REPORT NO.

187

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT RELATED PARLIAMENTARY STANDING COMMITTEE ON COMMERCE

ONE HUNDRED AND EIGHTY SEVENTH REPORT

Comprehensive Strategy to Map Major Products and Countries to Maximize Exports and Minimise Imports

(Presented to the Rajya Sabha on 8th February, 2024)
(Laid on the Table of Lok Sabha on 8th February, 2024)

Rajya Sabha Secretariat, New Delhi
February, 2024/ Magha, 1945 (Saka)

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सत्यमेव जयते

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February, 2024/ Magha, 1945 (Saka)

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* To be appended at a later stage.

COMPOSITION OF THE COMMITTEE

(Constituted *w.e.f.* 13th September, 2022)

1. Dr. Abhishek Manu Singhvi — *Chairman*

RAJYA SABHA

2. Shri Ayodhya Rami Reddy Alla
3. Shrimati Priyanka Chaturvedi
4. Shri Jayant Chaudhary
#5. Shri Jugalsinh Lokhandwala
6. Shri Dhananjay Bhimrao Mahadik
7. Shri Deepak Prakash
8. Shri Vikramjit Singh Sahney
9. Shri K. Vanlalvena
10. Vacant

LOK SABHA

11. Shri Prasun Banerjee
12. Shri Raju Bista
13. Shri Rajkumar Chahar
14. Shrimati Kalaben Mohanbhai Delkar
15. Shri Rameshbhai Lavjibhai Dhaduk
16. Shri Arvind Dharmapuri
17. Dr. Nishikant Dubey
18. Shri Santosh Kumar Gangwar
19. Shri Srinivas Kesineni
20. Shri Manoj Kishorbhai Kotak
21. Shri Ajay Kumar Mandal
22. Shrimati Manjulata Mandal
23. Shri Nakul K. Nath
24. Dr. Gautham Sigamani Pon
25. Dr. Manoj Rajoria
26. Shri Nama Nageswara Rao
27. Shri Ashok Kumar Rawat
28. Shri Magunta Sreenivasulu Reddy
29. Shri Prajwal Revanna
30. Shri Gowdar Mallikarjunappa Siddeshwara
*31. Shri Arvind Ganpat Sawant

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* *Nominated w.e.f. 15th December, 2022.*

Retired on 18th August, 2023.

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♣9. Shri Sadanand Shet Tanawde

♦10. Shri Saket Gokhale

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SECRETARIAT

Smt. Kusum Sudhir, Director
Smt. Nidhi Chaturvedi, Additional Director
Smt. Vandana Singh, Additional Director
Shri Sandeep Pandey, Under Secretary

♣ *Nominated w.e.f. 26th September, 2023.*
♦ *Nominated w.e.f. 25th October, 2023.*

INTRODUCTION

I, the Chairman of the Department Related Parliamentary Standing Committee on Commerce, having been authorised by the Committee, present this One Hundred and Eighty Seventh Report on the subject 'Comprehensive Strategy to Map Major Products and Countries to Maximize Exports and Minimise Imports'.

2. The Committee selected the subject for detailed examination on 3rd May, 2023 and same was notified *vide* Parliamentary Bulletin Part-II dated 12th May, 2023. As a part of examination of the subject, the Committee considered the subject in detail in its two meetings wherein it heard the views of Department of Commerce, Ministry of Commerce and Industry along with officials of other line Ministries/ Departments; Department of Financial Services, Ministry of Finance; representatives of Confederation of India Industry (CII); representatives of PHD Chamber of Commerce and Industry (PHDCCI) and representatives of Federation of Indian Export Organisations (FIEO). The Committee also heard the views of representatives of Pharmaceutical Export Promotion Council (PHARMEXCIL); Basic Chemicals, Cosmetics & Dyes Export Promotion Council (CHEMEXCIL); Engineering Export Promotion Council of India (EEPC); Apparel Export Promotion Council (AEPC); and Gem and Jewellery Export Promotion Council (GJEPC).

3. The Committee also undertook a study visit to Munnar, Kannur and Madikeri (Coorg) from 6th to 10th September, 2023 on the subject where it interacted with the representatives of Spices Board, Coffee Board, Tea Board, Handloom Exports Promotion Council, State Bank of India, EXIM Bank, and state government of Kerala and Karnataka and various other stakeholders.

4. The Committee considered the draft Report and adopted the same at meeting held on 6th February, 2024.

NEW DELHI;
6th February, 2024
Magha 17, 1945(Saka)

DR. ABHISHEK MANU SINGHVI
Chairman,
Department Related Parliamentary
Standing Committee on Commerce
Rajya Sabha.

ACRONYMS

AML	Anti Money Laundering
APIs	Active Pharmaceutical Ingredients
ASEAN	Association of Southeast Asian Nations
ATUFS	Amended Technology Upgradation Fund Scheme
BCG	Bacillus Calmette–Guérin
CBAM	Carbon Border Adjustment Mechanism
CFT	Combating the Financing of Terrorism
CoO	Country of Origin
DGFT	Directorate General of Foreign Trade
DIs	Drug Intermediates
DPT	Diphtheria, Pertussis and Tetanus
EBRC	Electronic Bank Realisation Certificate
ECTA	Economic and Technical Cooperation Agreement
EFSA	European Food Safety Authority
EFTA	European Free Trade Association
EOUs	Export Oriented Units
EU	European Union
EXIM	Export-Import
FICCI	Federation of Indian Chambers of Commerce & Industry
FTA	Free Trade Agreement
FTP	Foreign Trade Policy
FY	Financial Year
G&J	Gems & Jewellery
GDP	Gross domestic product
GIFT	Gujarat International Finance Tec
GJD	Gems, Jewellery and Diamond
GVC	Global Value Chains
HBoP	Handbook of Procedures
HS	Harmonized System

IBEF	Indian Brand Equity Foundation
ICEGATE	Integration of Courier and Postal Exports with Indian Customs Electronic Data Interchange Gateway
IIT	Indian Institute of Technologies
InCent-LGD	India Centre for Lab Grown Diamond
IP	Intellectual Property
JNPT	Jawaharlal Nehru Port Trust
KSMs	Key Starting Materials
KYC	Know Your Customer
LEDs	Light Emitting Diode
LEO	Let Export Order
LGD	Lab grown diamonds
MAI	Market Access Initiative
MMF	Man Made Fibres
MOOWR	Manufacturing & Other Operations In Warehouse
MRL	Maximum Residue Levels
MSME	Micro, Small and Medium Enterprises
MT	Metric Ton
NAFTA	North American Free Trade Agreement
NLP	National Logistics Policy
PLI	Production Linked Incentive
PMFBY	Pradhan Mantri Fasal Bima Yojana
PMKSY	Pradhan Mantri Krishi Sinchai Yojana
PSL	Priority Sector Lending
PV	Photovoltaic
RBI	Reserve Bank of India
RCA	Revealed Comparative Advantage
RCC	Restricted Cover Category
RISPC	Revenue Insurance Scheme for Plantation Crops
RoDTEP	Remission of Duties or Taxes on Export Products
SBI	State Bank of India

SEZ	Special Economic Zone
SFDA	Saudi Drug and Food Authority
SNZs	Special Notified Zones
TAP	Trade Assistance Programme
TAs	Traditional Areas
TEPA	Trade and Economic Partnership Agreement
TIES	Trade Infrastructure for Export Scheme
TMA	Transport and Marketing Assistance
TUFS	Technology Upgradation Fund Scheme
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USD	United States Dollar
US-FDA	United States- Food and Drug Administration
WANA	West Asia and North Africa
WHO	World Health Organisation

REPORT

INTRODUCTION

1.1 Exports play a vital role in facilitating a country's transition from a developing to a developed economy. Robust exports are instrumental in propelling development, as seen in the economic transformations of Japan, South Korea, China, Thailand, and Malaysia.

1.2 The aspiration to achieve a USD 5 trillion GDP by 2025 is intricately linked to the growth of the country's exports. The Department informed that commitment to this goal is evident through initiatives aimed at diversifying exports, promoting global Indian brands, and facilitating Micro, Small, and Medium Enterprises in accessing global markets and engaging in global value chains. Proactive and diverse measures such as transformative schemes, Foreign Direct Investment, Free Trade Agreements, and a focus on import balance and quality certification, have made significant strides. These endeavours align with India's broader ambitions, laying the groundwork for success, sustainability and global leadership in achieving its trade and economic objectives.

1.3 The Committee was informed that the Government has set an ambitious target of USD 2 trillion in merchandise and services exports by 2030. To achieve this, India needs to concentrate on expanding its product portfolio, leveraging competitive advantages, and exploring "non-traditional sectors." Despite inherent strength and potential, India's share in global merchandise trade has remained below 2 per cent. While the services sector has performed well, there is a need for broader-based growth in manufacturing and exports, similar to other Asian nations.

1.4 Concerningly, the top 10 export destinations constitute approximately 50 percent of the total exports, emphasizing the importance of reducing market concentration to safeguard against geopolitical and economic uncertainties. Strengthening India's position in international trade also involves expanding its role in global value chains and addressing non-tariff barriers imposed by partner countries.

