progressive states in terms of support to human development; delivery of justice; social protection; essential infrastructure and connectivity viz., 4 airports, 2 major seaports, 17 mini seaports, 2 ICT Terminals, 11 national highways, railways, metros, "SEA-ME-WE-3" and "SAFE" submarine cable landings, higher road density, 100% digital telephone exchanges, 98% of telephone exchanges connected by OFC to the National Internet Backbone (NIB), 24*7 power connectivity etc. 'Kerala Model' in many indicative parameters is arguably at par with some of the major global superpowers.
- 1.4 Kerala's export sector is characterised by its emphasis on quality, sustainability, and value addition. The state's exports are renowned for their authenticity, craftsmanship, and eco-friendly practices, making them highly sought after in international markets. From premium tea and spices to handloom textiles, seafood, Ayurvedic products, IT services etc. Kerala offers a diverse array of export opportunities across multiple sectors.

1.5 One of Kerala's key strengths lies in its skilled workforce. The state boasts a high literacy rate and a well-educated populace, providing a strong foundation for knowledge-based industries. Kerala's human capital is known for its proficiency in English, adaptability, and entrepreneurial spirit, making it an ideal destination for export-oriented businesses seeking a skilled workforce. Furthermore, Kerala's robust infrastructure, including modern ports, well-connected road networks, and reliable power supply, enables seamless trade connectivity. The state's proximity to international shipping routes and its well-developed logistics ecosystem facilitates efficient movement of goods, ensuring timely delivery to global markets.

2 Kerala – Exports Scenario

2.1 Kerala's economic growth is fuelled by sectors such as tourism, healthcare, IT, food processing, spices, rubber, ayurveda, electronics, handlooms, apparels and garments, coir, seafood, and traditional products such as wood carvings, designer jewellery, among others. Kerala produces more than 70% of India's natural rubber¹, and contributes significantly to India's exports in cashew, spices, tea, marine products, coffee, coir etc.

2.2 Kerala's merchandise exports for the year 2022 - 23 are ₹ 35,117.23 Crore², constituting nearly 6% of State GDP (at constant prices)³ and 1% of India's merchandise exports⁴ during the same period.

2.3 From among the various export commodities, marine products, food and agro-related produce, engineering goods, petroleum goods are the major commodities exported from Kerala, contributing to more than 70% of the State's merchandise exports⁵ and US, UAE, China, Bangladesh, and Japan are the top 5 export destinations for merchandise from Kerala⁶. Ernakulam, Alappuzha, and Kollam districts alone account for ~79% of Kerala's merchandise exports.⁷

¹ Kerala Economic Review 2022

² State-wise Export Data - Department of Commerce, MoCI, GoI – Monitoring Dashboard

³ Kerala Economic Review 2022; Directorate of Economics & Statistics, Govt. of Kerala

⁴ Department of Commerce, MoCI, GoI – Export Import Data Bank

⁵ National Import-Export Record for Yearly Analysis of Trade – Govt. of India

⁶ Exim Bank report for FY 2021-22

⁷ District-wise Export Data - Department of Commerce, MoCI, GoI – Monitoring Dashboard

- 2.4 Tourism, IT and ITeS and healthcare services sector are among the major services exports from the state. The quantum of IT exports (₹ 17,855.70 Crore during FY 2021-22)⁸ and foreign exchange earnings from tourism (₹ 10,271.06 Crore during calendar year 2019)⁹, demonstrate the importance of these sectors in the State's services exports. Even when Services sector contributes to 63.8% of Kerala's Gross State Value Addition (GSVA)¹⁰ during FY 2021-22, the share of services sector in the total export earnings of the state is comparatively less as compared to its share in the GSVA of the state.
- 2.5 Despite being endowed with rich natural resources and legacy of trade with other countries from time immemorial, the share of Kerala's merchandise exports in State GDP is less than the 22.7% share that merchandise exports have in India's GDP and the rate of growth Kerala's exports (4.1% CAGR during the period 2014-15 to 2022-23) is much less than that of Indian exports (8.4%)¹¹. The State is ranked 16th among all States in the value of merchandise exports during FY 2022-23¹². Kerala is also ranked 16th among states in Export Preparedness Index-2021 released by NITI Aayog. The reasons for Kerala's being ranked lower than most of the coastal states are lack of suitable state export policy, absence of district export plans, and heavy reliance on few commodities, countries for exports.
- 2.6 International trade, which works on the principle of 'comparative advantage', provides jobs, economies of scale, much desired forex for a country and commodities to the consumers. While key issues are dealt by the Government of India, initiatives of the state government are also vital for improving exports and vitalise the industrial scenario and economy of the state. In this background, the State Government has decided to have a comprehensive roadmap ready to facilitate and support growth of exports from the state commensurate with its economic advancement thereon.