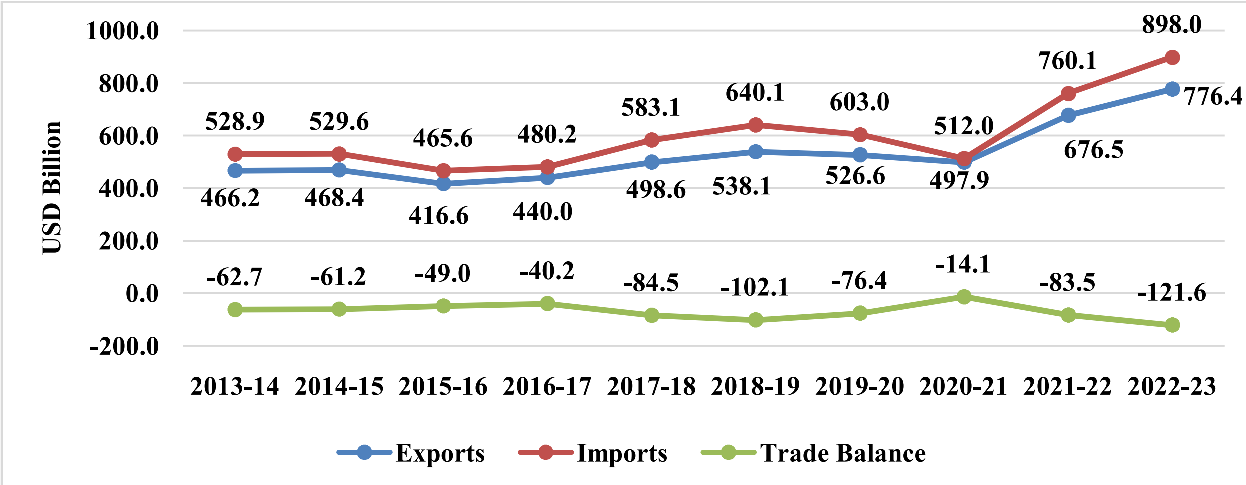
1.5 To sustain the growth momentum and attain the target of USD 2 trillion in merchandise and services exports by 2030, it is imperative to identify potential products and markets that can be strategically targeted for export. In light of this context, the Committee has taken up the subject, ‘Comprehensive Strategy to Map Major Products and Countries to Maximize Exports and Minimise Imports’ for examination.

1.6 The Committee's report outlines the products and markets aimed at enhancing exports from India, along with delineating strategies for leveraging these opportunities. The Committee's report also emphasizes the export potential of India for economic development, aiming to provide a comprehensive overview to develop and promote new products, explore non-traditional international markets, address key issues, and propose measures to enhance manufacturing export potential. Maximizing exports and minimizing imports will contribute to achieving a more favorable trade balance, ensuring a positive impact on India's overall economic health through increased inflow of funds.

Trade performance in recent years

1.7 Despite facing challenges from global economic factors, India's total exports experienced significant growth, growing by 14.8 per cent in the fiscal year 2022-23 compared to 2021-22. This resulted in a record-breaking overall export value of USD 776.4 billion in 2022-23. Simultaneously, India's overall imports rose substantially to USD 898 billion in 2022-23, a notable increase from the USD 760.1 billion recorded in 2021-22. This reflects the country's robust economy and heightened domestic demand, driven by substantial growth.

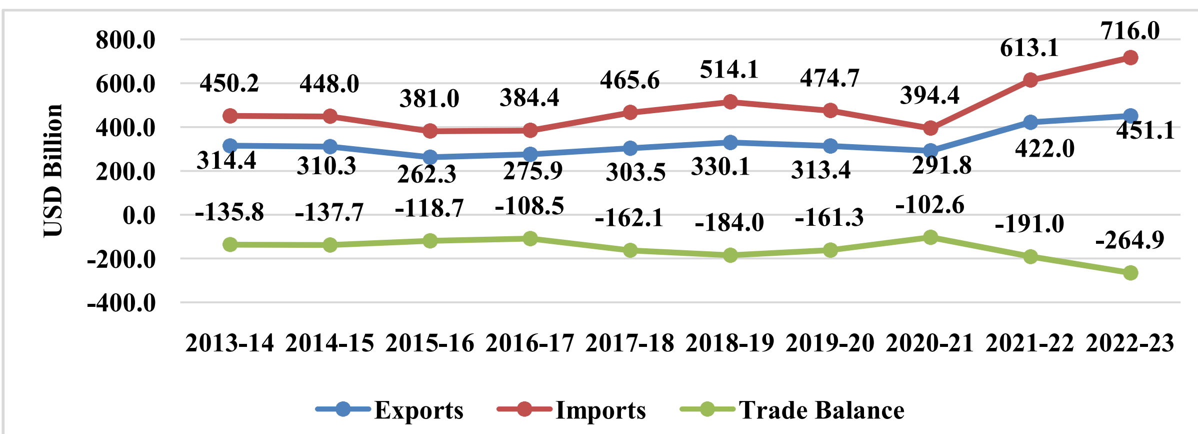
Table 1: India's Overall Trade



Source: Deptt. of Commerce

1.8 In 2022-23, India reached a historic high in merchandise exports, achieving a record value of USD 451.1 billion. Concurrently, merchandise imports increased from USD 613.1 billion in 2021-22 to USD 716 billion in 2022-23, reflecting a substantial growth rate of 16.8 percent.

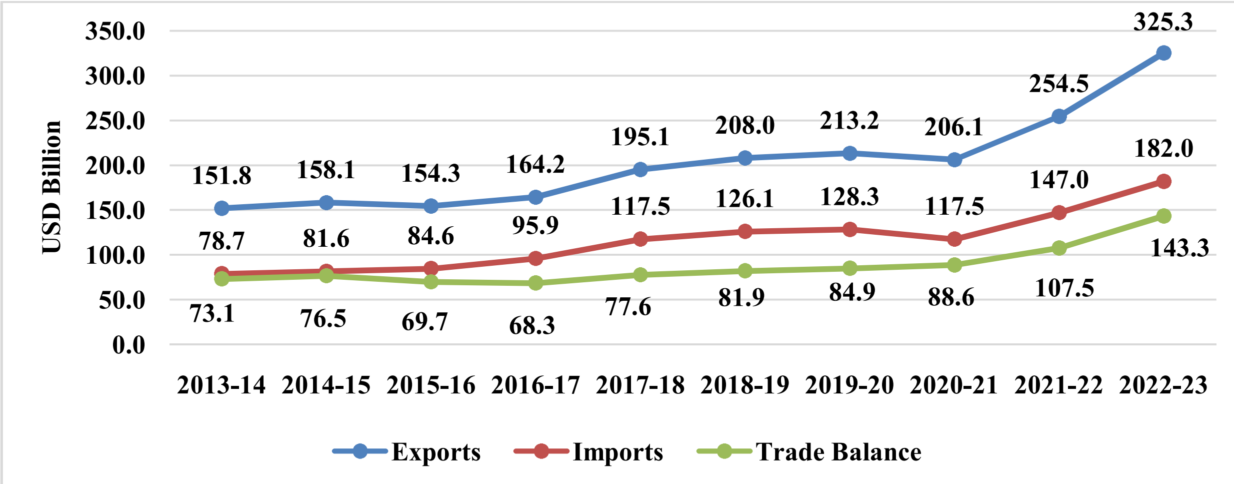
Table 2: India's Merchandise Trade



Source: Deptt. of Commerce

1.9 The services export sector spearheaded the overall growth in exports, establishing a new record annual value of USD 325.3 billion. This achievement came with a growth rate of 27.8 per cent in 2022-23 compared to 2021-22. Concurrently, services imports reached USD 182 billion in 2022-23, marking a substantial growth of 23.8 per cent.

Table 3: India's Services Trade



Source: Deptt. of Commerce

1.10 The position of India in the global trade has been consistently improving in the last decade. As per the recent data available the position of India in the Global trade for calendar year 2022 is as below:

Table 4: India's Share (%) in Global Exports

Year	Merchandise Exports	Services Exports	Total Exports
2013	1.66	3.25	1.95
2022	1.80	4.40	2.34

Table 5: India's Share (%) in Global Imports

Year	Merchandise Imports	Services Imports	Total Imports
2013	2.47	2.84	2.50
2022	2.80	4.00	2.83

Table 6: India's Rank in Global Trade

Year	Merchandise Exports	Merchandise Imports	Service Exports	Service Imports
2013	19	12	6	9
2022	18	9	7	8

1.11 Petroleum products took the lead as the largest exported goods from India, constituting 21.6 percent of India's merchandise exports in 2022-23. This was followed by pearls and precious stones (5.6 percent), drug formulations and biologicals (4.3 percent), iron and steel (3.0 percent), telecom products (2.8 percent), gold and other precious metals (2.7 percent), electrical equipment (2.4 percent), products of iron and steel (2.2 percent), organic chemicals (2.1 percent), and readymade garments (RMG) of cotton (2.1 percent), among others.

1.12 In terms of export destinations, the USA emerged as the largest, accounting for 17.4 per cent of India's merchandise exports in 2022-23. UAE (7.0 per cent), Netherlands (4.8 per cent), China (3.4 per cent), Bangladesh (2.7 per cent), Singapore (2.7 per cent), the UK (2.5 per cent), Saudi Arabia (2.4 per cent), Germany (2.3 per cent), and Indonesia (2.2 per cent) were other major export destinations. In 2022-23, the share of the top 40 export destinations in India's export market was 86.58 per cent.

Trade balance

1.13 India enjoys favourable trade balance with its largest trade partner i.e. USA and deficit with other major partners.

Table 7: India's trade balance with its major trading partners (Values in USD Billion)

S. No.	Country	India's Trade Balance in 2020	India's Trade Balance in 2021	India's Trade Balance in 2022
1	U S A	22.2	29.9	28.7
2	China	-39.8	-64.6	-87.5
3	U A E	-5.9	-17.7	-21.3
4	Saudi Arab	-11.6	-19.1	-33.3
5	Iraq	-14.8	-24.2	-34.8
6	Indonesia	-7.7	-8.6	-18.6
7	Russia	-3.4	-4.9	-31.1
8	Singapore	-4.1	-7.5	-12.5
9	Hong Kong	-5.0	-6.8	-9.6
10	Korea Rp	-7.7	-10.0	-13.2

Source: DGCI&S, 2020, 2021 and 2022 are calendar years

Table 8: Country's export and import growth (%)

S. No.	Country	Exports growth in 2020	Exports growth in 2021	Exports growth in 2022	Imports growth in 2020	Imports growth in 2021	Imports growth in 2022
1	U S A	-13.3	23.1	17.7	-6.3	22.0	15.0
2	China	3.6	29.7	7.0	-0.6	30.0	1.1
3	U A E	-13.9	26.8	25.3	-14.4	40.7	21.0
4	Saudi Arab	-33.5	58.9	48.9	-9.9	10.8	24.2
5	Iraq	-43.1	80.8	51.1	-24.3	-7.3	72.0
6	Indonesia	-2.6	41.8	26.1	-17.3	38.5	21.0
7	Russia	-20.5	48.2	19.0	-5.4	26.6	-7.8
8	Singapore	-7.2	26.2	12.8	-8.2	23.2	17.1
9	Hong Kong	2.6	22.1	-9.0	-1.4	25.0	-6.3
10	Korea Rp	-5.5	25.7	6.1	-7.1	31.5	18.9
11	India	-14.8	43.1	14.7	-23.2	53.6	25.7

Source: WTO database, 2020, 2021 and 2022 are calendar years

MAPPING OF PRODUCTS AND COUNTRIES

2.1 In recent years, India has witnessed a significant surge in exports, driven by strong manufacturing across various sectors and favourable policy conditions.