⁸ Kerala Economic Review 2022

⁹ Kerala Tourism Statistics (2021) – Department of Tourism, Government of Kerala

¹⁰ Directorate of Economics & Statistics, Govt. of Kerala

¹¹ Based on data from MoSPI

¹² National Import-Export Record for Yearly Analysis of Trade – Govt. of India

3 Need for Export Promotion Policy

- 3.1 The Export Promotion Policy of Kerala State reflects the government's commitment to unlocking the full potential of the state's exports. It emphasises the importance of collaboration between industry, government, and academia to drive innovation, enhance productivity, and create sustainable and inclusive growth. Through targeted strategies and initiatives, the policy seeks to empower exporters, open new avenues for trade, and position Kerala as a preferred destination for international business partnerships.
- 3.2 With its unique blend of natural resources, skilled workforce, cultural heritage, and progressive business environment, Kerala is poised to become a prominent player in the global export arena. The Export Promotion Policy sets the stage for the state's exporters to seize opportunities, forge new partnerships, and make a mark on the global stage, ultimately contributing to the overall economic growth and prosperity of Kerala.
- 3.3 According to Exim Bank research, the state has an untapped merchandise export potential of nearly US\$ 6.7 billion¹³. Kerala, which in the last few years have been devastated with floods, pandemic, and other natural calamities, has overcome the economic setback caused by them by way of its policy interventions, reform measures, forward thinking growth orientation etc. In this background, it is only prudent that the recovery from trying times is converted to long term growth of economy and employment generation. This can be significantly made possible by enhanced focus on the untapped export potential, which would aid its sustainable economic development and place it as one of the major export economies at par with the best in in the World.
- 3.4 There has been a notable structural change in the state economy as evident from the fact that GSVA of the manufacturing, services and allied sectors have been growing over the recent years. Services is the fastest growing sector in Kerala, with IT, healthcare and tourism being the key drivers of the state's services sector.

¹³ EXIM Bank of India Working Paper on Promoting Exports from Kerala: Insights and Policy Perspective (June, 2020)

- 3.5 Keeping in view the long-term policies and futuristic growth prospects of State economy, the State is now orienting towards attracting investments and promoting exports from entities belonging to sectors with high value addition such as Biotechnology & Lifesciences, Maritime, Aerospace & Defence, Medical equipment manufacturing, Logistics & Packaging, Electronic System Design & Manufacturing, high value-added rubber product manufacturing, Food Technology etc. These growth prospects are being explored, whilst strongly retaining and ensuring the sustained growth of the traditionally important sectors such as Food & Agriculture, Marine products, Spices, Plantation produce, tourism, IT and ITeS which contribute significantly to Kerala's exports at present.
- 3.6 It is a pertinent and evidentiary fact that the successful growth of both developed and developing nations is fuelled by the excellent focus given to exports. In these nations, the export-oriented sectors are often employment-intensive and hence, the expansion offers the creation of job opportunities as well. As State Government plays a predominant role in the allocation of factors of production, it is inevitable that the State Government strategises its policies, based on inherent competitive advantages, to achieve growth in exports thereby realizing its true economic potential.
- 3.7 Although predominantly governed by policies of the Central Government, exports are based on comparative advantage of an economy or location. It is in this scenario that state governments especially Kerala, gain significant advantage in terms of its locational advantage, infrastructural supremacy, and many other related factors. The State Government has recognised exports as an engine of economic growth and a priority area for development of the State economy & employment generation. The policy is being brought in with a vision to enhance the State support to export segment thereby improving the exports from the State considerably and in a sustainable manner. The policy aims to create an ecosystem for businesses in the state to align their production and facilities as per requirements of the international market thereby increasing the exports from the State.
- 3.8 Apart from enhancing volume of exports, focus will also be given to enhance the value additions happening in the state whilst realizing higher revenue generation. This policy provides a framework for directions and monitoring, which can be adopted to develop schemes for the export of products and

commodities as per the specific value chains, which are currently being sold and have potential to do better. The policy intends to support various initiatives, all available modes will be used, including those with support of State Government or Central Government or private capital support, including public-private partnership modes.

- 3.9 Central Government has notified the financial incentives under the 'Foreign Trade Policy' (FTP), state government may whilst aligning with the Central Government policy focus on providing facilitation and monitoring to boost exports also and make best possible use of the initiatives of the Central Government. The policy aims to focus on alternative means, in variation from the traditionally provided ones, to promote exports. The key focus areas to be explored are regulatory support, providing common infrastructure, supporting compliance to international standards, better coordination at ports and airports, optimizing support of Central Government, etc.
- 3.10 Kerala's new export promotion policy is designed to support businesses in their international ventures. This policy aims to enhance export competitiveness, promote market diversification, provide financial incentives, streamline trade procedures, and foster innovation and skills development. By creating a conducive environment for exporters, Kerala aims to further strengthen its position as a globally recognised exporter of high-quality products and services.

4 Applicability of the Policy

- 4.1 The policy is applicable to manufacturing / producing / service-oriented exporters as well as merchant exporter with or without warehousing. An assessment will be undertaken on annual basis or at such times as decided by Government to revise / modify the policy based on the need of the hour.

Vision, Mission, and Objectives

5 Vision

5.1 **Vision:** "To establish a globally acclaimed environment for exports in Kerala by anchoring on its core competencies, encouraging innovation by way of Made in Kerala branding, promoting sustainable & ethical practices by leveraging on its unique strengths and empowering the existing ecosystem to be an enabling environment for the growth and diversification of quality exports, thereby enhancing the State's economic prosperity, global competitiveness and transforming the State into a prominent player in the export segment."

5.2 Kerala, a State with abundant natural resources, skilled workforce, and a rich cultural heritage, aims to become a prominent player in the global export market. This Export Promotion Policy aims to achieve the said goal by leveraging Kerala's unique strengths, fostering innovation, promoting sustainable practices, creating an enabling ecosystem, and supporting growth and diversification.

6 Mission

6.1 **Mission:** "To transform the state into a coveted export hub in the global export market by leveraging its inherent strengths and competitive advantages. Kerala aims to become a preferred destination for high-quality goods and services, catering to global demands."

6.2 To achieve this mission, the Government of Kerala will focus on the following specific goals:

6.2.1 **Leveraging Unique Strengths:** Kerala will identify and leverage its unique strengths, such as its abundant natural resources, skilled workforce, rich cultural heritage, and strategic geographic location. By tapping into these strengths, the government aims to promote sectors & products that have a comparative advantage and establish export hubs in identified regions, thereby maximizing export potential. The State shall promote skill development and capacity building to improve competitiveness of existing export units.

- 6.2.2 **Fostering Innovation:** The government will foster a culture of innovation by supporting research and development, promoting technology adoption, and facilitating collaborations between industry, academia, and research institutions. By encouraging innovation-driven entrepreneurship, Kerala endeavours to create a conducive environment for the development of cutting-edge products and services that can meet global market demands.
- 6.2.3 **Promoting Sustainable Practices:** Recognizing the importance of sustainability in international trade and its long-term policy decision to adopt ESG practices, the Government will emphasise the adoption of environment friendly practices. The Government aims to encourage sustainable sourcing, production processes, and packaging, promoting eco-friendly certifications, and complying with international standards. By aligning exports with sustainability goals, Kerala aims to attract environmentally conscious consumers and strengthen its position as a responsible global exporter.
- 6.2.4 **Creating an Enabling Ecosystem:** The Government will establish a robust and supportive ecosystem for export-oriented businesses. This involves streamlining administrative procedures and enhancing trade facilitation measures. The Government will focus on developing world-class infrastructure, including logistics, transportation, and connectivity, to ensure smooth and efficient movement of goods and services. Furthermore, the policy aims to provide targeted financial incentives, export-oriented skill development programs, and export promotion agencies to support businesses at every stage of the export cycle. The Government will also establish an effective, proactive, and supportive institutional mechanism, through the existing entities, for the rapid growth of exports.
- 6.2.5 **Growth and Diversification:** The Government will identify new export opportunities and potential markets, both within and outside traditional sectors. By facilitating market access, conducting trade missions, participating in international trade fairs, and supporting market research, Kerala aims to expand its export footprint to at least USD 20 Bn by the fiscal year 2027 - 2028, reduce dependency on specific markets, and enhance its resilience to changing global trade dynamics. The State will drive export growth with an aim to facilitate incremental growth of products in the focus

sector, diversification through value addition and prioritise market diversification.

6.2.6 **Global Competitiveness:** The Government will enhance Kerala's global competitiveness by fostering a favourable business environment and improving the ease of doing business. This involves strengthening intellectual property rights protection, promoting fair trade practices, and facilitating access to trade finance and insurance. Kerala aims to build a strong brand image for its exports, emphasizing quality, reliability, and customer satisfaction, thereby positioning itself as a preferred supplier in international markets.

7 Objectives

7.1 The policy aims to increase export volume and value, establish brand Kerala as an Export Brand, diversify the export base, enhance competitiveness, facilitate market access, promote sustainability and inclusivity, strengthen export infrastructure, foster innovation, and research & development, strengthen export promotion institutions, promote export awareness and education, and monitor and evaluate export performance. The key objectives of the policy are categorised as below:

7.1.1 Become a preferred Export Hub

- **Increase Export Volume and Value:** To significantly enhance the volume and value of exports from the state across various sectors. It also aims to boost economic growth, generate employment opportunities, and strengthen the state's position in the global market.
- **Diversify Export Base:** To diversify the export base of Kerala by encouraging the development and promotion of non-traditional export sectors. By identifying and supporting new areas of export potential, the policy seeks to reduce reliance on a few sectors and create a more resilient and sustainable export ecosystem.
- **Facilitate Market Access:** To facilitate market access for Kerala's exporters by identifying and exploring new markets, negotiating trade agreements, and removing barriers to trade. By actively engaging with international partners and creating a favourable business environment,

the policy seeks to open up opportunities for exporters and increase their market reach.