2.2 The Department of Commerce has informed that to optimize India's export potential, effective strategies involve closely monitoring export performance in key markets, exploring new markets for diversification, and pinpointing potential products or sectors for expansion based on comparative advantages, trade intensity, and global demand dynamics. This aligns with the aspiration for an '*Atmanirbhar Bharat*,' underscored by the Hon'ble Prime Minister's vision of 'Local goes Global – Make in India for the World.'

Identifying Focus Markets

2.3 The Department informed the Committee that concentrated export destinations can hinder sustainable growth and diversified import sources are vital for supply chain resilience, India is engaging in various trade negotiations and exploring new markets. These efforts aim to expand and diversify export destinations, and secure access to essential raw materials and goods, stimulating domestic manufacturing value addition.

2.4 The Committee was further informed that it is important to diversify the range of export sectors and destination countries to reduce vulnerability to economic shocks in any specific industry or market. India's market diversification strategy is adapting to global economic dynamics, targeting not only untapped markets but also regions that supply vital inputs and complement the Indian economy.

2.5 The Federation of Indian Export Organisations informed the Committee that their study has revealed that current untapped potential of Indian export is to the tune of around USD 240 billion. In the top ten major markets, the unrealised potential is around USD112 billion. These include countries like USA, China, UAE, Hong Kong, Germany, Vietnam, Bangladesh, U.K., Indonesia and Malaysia.

2.6 The Federation of Indian Chambers of Commerce & Industry informed that there is a high potential to increase exports to USA, which accounts for one-fifth of world's imports, as India has a mere 1.2 per cent share in this market. Other countries where India can target to expand its exports include Japan, Mexico, Canada, Singapore, South Korea and Australia, among others.

2.7 The PHD Chamber of Commerce and Industry informed about their study focusing on 75 products, based on global demand and India's supply capabilities. These products constitute 21 per cent of global exports, while India's current share is a modest 3.6 per cent. Recognizing the significant potential in these product categories in enhancing India's export volume, they have advocated a strategy involving identification of products, categorizing them across different sectors and identifying specific states for with export potential.

2.8 Further, The Confederation of Indian Industry informed the Committee that the top destination of Indian exports includes many African and Latin American countries.

These regions also provide essential raw materials like minerals and agricultural products, contributing to India's industrial and agricultural sectors. By engaging with African and Latin American countries, India can not only diversify its export destinations but also cultivate geopolitical alliances, reinforcing its position in the global trade landscape. A proactive approach towards these regions underscores the strategic importance of African and Latin American countries in India's trade diversification efforts.

2.9 The Committee was further informed that to increase market share in sectors which already have a considerable presence in foreign countries, focus has been given to those nations where India has high trade complementarities, which can be addressed through strong branding and marketing along with adapting product designs. To further expand and diversify our export basket, focus is also being given to those countries where India enjoys high trade complementarities but are currently having relatively less trade intensity.

2.10 The Committee notes that in the long term, a well- diversified export strategy positions India as a dynamic player in the global economy, capable of adapting to changing circumstances and maximizing the benefits of international trade.

Identifying focus products

2.11 The Department informed that Revealed Comparative Advantage (RCA) index has been used to assess India’s export potential by products/commodities. The Committee was apprised by the Department that, based on 2021 export data, India is having a RCA in 42 sectors (HS 2 Level) which constitutes 70.8 per cent of India’s export basket. On the other hand, it registered a disadvantage in 55 sectors which is having a share of 29.2 per cent in our export basket. The 42 sectors in which India enjoys RCA certainly have to be the priority sectors for export expansion and diversification. The details of these sectors are given in the following table:

Table 9: Sectors / HS 2 Chapters where India has Revealed Comparative Advantage

Ch 27: Mineral fuels, mineral oils and products, Ch 71: Natural or cultured pearls, precious or semi-precious stones, Ch 30: Pharmaceutical products, Ch 29: Organic chemicals, Ch 72: Iron and steel, Ch 73: Articles of iron or steel, Ch 38: Miscellaneous chemical products, Ch 61: Articles of apparel and clothing accessories, knitted or crocheted, Ch 62: Articles of apparel and clothing accessories, not knitted or crocheted, Ch 40: Rubber and articles thereof, Ch 76: Aluminium and articles thereof, Ch 2: Meat and edible meat offal, Ch 63: Other made-up textile articles, Ch 10: Cereals, Ch 3: Fish and crustaceans, molluscs and other aquatic invertebrates, Ch 89: Ships, boats and floating structures, Ch 23: Residues and waste from the food industries; prepared animal fodder, Ch 32: Tanning or dyeing extracts; tannins and their derivatives, Ch 42: Articles of leather; saddlery and harness, Ch 69: Ceramic products, Ch 68: Articles of stone, plaster, cement, asbestos, mica or similar materials, Ch 9: Coffee, tea, maté and spices, Ch 52: Cotton, Ch 17: Sugars and sugar confectionery, Ch 25: Salt; sulphur; earths and stone; plastering materials, lime and cement, Ch 54: Man-made filaments; strip and the like of man-made textile materials, Ch 60: Knitted or crocheted fabrics, Ch 55: Man-made staple fibres, Ch 11: Products of the milling industry; malt; starches; inulin; wheat gluten, Ch 79: Zinc and articles thereof, Ch 57: Carpets and other textile floor coverings, Ch 41: Raw hides and skins (other than furskins) and leather, Ch 67: Prepared feathers and down and articles made of feathers or of down; artificial flowers; etc, Ch 58: Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery, Ch 5: Products of animal origin, not elsewhere specified or included, Ch 13: Lac; gums, resins and other vegetable saps and extracts, Ch 78: Lead and articles thereof, Ch 53: Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn, Ch 36: Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations, Ch 46: Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork, Ch 14: Vegetable plaiting materials; vegetable products not elsewhere specified or included and Ch 50: Silk

Source: DoC/TradeMap

2.12 The Department further apprised the Committee that for mapping of export items for expansion and diversification, analysis has also been conducted from time to time to see exports items from perspective of global demand. In 2021, 1,328 items constituted 20.54 per cent of World's import basket. India's supplies were only 2.57 per cent of world demand of these items. Apart from this, in 2021, 4,271 items constituted 70.79 per cent of global import basket where India's exports share was mere 0.29 per cent in world's imports for these sectors. These 5,599 items constitute 91.34 per cent of world's imports whereas India's export share is only 0.81 per cent in world's demand (refer Table 10 below).

Table10: Sub Sector analysis

	Average Share% (2017-2021)		2021 (USD billion)		Share% in 2021		2021
Category	India's export share in World's import	Number of 6HS items	India's Exports	World's Imports	India's export basket	World's import basket	India's export share% in world's import
Category 1	Less than 1%	4271	45.33	15,485.97	**11.48**	**70.79**	**0.29**
Category 2	Between 1% to 5%	1328	115.56	4,494.26	**29.27**	**20.54**	**2.57**
Category 3	Between 5% to 10%	365	97.60	1,237.87	**24.72**	**5.66**	**7.88**
Category 4	More than 10%	426	136.32	657.31	**34.53**	**3.00**	**20.74**
	Total of the above	**6390**	**394.81**	**21,875.41**	**100**	**100**	**1.80**

Category-wise items to focus

<u>Category 1</u> – 4271 Items	<u>Category 2</u> – 1328 Items	<u>Category 3</u> – 365 Items	<u>Category 4</u> - 426 Items
****Major Items**: Mobile telephones; iron ores; Motor cars; Maize; Articles of plastics; switching and routing apparatus; Food preparations; Gear boxes; internal combustion piston engine; Boards, cabinets for electric control; Electric conductors; Metal furniture; Acrylic polymers; Parts of gas turbines; Chemical products*	****Major Items***: Medicaments; Parts for tractors, Turbojets; Unwrought aluminium alloys; Wheat and meslin ; Raw cane sugar; Static converters; human medicine; Articles of iron or steel; Parts of aeroplanes or helicopters; Heterocyclic compounds; Oilcake of soya-bean oil; Non-industrial diamonds; Wooden furniture; Copper, refined	****Major Items***: Medium oils and preparations; Agglomerated iron ores; T-shirts; Herbicides; Wall tiles, Bedlinen of cotton; Fungicides; Unwrought zinc; Footwear; Polyethylene terephthalate; New pneumatic tyres; Tobacco; Antibiotics ; Staple fibres of polyesters; Paper, paperboard; Floating or submersible drilling; Motorcycles	****Major Items***: Diamonds; Articles of jewellery; rice; Aluminum; shrimps and prawns; meat of bovine animals; Light-vessels; Cotton; P-Xylene; Benzene; insecticides; Ferro-silico-manganese; Castor oil; Ferro-chromium; genus Capsicum; Granite

Source: TradeMap

2.13 The Federation of Indian Chambers of Commerce & Industry informed the Committee about an analysis done of top 100 global imports at Harmonised System (HS)-4 digit levels. The value of imports for most of these items was over USD 50 billion in 2022. Amongst these top 100 items, India enjoys more than 5 per cent market share in only handful of products namely refined petroleum products (HS 2710), diamonds (HS 7102), articles of jewellery (HS 7113), unwrought aluminum (HS 7601), ferro-alloys (HS 7202) and certain organic chemicals (HS 2902). India has a moderate market share of between 3 per cent to 5 per cent in a few more products namely certain pharmaceuticals (HS 3004), some organic chemicals (HS 2933), pneumatic tyres (HS 4011), certain articles of iron & steel (HS 7208), some women apparel items (HS 6204) and footwear items (HS 6403).