- **Enhance Competitiveness:** To improve the competitiveness of Kerala's exports by providing necessary support and incentives to exporters. This includes facilitating access to finance, promoting technological advancements, improving infrastructure, and offering skill development programs to enhance the overall quality and competitiveness of exported goods and services.

7.1.2 Sustainable and Panoramic

- **Promote Sustainability and Inclusivity:** To encourage environmentally friendly practices, promote fair trade, ethical practices, domestic manufacturing by way of 'Made in Kerala' branding and support the participation of Micro, Small and Medium-sized Enterprises (MSMEs), women entrepreneurs, and marginalised communities in export activities. This focuses on creating a more inclusive and socially responsible export ecosystem.

7.1.3 Infrastructure Support

- **Strengthen Export Infrastructure and Logistics:** To develop robust export infrastructure and efficient logistics systems to facilitate smooth trade processes. This includes improving transportation networks, establishing export-oriented industrial zones, enhancing port facilities, and adopting digital solutions to streamline export-related documentation and procedures.
- **Strengthen Export Promotion Institutions:** To strengthen the capacity and effectiveness of export promotion institutions in Kerala, as also enhancing the role of trade promotion agencies, providing training and capacity building for export promotion professionals, and improving coordination between various government departments and agencies involved in export promotion activities.
- **Monitor and Evaluate Export Performance:** To assess the effectiveness of export promotion measures and make informed policy decisions. By establishing a robust monitoring and evaluation framework, the policy

aims to identify challenges, address bottlenecks, and continuously improve the export promotion ecosystem in Kerala.

7.1.4 **Cultivating Innovation and Knowledge Enrichment**

- **Foster Innovation and Research & Development:** To foster a culture of innovation by providing support for R&D activities, encouraging technology transfer, and promoting collaboration between industry and academia. This objective seeks to position Kerala as a hub for innovative and high-value-added exports.
- **Promote Export Awareness and Education:** To raise awareness about export opportunities among businesses, entrepreneurs, and potential exporters. It seeks to provide export-related information, guidance, and training programs to equip exporters with the necessary knowledge and skills to succeed in international markets.

Strategy and Incentive Framework

8 Focus Sectors

- 8.1 The indicative table showcasing the profile of merchandise exports from the State and its proportionate contribution to exports from the Country is enclosed herewith as Annexure.
- 8.2 The major exporting sectors in the State of Kerala are:
- a) Spices, Food & Agri, Plantation Produce
 - b) Marine Products
 - c) Engineering Goods
 - d) Petroleum Products
- 8.3 Kerala's merchandise exports, especially in the value-added segment, come from low value-added products of the spices, food & agri, and plantation, which contribute to 26.5% of Kerala's merchandise exports in entirety. However, with varied factors including increased global competitiveness, introduction of other cheaper alternatives, variations in climatic conditions etc., the yield and export competitiveness of these sectors are now being strained.
- 8.4 Further, marine product processing in the State constituting 23% of Kerala's exports have been primarily dependent on sea catch, however, Kerala's share in India's marine exports is steadily declining (from 18% during 2011-12 to 11.5% during FY 2021-22) owing to climatic conditions and other factors¹⁴. Further, the policy of the State Government restricting marine culture (to protect the traditional fishermen community) has led to the exporters depending on other states, which are focusing on culture of marine products for export purposes just to stay competitive.
- 8.5 In order to sustain and improve the exports from Kerala, it is necessary that the policy initiatives must promote production and exports from other key focus sectors as well. In this sense, there is a need to develop 'Value chain' based actions as schemes for each of these identified sectors including the sunrise sectors. As also, provisions may be included to add new commodities

¹⁴ MPEDA data and EXIM Analytics of DGCIS

to the existing identified ones from time to time. To begin with, the policy focuses on the following high growth export potential areas viz.:

- a) Spices, Horticulture and Agriculture produce
- b) Shrimp and other Marine products
- c) Processed food products
- d) Engineering goods
- e) Petrochemical Products
- f) Organic and Inorganic Chemicals
- g) Textiles and Garments
- h) Defence and Aerospace
- i) Electronics and allied manufacturing
- j) Ancillary engineering and technology
- k) Ayurveda and Pharmaceuticals
- l) Services including IT, Healthcare etc.