2.14 The Committee was apprised that there is also a huge potential to push India's exports in other top 100 items imported globally. For instance, India has been seeing a rapid rise in exports of mobile phones/smartphones (HS 8517). India accounts for only 1.8 per cent global market share in mobile phones/smartphones and there is a huge potential to expand our exports further as the global import market size for this category is as high as USD 610 billion (2022 data). For market diversification, it is necessary for India to look beyond its "traditional markets" and tap the export potential where it has competitive advantage.

2.15 **The Committee opines that India must expand its focus beyond its "conventional markets" and explore export opportunities in areas where it holds a competitive edge. The Committee recognises the significance of aligning products with the specific needs of consumers and businesses in designated markets. The Committee strongly recommends that emphasis must be given on mapping products to target markets. This strategic approach in alignment with the effective international trade practices is essential for the success of export initiatives.**

2.16 **The Committee acknowledges that mapping products to target markets necessitates thorough market research to identify potential new markets for export. Utilising advanced data analysis tools and leveraging the expertise of research professionals will ensure a thorough understanding of the dynamic market landscape. The Committee, therefore, recommends investing in comprehensive and up-to-date market research methodologies.**

2.17 **Furthermore, the Committee underscores the importance of staying alert to evolving market dynamics. Regular updation of the mapping strategy based on real-time market feedback will enable Indian exporters to stay ahead of the curve and remain competitive in the global market. This insight is also crucial for a successful and sustained growth in the market.**

2.18 **The Committee suggests formulating customized export promotion strategies for each target market to enhance export capabilities. Such strategies may encompass participating actively in international trade fairs, arranging buyer-seller meets, conducting capacity-building programs and addressing trade-related challenges encountered by exporters. The Committee also suggests for regular monitoring and evaluation of outcomes of these trade promotional activities to ensure a more streamlined and successful export promotion effort.**

Minimizing imports

2.19 Imports play a crucial role in connecting domestic production, supply, and consumer demand for a diverse range of products. India, being a trade deficit country, aims to improve its trade balance through the substitution of imports. While some imports are vital, there is a need to be cautious against substandard and unnecessary imports, focusing on developing domestic capacity and balancing payments. The evolution of Global Value Chains (GVC) has reshaped trade dynamics, emphasising the importance of importing high-quality inputs for successful export endeavours.

2.20 Reducing the reliance on imports involves a multifaceted approach, encompassing trade policies, boosting domestic production, and implementing strategic measures. Import substitution of identified key products aims to achieve economic self-sufficiency and reduce India's vulnerability to international market fluctuations. The Committee was informed by stakeholders that substantial potential for import substitution exists in various crucial sectors including chemicals, automotive components, bicycle parts, agro-based products, handicrafts, pharmaceutical formulations, cosmetics, consumer electronics, and leather goods, through swift and proactive government initiatives.

2.21 The Committee was apprised that India has an opportunity to reduce its dependence on Chinese imports across 36 sub-sectors, accounting for approximately

42 per cent share in India total imports. This would require Government support to reduce business costs, including capital, compliance, logistical overheads, land availability, and labour expenses. Redirecting India's focus towards labour-intensive industries like apparels, agriculture, toys, could further alleviate import burdens and create jobs.

2.22 The Department informed that under an exercise for identifying high value and high growth import items, 321 tariff lines were mapped across Ministries/Departments for undertaking in-depth examination and measures against surge in imports. Import items with consistently high value and high growth have been identified and shared with stakeholder Ministries / Departments, industry associations and Export Promotion Councils with a view to closely monitor the same and identify domestic production opportunities.

2.23 The Department apprised the Committee that an analysis of India's imports, as per the UNCTAD stage of processing classification, has revealed that raw materials constituted the highest share at 35 per cent, followed by intermediate goods at 32 per cent, capital goods at 21 per cent, and consumer goods at 12 per cent. Notably, the share of consumer goods in India's imports was lower than the global average of 32 per cent, whereas the share of raw materials and intermediate goods exceeded the world average.

2.24 The Committee was informed that in terms of the import-to-GDP ratio, a cross-country comparison for the period 2018-2022 has indicated that India's ratio (17.9 per cent) was lower than that of major economies like Germany (33.2 per cent), South Korea (33.6 per cent), Vietnam (81.6 per cent), the UK (24.1 per cent), France (24.8 per cent), Indonesia (16.2 per cent), Brazil (12.2 per cent), and the USA (12.4 per cent).

2.25 The Committee was also informed that the country's imports can be categorized as: a) Essential Imports, (b) Compelled Imports and (c) Products not produced in India. To maintain a sustainable current account, it is pertinent to minimise the imports particularly related to non-essential items. The roll out of mandatory quality standard norms for different products in recent times will help contain the imports of sub-standard goods and boost domestic production of these products. Further, an adequate real-time monitoring system needs to be established to identify high-import products that could be manufactured in-house.

2.26 The Department has informed that they have been monitoring imports on a periodic basis and highlighting the surges, which are indicative of domestic supply gaps, bottlenecks, rigidities, etc. with the objective of apprising Ministries/ Departments of the scope for enhancing domestic capacity in those areas, smoothening the aberrations and creating a level playing field for domestic manufacturers. Import of commodities such as steel, non-ferrous metals, coal and electronic chips is being monitored through Commodity-based Import monitoring systems by the concerned Ministries/Departments.

2.27 **More than one-third of the country's total imports comprise of the crude petroleum, coal, coke and other petroleum products. These are extremely important for 'Energy security' of the country. The Committee opines that there is a need to enhance domestic production by incentivizing the exploration and extraction of hydrocarbons from fossil fuels to curtail imports. Additionally, a greater contribution of renewable energy in India's energy mix will contribute in reducing reliance on imported coal and other petroleum products. To further reduce imports, a shift from traditional fuel-based vehicles to electric vehicles (e-vehicles) is also essential.**

2.28 **The Committee notes that achieving success in the global market is no longer solely dependent on the ability to export; it equally relies on the proficiency in importing high quality inputs. The Committee is of the view that tariffs and regulatory measures can be implemented to control the influx of certain goods.**

The Committee, however, acknowledges that, in the context of a substantial economy like India, certain imports play a crucial role in meeting domestic demand and acting as essential inputs for export-oriented industries. The Committee recommends implementation of import substitution strategies for each sector to fortify the cost competitiveness in the respective sectors and also propel the growth of domestic manufacturers, particularly MSME sector.

2.29 **The Committee opines that investment in Research and Development (R&D) stands as a crucial pillar in reducing import dependence. The Committee suggests incentivising investment in Research and Development (R&D) to promote innovation, technological advancements, and homegrown solutions. This proactive approach not only strengthens domestic industries but also reduces import dependency, increases competitiveness, nurtures innovation and fosters economic resilience.**

SECTOR SPECIFIC ISSUES

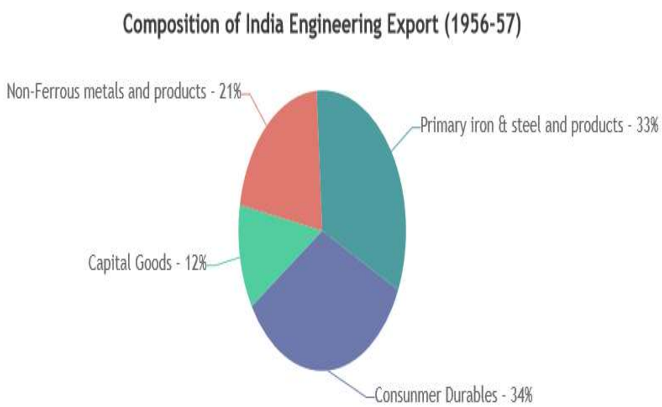
3.1 During the course of deliberations on the subject, the Committee heard the views of various export promotion councils. The issues highlighted by them have been listed sector-wise in the succeeding paragraphs:

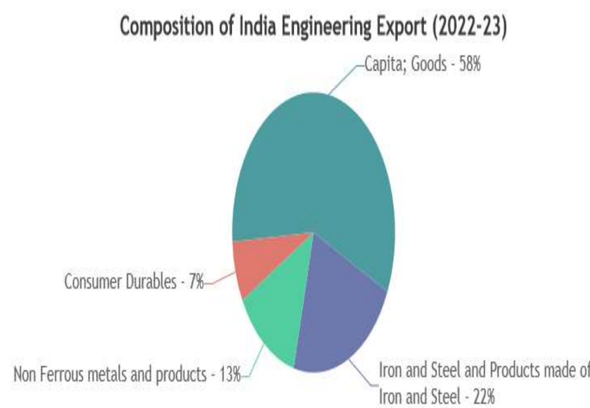
Engineering Exports

3.2 India's engineering exports play an important role in the country's economic landscape, constituting over 25 per cent of its total merchandise exports and contributing around 3 per cent to its GDP. In the fiscal year 2022-23, the value of engineering exports reached USD 107.04 billion, a slight dip from the previous fiscal year's record high of USD 112.16 billion in 2021-22.

3.3 The engineering sector holds considerable significance, accounting for 24 per cent of the overall merchandise exports and nearly 40 per cent of the country's manufacturing exports. This sector stands as one of the primary driver of foreign exchange earnings. A noteworthy goal has been set to propel engineering exports to USD 300 billion by the year 2030.

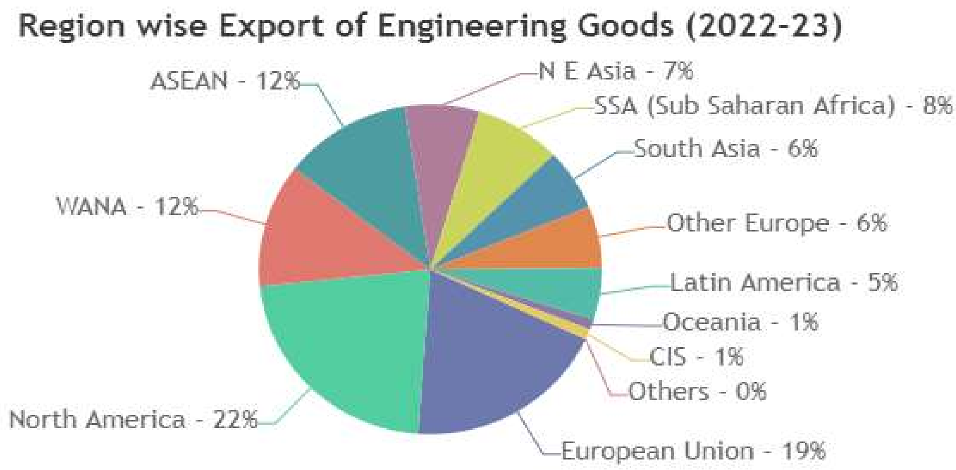
3.4 India's engineering export basket has changed over years and there has been a gradual shift towards capital goods and heavy machinery. Out of total engineering exports, the proportion of consumer durables has decreased from 34 per cent in 1956-57 to 7 per cent in 2022-23, while the proportion of capital goods increased considerably from 12 per cent in 1956-57 to 58 per cent in 2022-23. (www.eepcindia.org/export-statistics)





Source : eepcindia.org

3.5 North America and the European Union have emerged as the top destinations for India's engineering exports, capturing shares of 22.9 per cent and 19 per cent, respectively. Meanwhile, the Association of Southeast Asian Nations (ASEAN) and West Asia and North Africa (WANA) have secured the third and fourth positions, each holding a 12 per cent share in India's total engineering exports. (www.eepcindia.org/export-statistics)



Source : eepcindia.org

3.6 Traditionally, India's engineering export sector has heavily relied on well-established markets, with exporters giving priority to factors such as geographic proximity, trade complementarities, trade environment, and banking and financial conditions when choosing export partners. The United States, being the largest global consumer, continues to be a preferred destination for many countries, including India, closely followed by the European Union.

3.7 The Department provided the Committee with details regarding initiatives taken to foster the growth of the country's engineering sector, notably through the "Enhancing the Global Competitiveness of Capital Goods Sector" scheme. In Phase-I of the scheme, eight centers of excellence, 15 common engineering facilities (including six virtual technology platforms), four centers for Industry 4.0, and an Integrated Machine Tools Park for machine tool manufacturers in Karnataka were established. Subsequently, Phase-II of the scheme was officially notified on January 25, 2022. As of now, a total of 32 projects have been sanctioned under Phase-II, encompassing nine Centers of Excellence, eight Industry Accelerators, seven Testing and Certification facilities, five

Common Engineering Facility Centers, and three projects aimed at developing Qualification Packs to enhance the high-end skilled workforce.

3.8 The Committee was informed that the USA has imposed additional tariffs on steel and aluminium imports under Section 232 of the Trade Expansion Act. Consequently, India's exports in the affected lines of steel and aluminium to the USA have experienced a decline, dropping from USD 12.70 billion in April to September 2022 to USD 10.91 billion for the corresponding period in 2023.

3.9 The Committee was briefed on the potential adverse effects of the Carbon Border Adjustment Mechanism (CBAM) on exports from the engineering sector. The European Union (EU) has initiated a transitional phase for CBAM implementation starting from October 1, 2023 to safeguard its domestic industry, which adheres to stringent climate laws, from unfair competition originating from countries with less rigorous regulations. The implementation of CBAM is expected to result in additional import duties on various products, including cement, fertilizer, iron and steel, aluminium, etc. Stakeholders informed the Committee that once CBAM is implemented, it is likely to have a significant downward impact on India’s exports of iron and steel and aluminium to EU.

3.10 **The Committee acknowledges the noteworthy role played by engineering exports in the overall merchandise exports of the country. The Committee also notes the initiatives taken to give momentum to the country’s engineering sector through various schemes. While being optimistic about the prospect of achieving the USD 300 Billion target by 2030 for engineering exports, the Committee expresses concern over potential hindrances posed by tariff and non-tariff barriers raised by the USA and EU, which could impede growth. To protect the domestic industry from the imposition of additional tariffs under Section 232 of the Trade**

Expansion Act of 1962 and non-tariff barriers in the form of CBAM, the Committee recommends that the Government engage at the highest level with USA and EU respectively to resolve the matter.

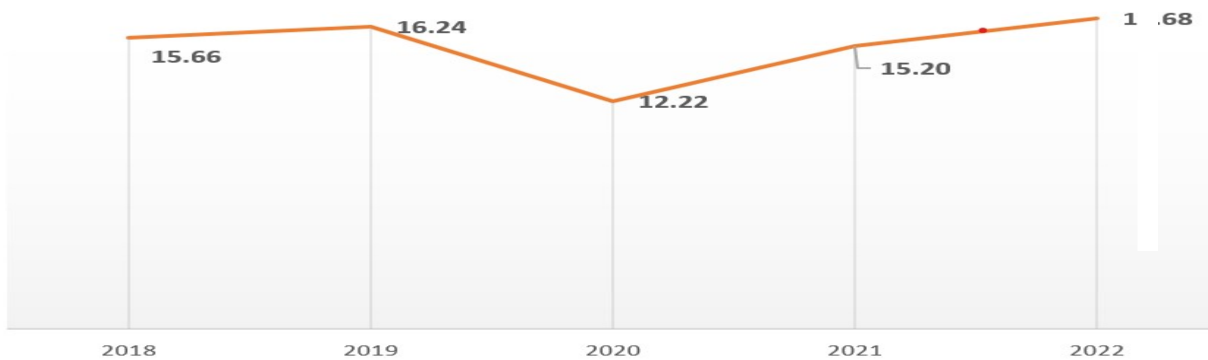
3.11 **The Committee notes that the Indian manufacturers in the MSME sector may not have the financial resources to make necessary changes to counter the CBAM. The Committee therefore, exhorts the Government to seek the deferment on application of CBAM on MSME sector by at least three years. The Committee also recommends that a robust mechanism to support and equip MSMEs of the country to counter the adverse effects of CBAM must be implemented on priority basis.**

Apparel Sector

3.12 India possesses a distinctive advantage in the apparel sector, boasting a comprehensive value chain that spans from fiber production to fashion, thereby offering significant growth potential. Apart from being the one of the largest cotton producing countries in the world after US, India produces all types of synthetic fibers including polyester, viscose, nylon and acrylic.

3.13 The Committee was informed by the Apparel Exports Promotion Council that despite inherent strengths, India's Ready-Made Garments (RMG) exports have faced challenges, with figures hovering around USD 15-17 billion in the last few years. This is attributed to intense competition from other major players in the RMG sector, including China, Bangladesh, Vietnam, and the emerging player Turkey. China, once the leading global exporter, has seen a decline in its share from 37.74 per cent in 2013 to 29.9 per cent in 2022, creating opportunities for other countries. Bangladesh and Vietnam have capitalized on this shift, with Bangladesh's export share rising from 4.47per cent in 2013 to 10.09 per cent in 2022.

RMG exports during 2018-23(in Billion USD)



Source AEPC

3.14 The Committee was informed about two major challenges confronting India’s apparel exports, namely, product mismatch and high market concentration. Among the top 15 globally in-demand apparel products, India exports only five, in stark contrast to Bangladesh's 11, Vietnam's 14, and Turkey's 9, highlighting India's limited production of globally sought-after goods. Notably, in sectors where India boasts significant production capabilities, such as cotton-based garments, the global demand remains constrained. Additionally, India's apparel export focus is predominantly centered on the European Union and the United States. India’s top 10 export destinations for apparels collectively contribute to 74 per cent of the total apparel exports.

3.15 The Committee was informed that Indian apparel exports have been at a tariff disadvantage against competing suppliers in case of most of the European Countries including Spain, France, UK, Germany, Netherlands and Italy. This tariff disadvantage is higher in case of Australia and Canada with Indian exports facing tariffs as high as 16.8 per cent with Canada.

3.16 The Committee was further informed that India’s apparel exporters have to rely on import of machineries to produce quality garments. Since manufacturing of most of the textiles machineries and related parts is not happening in India, exporters have to import these leading to increase in overall fixed costs as well as recurring costs due to interests on loans, maintenance and insurance. In 2022-23, India imported USD 2555.82 million worth textiles machineries and related parts in comparison to USD 1885.76 million in 2021-22 registering a growth of 35.5 per cent. In the absence of schemes like Technology Upgradation Fund Scheme (TUFS)/Amended TUFS (ATUFS), the Indian apparel industry is facing a tough time while importing textiles related machineries. In addition, it was informed that India imposes a 5 per cent tariff on import of textiles machineries from countries such as China, Germany, Belgium and Italy. This makes import of machine highly expensive and loan repayment and interest payment become a challenge for apparel exporters.

3.17 The stakeholders informed the Committee that the sector needs interventions such as a Technology Development Fund for machinery up-gradation, Export Facilitation Fund Scheme for import of raw material, inclusion of additional high potential Man Made Fibre (MMF) apparel products and reduction of value addition criteria under the Production Linked Incentive-1.0 (PLI-1) Scheme, PLI 2.0 scheme with lower investment criteria to counter the stiff competition from other apparel exporting countries.

3.18 In response to a query, the Department has stated that impact assessment study of TUFS/ATUFS has recommended continuation of the incentivisation and support to domestic textile machine manufacturing as the scheme had positive impact in improving technology levels in textiles sector especially MSMEs. Accordingly, a concept note on incentivizing investments through an output oriented format of scheme has been prepared. Comments and suggestions have been gathered from various cluster level discussions with the stakeholders to finalize the contours of the scheme.

3.19 **The labour-intensive textile and apparel sector significantly influences the country's economy through higher export levels and creating substantial employment opportunities. Therefore, it is imperative to take necessary measures**

to boost production and address obstacles hindering exports. The Committee was informed that the Production Linked Incentive (PLI) scheme has been very helpful in much-needed capacity development of value-added garments in the MMF segment. However, there are some issues which require Government's attention. The Committee recommends that Government must engage with the Export Promotion Councils and other stakeholders to address the demands related to the changes required in the Production Linked Incentive (PLI) scheme such as covering additional high potential MMF apparel products, reduction in the value addition criteria, etc.