9 Strategy

9.1 In this context, the following strategic initiatives are proposed to support and promote exports from Kerala

9.1.1 Supportive Institutional Mechanism:

- a) Establishing a State Desk for Export for providing support to exporters and speedy redressal of grievances.
- b) Export Promotion Committees (EPCs) to be operationalised at State and District levels to prepare district-wise export profiles, identify sector specific support, lay down key performance indicators and support measures required for acceleration of exports in sectors in which the State has competitive advantages and to encourage them in consultation with the concerned sectoral associations.
- c) Facilitate the formation of export consortia or clusters where exporters within specific industries collaborate and share resources, knowledge, and market insights. Foster a supportive ecosystem that encourages cooperation, joint marketing efforts, and economies of scale to strengthen the competitiveness of export industries.

- d) Creation of a digital platform to connect exporters with global buyers, support them in navigating export procedures, and provide access to trade-related information, market trends, and logistics support.
- e) Strengthen 'Commerce Mission' constituted by the State Government to facilitate & enhance exports from the State by preparing export strategy in association with industry associations and other stakeholders, creating awareness about marketing schemes of State and Central Governments, conduct sector specific exhibitions/ B2B meets and awareness programmes, among other things to promote economic growth and sustainable development in the State.
- f) Presently, Kannur, Aroor-Ezhupunna-Kodanthuruthu & Kuthiathodu, Alappuzha and Kollam have been notified as Towns of Export Excellence (TEE) for Handlooms, Seafood products, Coir and Cashew products respectively. The State Government shall co-ordinate with various other State Departments and identify the other towns that could be notified as TEE and pursue with DGFT for notification of such Towns.
- g) Strengthening state's association with export promotion institutions in India and other relevant institutions to create an integrated approach wherein exports will be promoted and assisted, in line with the Foreign Trade Policy and other Export Oriented Policies of the Departments / Agencies of the Government of India.
- h) Optimizing use of Government of India schemes for industrial development, logistics, export facilitation credit availability such as Sagarmala, Trade Infrastructure for Export Schemes, MSE-CDP, etc.
- i) Efforts will be made to have offices of Government of India's institutions concerned to have a regional office in the state and work with them in close coordination.
- j) Streamline export procedures, documentation etc. to reduce hurdles and enhance efficiency.

9.1.2 **Industrial and transport infrastructure to boost exports**

- a) An assessment of Industrial and transport infrastructure, including warehousing, connecting roads, rail connectivity, enhancement of facilities at port and cargo facilities at airports to be carried out to find requirements, supportive of exports.
- b) Addressing the gaps identified, and progressive planning to develop such infrastructure, through various 'modes', to improve export competitiveness.

Eventually, an 'Export Infrastructure Grid' will be established for processing and evacuation of goods.

- c) Compliance to regulations for transport of goods will be promoted. In case of non-compliance and for clearances / approvals required, exporters will have provision for fast-track mechanism.
- d) As a part of port infrastructure development, the state shall undertake a detailed study to improve the berthing facilities for cargo vessels and assist in developing infrastructure as may be required inside the ports and near the ports.
- e) Along with, railways conduct studies to lay new rail tracks for transporting bulk cargos to and from vessels. Re-laying of damaged/ worn roads and build RCC platforms inside and around ports.
- f) Assist in developing infrastructure as may be required inside the ports and also near the ports.
- g) Coordinate with Ministry of Shipping and Indian Port Association and take appropriate measures to bring in mother ships vessels to Kerala's ports.
- h) Air cargo terminals will also be planned in key airports in the State.
- i) Develop open storage yards and warehouses for storage of exportable products near ports and other suitable places, including construction of new houses with mechanized loading and unloading in compliance with international practices, through various modes.
- j) The State Government will take steps to set up ICD/Dry port facilities with the assistance of the Government of India at the export centres so that there are no difficulties in cargo storage, customs clearance, and container availability at these locations.
- k) Undertake Cost-Volume study of air cargo and viable routes will be supported for export promotion and developing new markets. Air cargo terminals will also be planned in key airports in the state.

9.1.3 **Supporting International quality standards and compliances**

- a) Exporting requires to follow international standards, most of which are specific to products/ sectors concerned. Non-compliance leads to rejection of consignment and loss to the exporting country. Awareness on ensuring compliance and producing for export will be undertaken to improve exports from the State.

- b) Strengthening of quality testing labs and facilities by upgrading existing labs and establishing new world class testing labs throughout the coastal areas through various modes, including PPP.
- c) Traceability of marine and agri produce would be put in place to track, test, and certify the produce from the state right from the farm level, to facilitate organic certification.
- d) Opportunities for registering products under 'Geographical Indicator' mechanism will be made, wherever possible.
- e) Efforts will be made to establish 'Export Inspection Council' in the State to train on pre-export inspection and on procedures to receive provision of certification for focus products.
- f) Information on the standards and technical regulations of our trading partners is also vital, especially where such standards/ regulations are not based on international standards. These will be made available to the exporters as well as agencies regulating/certifying exports.
- g) Offer targeted training and capacity-building programs with focus on areas such as market intelligence, international marketing, export finance, logistics, and compliance with international trade regulations, to enhance the export-related skills of entrepreneurs, exporters, and professionals.