3.20 **The Committee expresses concern that India's apparel exports are heavily concentrated in a limited number of markets. The Committee recommends diversifying from the USA and EU to explore new destinations through Free Trade Agreements (FTAs). The Committee suggests leveraging market intelligence to anticipate import demands and identify emerging markets. Furthermore, the Committee proposes establishing country-specific help desks for exporters, providing comprehensive insights about the respective countries and sectors.**

3.21 **The Committee is also concerned to note that 63 per cent of India's exports is only in 20 products, which is a very small basket. The Committee strongly advocates for diversification of export basket, specifically shifting from cotton-based exports to Man-Made Fibers (MMF). It recommends investments in the MMF value chain, including fiber manufacturing, yarn production and fabric manufacturing. The Committee urges the Department to consider granting duty-free access for all MMF-based raw materials to facilitate cost-effective imports for the manufacturing of competitively priced MMF garments.**

3.22 **The Committee emphasizes the importance of replacing outdated machinery with new technology to empower Indian exporters to handle large orders efficiently and cost-effectively. To facilitate this transition, the Committee**

recommends urgent reintroduction of a scheme for technology upgradation in textiles/apparel sector, particularly for Micro, Small, and Medium Enterprises (MSMEs). Additionally, the Committee suggests for an Export Facilitation Fund Scheme to enable exporters to access credit facilities for importing raw materials at a lower cost and support in maintaining competitive pricing.

Pharmaceutical Sector

3.23 The pharmaceutical sector in India holds a significant position within the global pharmaceutical industry. It holds the third position in terms of volume and the fourteenth position in terms of value globally. The Indian pharmaceutical industry is one of the biggest suppliers of low cost vaccines. India accounts for 60 per cent of global vaccine production, contributing up to 70 per cent of the WHO demand for Diphtheria, Pertussis and Tetanus (DPT) and Bacillus Calmette–Guérin (BCG) vaccines, and 90 per cent of the WHO demand for the measles vaccine[1]. India is the largest provider of generic medicines globally. It manufactures about 60,000 different generic brands across 60 therapeutic categories and accounts for 20 per cent of the global supply of generics. India also has the highest number of US-FDA compliant pharmaceutical plants outside of USA and is home to more than 3,000 pharmaceutical companies with a strong network of over 10,500 manufacturing facilities as well as a highly skilled resource pool. Because of the low price and high quality, Indian medicines are preferred worldwide, making it "pharmacy of the world".[2]

3.24 The sector contributed to around 1.32 per cent of the Gross Value Added (at 2011-12 constant prices) of the Indian Economy in 2020-21. Pharmaceutical exports during F.Y. 2022-23 stood at USD 25.39 Billion registering a growth of 3.25 per cent with a share of about 5.7 per cent in India's total exports. The details of category-wise pharmaceutical exports are as under:

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[1] https://www.investindia.gov.in/sector/pharmaceuticals
[2] https://www.investindia.gov.in/sector/pharmaceuticals

Table 11: India's Pharmaceutical Exports (category-wise)

Product Category	*2021-22*	*2022-23*	*% growth*	*% share*	*Apr-Aug 2022*	*Apr-Aug 2023*	*% growth*
Drugs formulations & Biologicals	*18052.86*	*18446.65*	*2.18%*	*72.64%*	*7582.57*	*8040.70*	*6.04%*
Bulk Drugs & Drug Intermediates	*4434.16*	*4681.29*	*5.57%*	*18.43%*	*1942.62*	*1905.76*	*-1.90%*
Vaccines	*962.99*	*1017.63*	*5.67%*	*4.01%*	*478.78*	*463.12*	*-3.27%*
Surgicals	*532.13*	*620.01*	*16.51%*	*2.44%*	*259.25*	*293.08*	*13.05%*
Ayush & Herbals	*612.12*	*628.47*	*2.67%*	*2.47%*	*263.97*	*262.98*	*-0.37%*
Total Exports	***24594.27***	***25394.05***	***3.25%***	***100.00%***	***10527.19***	***10965.64***	***4.16%***

3.25 The Department informed the Committee of various measures taken for encouraging domestic manufacturing and reducing import dependency in the pharmaceutical sector. These measures include Production-Linked Incentive (PLI) Scheme for critical Key Starting Materials (KSMs)/ Drug Intermediates (DIs)/ Active Pharmaceutical Ingredients (APIs), PLI Scheme for Pharmaceuticals, PLI Scheme for Promoting Domestic Manufacturing of Medical Devices and Scheme for Promotion of Bulk Drug Parks and Medical Device Parks.

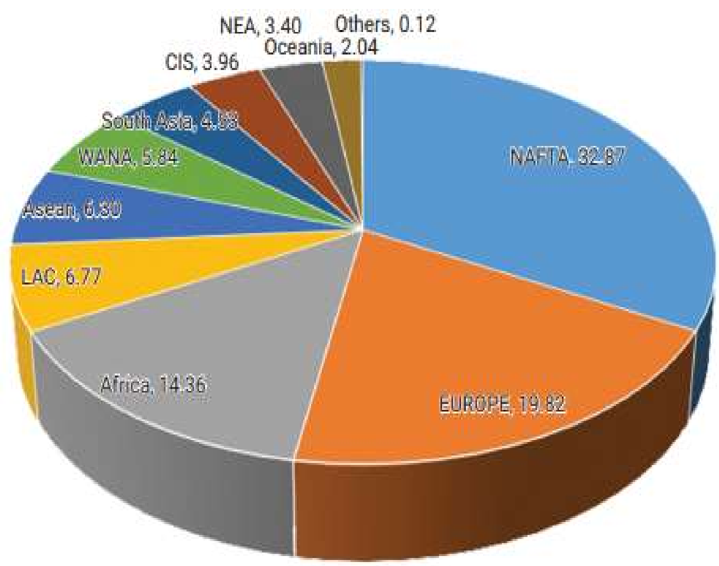
3.26 During the course of examination of the subject, the stakeholders highlighted the issues in PLI scheme implemented by the Government. It was informed that exporters apply for the PLI scheme after investing a huge capital, however, in certain cases, it was seen that competing countries slash the rates of the respective APIs or KSMs for which the Indian manufacturer has applied under the PLI scheme. Therefore, with no option left, the Indian manufacturer is forced the sell the product at a loss or with bare minimum margin at the cost price.

3.27 The Committee was further apprised about the non-tariff barriers imposed by the countries such as Malaysia, Indonesia, etc. that are restricting the market access for the Indian exports. It was informed that Indian exporters are barred from floating tenders to compete in Government procurement in these countries. In addition, complex registration procedures and intellectual property (IP) protection enforced by such countries also act as non-tariff barrier to trade in pharmaceutical products.

3.28 The Committee was further informed that India provides generic medicines to more than 200 countries. However, the pharmaceutical exports of the country are highly concentrated to some select destinations. During 2022-23, pharmaceutical exports to NAFTA, Europe and Africa accounted for about 67 per cent of our total exports. Further, pharma exports to USA alone accounted for 29.7 per cent of our global exports.

India's Pharmaceutical exports (2022-23)

(*Values given in percentage*)



3.29 Moreover, the Committee was informed by stakeholders that the recent changes to the Market Access Initiative (MAI) scheme guidelines, aimed at limiting benefits for companies with export turnovers exceeding ₹ 100 crore, serve as a deterrent for large enterprises. Notably, these large companies play a significant role in contributing to 70 per cent of India's exports to regulated markets such as the USA and EU.

3.30 The Department has emphasised that the pharmaceuticals market is a highly competitive, technical, innovative and dynamic market and hence export destinations are primarily driven by commercial considerations of the Indian Pharmaceutical industry and more importantly, non-tariff /regulatory barriers imposed by importing countries. Nevertheless, the Department has been actively engaging in dialogues to address market access issues to the best possible extent. These efforts are pursued through bilateral cooperation initiatives, utilizing Joint Working Groups led by the Department of Pharmaceuticals, as well as those led by the Department of Health and Family Welfare, Department of Commerce, Department for Promotion of Industry and Internal Trade and Ministry of External Affairs. The aim is to enhance and expand the export destinations for pharmaceutical exports from the country.

3.31 **The Committee acknowledges that India's pharmaceutical sector is a significant contributor to the country's foreign trade and has consistently played a crucial role in export growth. However, obstacles hindering the expansion of pharmaceutical exports need prompt attention. The Committee, therefore, suggests that suitable provisions be made in the PLI scheme, in consultation with stakeholders, for safeguarding the interests of the manufacturers against the price fluctuations in the international markets.**

3.32 **The Committee recommends that mutual recognition agreements and FTAs may be signed with partner countries with a special focus to address the issues of complex registration procedures and intellectual property (IP) protection. In addition, it is also recommended that provisions of access for Indian manufacturers to the government procurement markets in foreign countries must also be included while signing FTAs. The Committee also recommends that the Department may consider revising the MAI guidelines to include companies with**

export turnover above ₹100 crore, as the scheme is considered to be pivotal in diversifying the export destinations for the pharmaceutical sector of the country.

Gems and Jewellery Sector

3.33 Gems & Jewellery (G&J) exports constitute a major portion of the country's total merchandise exports. Furthermore, it is a major employment-oriented sector, employing more than five million skilled and semi-skilled work force in the country. Indian exports from the sector are valued at USD 37.95 billion and constitute 4.5 per cent of the global exports of the sector. The country ranks sixth amongst the top exporters in the world. The Sector contributes to 8.55 per cent of the country's total merchandise exports. Details of the country's position in global Gems and Jewellery exports are as follows:

Table 12: India's Gems and Jewellery Exports

Products	*2022*			
	World Exports USD billion	*India's Exports USD billion*	*India's Share (%)*	*India's Ranking*
CPD	*82.95*	*22.95*	*27.7%*	*1st*
Gold Jewellery	*103.6*	*9.21*	*8.9%*	*3rd*
Silver Jewellery	*10.04*	*3.08*	*30.7%*	*1st*
Coloured Gemstones	*12.04*	*0.632*	*5.2%*	*4th*
Synthetic Diamonds/ Stones	*6.21*	*1.87*	*30.2%*	*1st*
Imitation Jewellery	*9.12*	*0.156*	*1.7%*	*9th*

Source: GJEPC

3.34 The major export destinations of the products from the sector are USA (36.90 per cent), Hong Kong (23.67 per cent), UAE (14.67 per cent) and Belgium (4.68 per cent). These four destinations account for around 80 per cent of the total exports of the sector.