9.1.4 **Improve gross volume, value addition, product development and packaging**

- a) Collaborations with foreign entities will be facilitated to invest into sectors having potential for integrating with Global Value Chains (GVCs).
- b) Interventions to decrease cost of manufacture & export will be promoted to improve volume of exports.
- c) Availability and cost of raw material can be a major constraint for manufacturers. To ensure timely supply of quality raw materials to producers, raw material banks is envisaged to be set up through various modes. These raw material banks can supply the required raw materials to exporting units as and when required.
- d) Efforts will be made to develop products and product features as per trends in the international market.
- e) Use of new technology, Research & Development, technology acquisition, commercialization of technology and other ways will be adopted to support higher value addition, new product development and packaging. Due consideration will be given to Innovation, Start-ups, and Incubation.

- f) Encourage exporters to innovate and develop products and services with high value-addition and differentiation. Support research and development activities to enhance product quality, design, and functionality.
- g) Identify and target new markets for Kerala's exports beyond traditional destinations. Conduct market research to assess demand, cultural preferences, and trade regulations in emerging markets. Develop targeted marketing campaigns and trade missions to promote Kerala's products and services in these markets.
- h) Areas of Skill development, specific to export will be identified and state support will be provided, including support of KASE, ASAP.
- i) Avenues of exports through e-Commerce route will also be supported and options of Demand aggregation and supply aggregation will be explored to ensure benefits of scale.
- j) Coordination with Indian Institute of Packaging and others such institutions will be established for improving packaging for exports.

9.1.5 **Export Promotion**

- a) Department of Industries is key for implementation of the policy. The officials of Department of Industries will be trained in EXIM related subjects and re-trained to keep them updated on latest developments. A list of essential trainings, including sectoral specific compliances, will be created, and implemented by the Government.
- b) A strong analytical database on export decision making, including that for market potential for exports will be put in place for business.
- c) A dedicated advisory support unit will be established to provide guidance and expert assistance to exporters in market research, identify emerging trends, export strategy development, regulatory compliance, and international trade negotiations.
- d) State Government shall invite proposals of recognized associations of units regarding export promotion projects for marketing, capacity building and technological services, wherein financial assistance shall be facilitated under the Market Access Initiative Scheme (MAI) of the Government of India.
- e) Launch comprehensive export promotion campaigns to create awareness about Kerala's export potential, showcase success stories of exporters, and highlight the benefits of exporting. Leverage various channels, including digital platforms, trade shows, and business events, to reach target audiences and attract potential buyers.

- f) 'Produce for export' campaign will be launched for exporters to focus on product development as per market demand. Demand assessment and market intelligence model will be put in place for key products and key markets.
- g) 'Buy from Kerala' campaign will be launched for importers to provide their requirements. Campaign will have an annual outreach plan. Possibility of having export promotion desk in Kerala Bhavan, New Delhi, and trade centers in metro cities will be explored and implemented.
- h) Participation in export exhibitions in India and abroad will also be supported, including for schemes related to 'Market Development Assistance' and other such schemes.
- i) Government of Kerala to institute awards for exporters from the State excelling in exports.
- j) Efforts will be made to ensure industry academia linkages by way of incorporating details on Exports and Industrial Development in school and university curriculum in the state. Foster collaborations between industry and academia to drive innovation in export-oriented sectors.
- k) Facilitate access to affordable and flexible export financing options for exporters, including export credit, working capital loans, and insurance products.
- l) 'Exporter's Card' shall be issued to the exporters of the state having good track record, for early passage of export consignment at check gates of the State Government agencies on priority basis, subject to condition that the provisions of policies, rules, regulations, instructions, etc., issued by State Government and are in force are not violated.
- m) Support coordination of exporters with all stakeholders, including buying agents, who will have greater details of exact requirements of international market.
- n) Creation of awareness among industries and potential entrepreneurs will through several means at each district about exports.
- o) Awareness among industries and potential entrepreneurs will be created through various means at each district about exports.
- p) Identify new markets and leverage India's trade agreements with developed / developing countries to build healthy economic and trade relationships.

9.1.6 **Funding and Performance Management**

- a) A fund, as a part of the budgetary allocation to the (agencies under) Department of Industries, will be set up to support export related activities, development of infrastructure, organizing promotional activities, market research and supporting industries to participate in outreach activities.
- b) State Export Promotion Committee will guide and monitor the implementation of the policy, seeking support of other Central Government agencies, State Government agencies, on need to basis.
- c) Collaboration with other state government departments and agencies will be sought to support implementation of the policy, including outreach through field offices.
- d) A quantitative performance (KPI's) based system would be developed for measuring the effectiveness of the strategies for export promotion, covering all provisions of this policy.
- e) An online system for exports will be developed as required for making information available to industry, demand aggregation and other activities.
- f) Emphasis will be in 'Replicable and Multiplier' model, i.e., something which is working will be amplified for other exporters, regions, products, countries, etc.