3.35 During the deliberations on the subject, the stakeholders have informed the Committee that the exporters from the sectors are dependent for raw material imports. The imposition of G7 sanctions on Russia has compounded the problems of the Indian exporters as Russia is a major exporter of rough diamonds to the world including India. Therefore, imports of rough diamonds from Russia have recorded a decline and resulted in supply constraints for rough diamonds in the country.

3.36 The stakeholders further informed the Committee about the inadequate limit in the Handbook of Procedures (HBoP) for allowing export of gems and jewellery products for participation in overseas exhibition/ export promotion tours for SEZ, EOU as well as units outside such zones. The limits have been prescribed as USD 1 million for export promotion tours and USD 5 million for exhibitions. The stakeholders have submitted that the limits were last revised in 2009 when the gold prices were USD 900 per ounce and now the gold prices have increased to approximately USD 1900 per ounce, an increase of more than 100 per cent, additionally, cost of other components of a product like studding, labour, etc. have also increased extensively. These limits act as a hindrance for gems and jewellery exporters of the country, therefore, the stakeholders have requested the Committee to increase the limits, in order to match the increase in the prices of gold and depreciation in value of Rupee. In addition, the exports of gems and jewellery by hand-carriage are only permitted from Delhi Airport despite the presence of several major airports in the country.

3.37 The stakeholders also informed the Committee about the issue regarding calculation of Duty Drawback Rates on the quantity exported instead of the value of exports. During the deliberations on the subject, it was brought to the attention of the Committee that duty drawback on precious metals was introduced in 2009, wherein the duty drawback was fixed in rupee terms, instead of value of the gold. This was due to the reasons that while calculating duty the quantity and purity of exports was certified by Customs and the import duty was fixed amount on quantity (per gram) irrespective of the value of gold. In 2012, Government changed the basis of calculation of import duty from fixed value to *ad-valorem*, however, the all India drawback rates continued to be declared on lumpsum on quantity of gold. It was further submitted that since 2012, the import duty has increased from 2 per cent to 15 per cent and the mismatch in duty drawbacks rates due to calculation on quantity terms has been creating immense hardship to the small exporter from the sector.

3.38 The Committee was further apprised that there is global shift in demand of diamonds in the international market, the major importing countries are now witnessing a surge in demand of lab grown diamonds (LGD). In addition, the stakeholders have highlighted issues such as need for Diamond Imprest License, expanding the ambit of entities entitled to operate through Special Notified Zones (SNZs) and inclusion of diamonds, precious stones and semi-precious stones in Manufacturing & Other Operations in Warehouse (MOOWR) Scheme.

3.39 The Department has informed the Committee about the major policy intervention and initiatives which includes establishment of India Centre for Lab Grown Diamond (InCent-LGD) at IIT Madras with total project outlay of ₹ 242.96 crore, providing Market Access Initiative (MAI) grants for Gems and Jewellery Exhibition shows, both domestically and internationally, for market access and reduction of custom duty from 5 per cent to 'NIL' on Seeds for use in manufacturing of rough lab-grown diamonds. It was also informed that the Department is pursuing policy measures with Ministry of Finance such as - Easing norms for G&J sector in Special Notified zone (SNZ), Repair Policy, Reintroduction of Diamond Imprest License, e-commerce policy in order to make conducive trade ecosystem for the G&J Sector.

3.40 **The Committee acknowledges the significant contribution of exports from Gold, Pearls and Precious and Semi Precious Stones sector in the merchandise exports of the country. The exports from the sector are to the tune of USD 37.95 billion and ranks at third largest amongst the major exports from the**

country. The Committee has been apprised that around 30 per cent of the total diamond supply of the country is imported from Russia and the industry is wary of the effects of the imposition of G7 sanctions on Russia. The Committee, therefore, recommends that the Government must take steps proactively to diversify diamond sourcing to countries such as Canada, Botswana, Israel etc. to reduce dependency upon any particular country.

3.41 **The Committee also recommends for increasing the limits for allowing the export of gems and jewellery for participation in overseas exhibition/ export promotion tours in consultation with all stakeholders. The Committee further recommends that the issue of exports of gems and jewellery by hand-carriage being only permitted from Delhi Airport must be resolved by extending this facility at every major airport in the country.**

3.42 **The Committee takes note of the issues faced by the exporters due to the calculation of duty drawback rates on the basis of quantity instead of value of the exported goods. The Committee is of the view that the issue of reduction of import tariffs on precious materials, *i.e.* gold and silver should also be addressed. The Committee, therefore, recommends that the Department may consider fixing the duty drawback rates on *ad valorem* basis for the exports from the G&J sector. The Committee further recommends that the Department must interact with the exporters of the G&J sector for re-introduction of Diamond Imprest License, expanding the ambit of entities entitled to operate through Special Notified Zones (SNZs) and inclusion of diamonds, precious stones and semi-precious stones in MOOWR Scheme.**

Spices

3.43 India holds the distinction of being the world's largest producer, exporter, and consumer of spices. The country exports over 225 unique spices and spice products to more than 200 countries. Annually, India produces approximately 10.88 million tonnes of spices. The export of spices constitutes around 14 per cent of the total production. Furthermore, India serves as the global hub for spice processing and stands out as the leading producer and exporter of major spices such as chilli, turmeric, cumin, coriander, fennel, and value-added products like spice oils, oleoresins, curry powder, among others. Export performance of the spice sector of the country is mentioned below:

Table 13: India's Spices Exports

Year	Qty(MT)	Value(Rs. Crs)	Unit price(Rs./kg)
2017-18	10,28,060	17980.16	174.89
2018-19	11,00,250	19505.81	177.28
2019-20	12,08,400	22062.80	182.57
2020-21	1758985	30973.32	176.08
2021-22	1530661	30324.32	198.11
2022-23	1404357	31761.38	226.16

Source: Upto 2019-20, Directorate General of Commercial Intelligence and Statistics (DGCI&S) Kolkata/Exporters returns ; 2020-21 onwards, DGCI&S/Ministry of Commerce & Industry (MoC&I)

3.44 The Spices export contributes 9 per cent to the total Agri-export basket and over 40 per cent of India's horticulture exports. The major contributors in Spices Export Basket in terms of value are Chilli (33 per cent), Cumin (13 per cent), Spice oil & Oleoresins (13 per cent), Mint Products (11 per cent), Turmeric (5 per cent), Curry powder (4 per cent), Cardamom (small) (3 per cent) and pepper (2 per cent) which altogether contributed more than 80 per cent of the total export earnings of spices. Further, the major destinations of Indian spices in terms of value are China (20 per cent), USA (14 per cent), Bangladesh (7 per cent), UAE (6 per cent), Thailand(5 per cent), Indonesia(4 per cent) Malaysia (4 per cent), UK (3 per cent), Sri Lanka (3 per cent), Germany (2 per cent), Netherland (2 per cent), Nepal (2 per cent), Saudi Arabia

(2 per cent), etc., which are contributing to more than 70 per cent of the export earnings of spices.

3.45 During the Committee's study visit to Munnar, the Committee interacted with various stakeholders of the Spices sector. The major issues expressed by these stakeholders are as follows:

- The Saudi Drug and Food Authority (SFDA) has placed stringent regulations on Pesticide and Fungicide residue with MRL level of 0.01 which has adversely impacted Indian exports.
- There is inadequate infrastructure for testing of pesticides and other residues in spices.
- The major pepper producing countries are from the ASEAN region and in order to protect the domestic manufacturer of the country, Government of India have imposed an import duty of 51 per cent (w.e.f. 01st January, 2019), however the same pepper is being routed through Sri Lanka wherein import duty is fixed at Zero per cent up to 2,500 MT (annually).
- Production of spices is highly vulnerable to the climate changes occurring in the present day world. Therefore, in order to safeguard the existing growers and also encourage the new growers, the Government must reintroduce the Revenue Insurance Scheme for Plantation Crops (RISPC).
- High freight costs are significantly impacting exports in the sector. It was highlighted that Guatemala, India's main competitor in the cardamom export market to the Middle East, offers cardamom at a price approximately USD 6 per kg lower than Indian exports. Moreover, the air freight costs to Gulf countries, which were ₹ 45 per kg before the fiscal year 2020-21, have tripled to approximately ₹ 120 per kg in the current scenario. The assistance provided under the Transport and Marketing Assistance (TMA) scheme is insufficient given the high freight costs in the current market conditions.

3.46 **The Committee acknowledges the country's status as the Spice Bowl of the World and recognizes the significant contribution of spice exports to bolstering the country's foreign exchange reserves. The Committee recommends that the Government engage with the Government of Saudi Arabia to address the concerns related to Maximum Residue Levels (MRL) and work towards rationalizing MRL levels to align with the naturally occurring levels in Indian spices and spice products. Additionally, the Committee suggests that the Department take corrective measures to curb the dumping of pepper from ASEAN countries through Sri Lanka. The Department should engage with the Government of Sri Lanka and consider incorporating specific provisions in the Indo-Sri Lanka Free Trade Agreement (FTA), such as the issuance of Country of Origin (CoO) certificates and the provision of licenses to estates exporting their products to India.**

3.47 **The Committee believes that an insurance scheme designed to mitigate the risks associated with adverse weather conditions, pest attacks and fluctuations in international/domestic prices can substantially contribute to enhancing domestic productivity in the sector. Consequently, the Committee suggests Department must engage with all stakeholders, both plantation crop growers and insurance companies, and address their concerns related to Revenue Insurance Scheme for Plantation Crops and launch a revised insurance Scheme for Plantation Crops.**

3.48 **The Committee also suggests that the support provided to subsidize freight costs should align with current charges. The Department should establish a mechanism to adjust the transport assistance in accordance with fluctuations in international freight rates. The Committee, therefore, recommends that the**

assistance aimed at alleviating freight expenses be updated within the framework of the Transport and Marketing Assistance (TMA) scheme.