9.1.7 **Produce import substitutes to strengthen value chain**

- a) Potential for import substitution products will be identified, where the State has considerable presence or strength in sectors from which products are being imported by the country.
- b) Importing EXIM number holders will be contacted with support of DGFT to source product from the state.
- c) Concerns of the importers in buying locally will be addressed as much as possible, with specific focus on technology-based inputs.
- d) Feedback on product specifications and quality will be used to improve the export ecosystem.

10 Incentives

10.1 The policy will be a comprehensive framework to provide all kinds of assistance towards promoting sustainable exports from the State. The incentives under the scheme detailed as below will not be exhaustive, as also shall include benefits as elaborated under the strategy, vision, mission etc., and is bound to be enhanced from time to time as per the prevailing Government schemes:

10.1.1 Fiscal Incentives

- a) **Export based Capital Investment Subsidy:** A subsidy of 35% of the capital investment costs, limited to INR 2 crores per entity, will be extended to entities that are procuring equipment / machinery for setting up of export-oriented units (only on the investment made on the equipment / machinery purchase).
- b) **Export Infrastructure Support:** A one-time subsidy of 25% of the infrastructure investment, limited to INR 50 lakhs per entity, will be provided to exporters for setting up export-oriented infrastructure facilities, such as cold storage units, warehousing, logistics centers, and testing laboratories.
- c) **Export Turnover-based Incentive:** Incentive of 1% of Free Onboard Value (FOB) value, limited to INR 1 Crore per annum, will be provided for a period of 3 years for units exporting from the State.
- d) **Export Marketing Assistance:** Provide subsidies, by way of reimbursement of 75% with a ceiling of INR 2 lakh per year, to exporters for participating in national and international trade fairs, exhibitions, and buyer-seller meets to promote their products and services.
- e) **Export Credit Support:** Offer interest rate subsidies of up to 4% on export-related loans and credit facilities, subject to a maximum of INR 25 lakhs, provided by financial institutions to help exporters meet their working capital requirement.
- f) **Export Documentation Assistance:** Offer subsidies, to the extent of 50 percent of expenses subject to a maximum of INR 2 Lakh per unit per annum for a period of 2 years, to cover the costs associated with export documentation, including certifications, quality testing, and compliance with international trade regulations.
- g) **Export Development Fund:** Establish a dedicated fund to provide financial assistance and subsidies to exporters for market research, product development, branding and promotional activities.

- h) **Export Research and Market Intelligence:** Government shall allocate funds for conducting in-depth market research and analysis to identify emerging trends, untapped markets and product specific demand. This information can be made available to exporters at subsidized rates or as a part of the export advisory services.

10.1.2 Non-Monetary Incentives

- a) **Export Training and Skill Development:** Offer export-related training programs, workshops, and skill development initiatives to enhance the **capabilities** and knowledge of exporters in areas such as export procedures, international marketing, quality standards, and trade regulations.
- b) **Export Skill Upgradation:** Provide skill upgradation and capacity building trainings / support to employees in export-oriented industries, enabling them to acquire new skills and knowledge necessary for enhancing productivity and quality standards.
- c) **Research and Development (R&D):** Offer support services to encourage exporters to invest in research and development activities aimed at product innovation, technology upgradation, and process improvement to enhance competitiveness in the global market.
- d) **Export Packaging:** Provide training and skill development support for the improvement of export-oriented packaging, including eco-friendly and sustainable packaging solutions.
- e) **Establishment of NABL accredited labs / labs with international certifications:** Quality testing labs / infrastructure facility shall be strengthened by upgrading existing labs and by establishing new world class testing labs throughout the coastal areas through PPP modes.
- f) **Export Incubation Centers:** Establish specialized export incubation centers that provide comprehensive support to start ups and emerging exporters. These centers can offer subsidized office spaces, mentoring, access to market research, networking opportunities, and assistance in navigating export procedures.
- g) **Export Advisory Services:** Government shall set up a dedicated advisory service unit that offers personalized guidance and expert advice to exporters. This service can provide assistance in market research, export strategy development, regulatory compliance and international trade negotiations.

10.1.3 Other Incentives

- a) **Digital Export Platform:** Government shall create a state sponsored digital platform that connects exporters with global buyers, simplifies export procedures and provides access to trade related information, market trends, and logistics support. This platform can offer subsidies or discounted rates for exporters utilizing its services.
- b) **Export Consortia:** Government shall encourage the formation of export consortia or clusters where small and medium-sized exporters pool their resources and expertise to collectively pursue international opportunities. The policy can provide financial support to these consortia for joint marketing initiatives, participation in trade shows, and shared infrastructure.
- c) **Card:** An Exporter's Card shall be issued to the exporters of the State having a good track record for early passage of export consignment at check gates of the State Government agencies on priority basis subject to condition that the provisions of policies, rules, regulations, instructions etc. issued by the State Government in force are not violated. The Exporter's Card shall be issued based on the following criteria:
 - 100% EoUs and Export houses as defined under Foreign Trade Policy of Government of India or units in the SEZ or as per provisions issued by DGFT, Ministry of Commerce, Government of India from time to time.
 - The exporter should not have pending cases of tax dues beyond 6 months other than normal appeals.
 - Has not been ever convicted under cases of tax evasion or fraud.
 - Timely depositing of provident fund amounts for its employees and compliance / non pending of all statutory dues.
 - Timely filing of all statutory compliances.
 - The Exporter's Card would entitle the holder to minimum inspection and speedy clearance of all proposals by all Departments of the State Government. For example: Trucks carrying cargo of card holders would have minimum inspection at check post and would not be detained.
 - Grievance of card holders relating to all Departments will be addressed on priority.
 - Issue of statutory forms / facilitation on demand without rationing.
 - Complaint based surprise visits will be allowed by none other than state level officer or else visits will be with prior intimation only.

11 Validity of the Policy

- 11.1 The Export Promotion Policy comprising provisions relating to export and import, shall come into force with effect from 1st April 2024 and shall continue to be in operation unless otherwise specified or amended. All exports and imports made up to 1st April 2024 shall, accordingly, be governed by the relevant Foreign Trade Policy, unless otherwise specified.

Table 1: Merchandise Exports from Kerala

Sl. No.	Description of Commodities	Merchandise Exports from India during 2022-23 (in Mn USD)	Merchandise Exports from Kerala during 2022-23 (in Mn USD)	% Share in Kerala's Merchandise Exports 2022-23	Kerala's % share in India's Merchandise Exports 2022-23
1	Marine Products	8,078.10	1,005.67	23.00%	12.40%
2	Spices	3,788.39	554.64	12.70%	14.60%
3	Engineering Goods	1,07,042.37	553.41	12.60%	0.50%
4	Petroleum Products	94,524.57	452.64	10.30%	0.50%
5	Others	28,764.81	290.75	6.60%	1.00%
6	Organic and Inorganic Chemicals	30,311.98	239.93	5.50%	0.80%
7	Cashew	356.37	167.75	3.80%	47.10%
8	Ready-made garments of all textiles	16,191.48	147.95	3.40%	0.90%
9	Fruits And Vegetables	3,205.62	134.77	3.10%	4.20%
10	Electronic Goods	23,571.86	114.52	2.60%	0.50%
11	Gems And Jewellery	37,956.88	98.89	2.30%	0.30%
12	Tea	817.58	101.45	2.30%	12.40%
13	Carpet	1,366.08	72.79	1.70%	5.30%
14	Coffee	1,146.17	74.62	1.70%	6.50%
15	Cereal Preparations and Miscellaneous Processed Item	2,613.99	64.15	1.50%	2.50%
16	Cotton Yarn/Fabs./Made-ups, Handloom Products Etc.	10,946.21	67.21	1.50%	0.60%
17	Rice	11,143.24	58.02	1.30%	0.50%

Sl. No.	Description of Commodities	Merchandise Exports from India during 2022-23 (in Mn USD)	Merchandise Exports from Kerala during 2022-23 (in Mn USD)	% Share in Kerala's Merchandise Exports 2022-23	Kerala's % share in India's Merchandise Exports 2022-23
18	Ceramic Products and Glassware	3,736.00	47.37	1.10%	1.30%
19	Jute Mfg. Including Floor Covering	438.38	38.06	0.90%	8.70%
20	Drugs And Pharmaceuticals	25,394.04	25.27	0.60%	0.10%
21	Plastic And Linoleum	8,365.76	20.41	0.50%	0.20%
22	Handicrafts Excl. Hand Made Carpet	1,688.68	12.76	0.30%	0.80%
23	Man-Made Yarn/Fabs./Madeups Etc.	4,948.92	11.8	0.30%	0.20%
24	Mica, Coal and Other Ores, Minerals Including Process	5,138.52	8.62	0.20%	0.20%
25	Meat, Dairy and Poultry Products	4,029.50	3.07	0.10%	0.10%
26	Tobacco	1,213.28	5.84	0.10%	0.50%
27	Iron Ore	1,796.65	0	0.00%	0.00%
28	Leather And Leather Manufactures	4,752.39	1.48	0.00%	0.00%
29	Oil Meals	1,600.92	0.76	0.00%	0.00%
30	Oil Seeds	1,337.81	0.09	0.00%	0.00%
31	Other Cereals	1,193.28	0.29	0.00%	0.00%
	Total	4,47,459.83	4,374.98	100%	0.98%

Source: National Import-Export Record for Yearly Analysis of Trade