Tea

3.49 India is the second largest producer of tea after China and largest consumer of tea in the world. During 2022-23, the overall tea production reached 1374.97 million kilograms. The predominant share of this production, 88.87 per cent, is attributed to Black CTC Tea, establishing India as the world's leading producer of Black Tea. The total area under tea cultivation in India is 6.24 Ha which is second largest in the world. Tea is cultivated in fifteen states across India, and the major share of production comes from Assam, West Bengal, Tamil Nadu, and Kerala, contributing to nearly 98 per cent of the total output. Approximately 19 per cent of the tea produced is exported, while the remaining 81 per cent is consumed domestically. A remarkable feature of the industry is its ability to provide direct employment to over a million individuals, with women constituting a substantial portion of the work force (around 60 per cent). Additionally, ancillary activities associated with the tea industry sustain the livelihoods of more than six million people.

3.50 During 2022-23, India was the fourth-largest tea exporter globally. During this period, the country exported 241.05 million kilograms of tea, with a total value reaching USD 817.57 million. The bulk of tea exports from the nation is primarily directed towards UAE, Russia, USA, Iran, United Kingdom, Germany, Iraq, Saudi Arabia, Kazakhstan, and Japan. Together, these countries account for 70 per cent of the total volume of tea exports.

Table 14: Export of Tea

Year	Exports				
	Quantity (million kg)	Value (Rs. crore)	Unit Price (Rs./kg)	Value (million US$)	Unit Price ($/kg)
2018-19	254.50	5506.84	216.38	787.50	3.09
2019-20	241.34	5457.10	226.11	768.93	3.19
2020-21	203.79	5311.53	260.64	716.86	3.52
2021-22	200.79	5415.78	269.72	726.82	3.62
2022-23*	241.05	6582.14	273.06	817.57	3.39
2023-24 (Apr-Jun)*	52.28	1337.00	255.74	162.64	3.11

*Source : Tea Board (**2022-23 onwards is of DGCIS data)

3.51 During the Committee's study visit to Munnar, the Committee interacted with various stakeholders of the Tea sector. The gist of the views expressed by these stakeholders is as follows:

- Since 2005, the tea cultivation area in South India has experienced a reduction from 119,000 hectares to 100,928 hectares due to challenging high-cost environment which has rendered tea cultivation increasingly unviable for many producers.
- Export consignments are being rejected due to restrictions related to alkaloids, weed contamination and stringent Maximum Residue Limits (MRLs) leading to a slowdown in exports and a lack of confidence among tea exporters.
- Tea plants demonstrate optimal productivity up to 50 years and can endure for up to 150 years if left undisturbed. Despite efforts with existing replantation schemes, the aging of many plantations poses a challenge. In the last scheme, the unit cost for plantation was ₹ 13 lakh per hectare, while the current estimate ranges from ₹ 18-20 lakh per hectare. The unit cost for replantation needs to be linked to inflation and current wages to ensure alignment with the actual cost involved.

- Due to rising temperatures, tea plantation areas have been plagued by new pests that have damaged the tea crop for the past few years. The climate change has altered the weather patterns and there is shortage of water for irrigation. Focus on research and implementing effective solutions is required to address this climate change challenge.
- Iran has ceased tea purchases from India, causing a notable impact. In the first three months, exports to Iran have plummeted by 8.5 million kilograms.
- Issues related to availability of laboratories for testing of residues and contamination in export consignments. Testing takes around 40 days per shipment, posing impractical delays, especially for exports to Europe. Parameters like alkaline or weed contamination require additional testing.
- Tea plantations, particularly large growers, may be assisted in adopting eco-friendly practices to earn tradable carbon credits on carbon markets.

3.52 The representatives from the Tea Board briefed the Committee on challenges hindering export growth in the tea sector. The presentation highlighted global challenges arising from geopolitical and geo-economic factors, such as the Russia-Ukraine war. The Committee was informed about a significant decline in tea exports to Iran in recent times. Iran holds strategic importance as a market that historically balanced both export volume and value, particularly for the orthodox tea variety. The tea industry faces intense competition from major exporting countries like Kenya and Sri Lanka, as well as low-priced tea producers like Vietnam, Malawi, Nepal, etc.

3.53 The Tea Board representatives also emphasized a significant concern regarding Maximum Residue Limits (MRL) when exporting to the European Union. Tea exports from the country contain traces of Nicotine, a naturally occurring pollutant. The MRL has been revised from 0.6 mg/kg to 0.5 mg/kg until June 30, 2025. Subsequently, it is set to automatically reduce further to 0.4 mg/kg.

3.54 This adjustment in MRL is based on the "Exposure assessments" conducted by the European Food Safety Authority (EFSA) in September 2022. Consequently, adhering to the prescribed MRL for "Nicotine" presents challenges for tea exports from the country.

3.55 **The Committee underscores the importance of Tea industry of the country. With around 21 per cent of the global tea production and the highest productivity rate amongst all the tea producing countries, the country's tea industry is crucial in terms of earning foreign exchanges as well as providing employment to the workers.**

3.56 **Iran is the second largest importer of Indian tea and during 2021-22, around 29.28 per cent of the total tea exports have been to Iran. The Committee, therefore, recommends the resolution of export stalemate with Iran at the earliest. The Department must ensure that the matter may be taken at the highest level of both the Governments and the bottlenecks are removed on immediate basis.**

3.57 **The Committee notes the low demand for Indian Tea due to the present geo-political factors such as Russia-Ukraine war and stiff competition from countries such as Kenya, Sri Lanka, Vietnam, Malawi and Nepal. The Committee is of the opinion that diversification of country's export destinations can minimize the impact of these factors to a large extent. The Committee, therefore, recommends that the Department must conduct a study to identify more such countries where there is a demand for Indian Tea. The Committee further recommends that necessary steps must be taken to increase the competitiveness of Indian Tea exports to counter the stiff competition from other countries.**

3.58 **The Committee is of the view that the issue of MRL levels is adversely affecting the Indian Tea exports to the EU and other countries. Therefore, the Committee recommends the Department must take up the issue of rationalization**

of MRL level with the appropriate authority in the EU and other countries. The Committee stresses upon the need to enhance the availability and infrastructure for laboratories required for testing residue levels in the export consignments and also advocates utilising the capacity available in the private sector in this regard.

3.59 **The Committee is of the view that the small tea growers should be considered on par with farmers for availing benefits under various welfare schemes for the agriculture sector like Pradhan Mantri Fasal Bima Yojana (PMFBY), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), etc. The Committee recommends that the Department of Commerce must take up the matter with the concerned Ministry to extend such essential schemes for small tea growers.**

Coffee

3.60 Coffee occupies a prime position among the plantation crops in the country. India is the 7th largest producer of coffee in the world with a share of about 3.54 per cent in the global Coffee production and ranks 5th in terms of exports with a share of about 5.20 per cent of global coffee exports. It is cultivated in about 4.72 lakh hectares and is mainly confined to southern states of Karnataka, Kerala and Tamil Nadu, which form the traditional areas (TAs). Coffee is also grown to a lesser extent in Andhra Pradesh and Odisha that forms the Non-Traditional Areas and in North Eastern States. Coffee cultivation is being encouraged in Non- traditional and North Eastern areas with the main objective of providing sustainable livelihood activity to local tribals and reforestation of the barren hills affected by shifting/zoom cultivation.

3.61 Further, India is the producer of both Arabica and Robusta coffee in the proportion of 30:70. Karnataka produces about 70.5 per cent of country's coffee production while Kerala and Tamil Nadu produce 20.6 per cent and 5.3 per cent respectively. In terms of global productivity, India stands 3rd position in Robusta and 7th position in Arabica among the major coffee producing countries.

3.62 More than 70 per cent of coffee produced in the country is being exported while the rest is consumed within the country. Indian Coffee is exported to more than 120 countries. European Union is the major destination for Indian Coffee, which accounts for about 55 per cent of India's coffee exports. Italy (19 per cent), Germany (10 per cent), Russia (7 per cent), Belgium (7 per cent) and Poland (4 per cent) are the top destination for Indian coffee exports, which together accounts for about 47 per cent of India's total coffee exports. Details about country's coffee exports are as follows:

Table 15: Export of Coffee

Year	Quantity (Tonnes)	Value (Rs. Crores)	Value (US $ million)
2018-19	353576	5815	836
2019-20	326554	5199	734
2020-21	310647	5451	735
2021-22	416247	7700	1016
2022-23	398975	9033	1146
Average	**361200**	**6640**	**893**

Source: Coffee Board

3.63 During the Committee's study visit to Madikeri, the Committee interacted with various stakeholders of the coffee sector. The major issues expressed by these stakeholders are as follows:

- India's productivity stands at 790 kgs per hectare, ranking among the lowest compared to leading coffee-producing regions. For instance, Vietnam has a productivity level of 2,825 kgs per hectare, while Brazil has achieved a productivity level of 1,630 kgs per hectare.
- The domestic production of coffee is being affected by factors like fruit rot, leaf rot diseases, and alterations in climatic patterns.

- The introduction of EU Deforestation Regulations mandates that any entity involved in trade with the European Union must verify the deforestation-free status of their products. Concerns are arising among Indian coffee exporters regarding its potential impact on the export of Indian Coffee. This is due to the traditional cultivation method, which involves growing coffee under a two-tier mixed shade tree canopy, typically within a forest ecosystem.

3.64 **The Committee is concerned to note low yield in the country's coffee production. The Committee is aware that there is sufficient demand for Indian Coffee in the global markets The Committee believes that boosting domestic production is the key to enhancing exports in the coffee sector. Consequently, the Committee recommends the development of high-yielding, climate-resilient, and disease-resistant varieties that can be readily accessed by coffee growers in the country.**

3.65 **The Committee is aware that EU is a major market of Indian coffee, constituting approximately 55 per cent of the total coffee exports from India. Recognizing the apprehensions among coffee exporters due to the enforcement of EU Deforestation Regulations, the Committee suggests that the government actively engage with the EU on this matter to ensure that the implementation of these regulations does not negatively impact the country's coffee exports.**

Handloom Sector

3.66 The Handloom Sector stands as one of India's largest unorganized economic activities, playing a pivotal role in providing employment to a significant number of artisans in rural and semi-urban areas. This sector not only contributes substantially to the country's foreign exchange but also serves as a guardian of cultural heritage. Presently, India boasts 35.22 lakh handloom workers, with 88.7 per cent of weaving households located in rural regions. Notably, the sector empowers over 25 lakh female weavers and allied workers, acting as a crucial driver for women's economic empowerment.

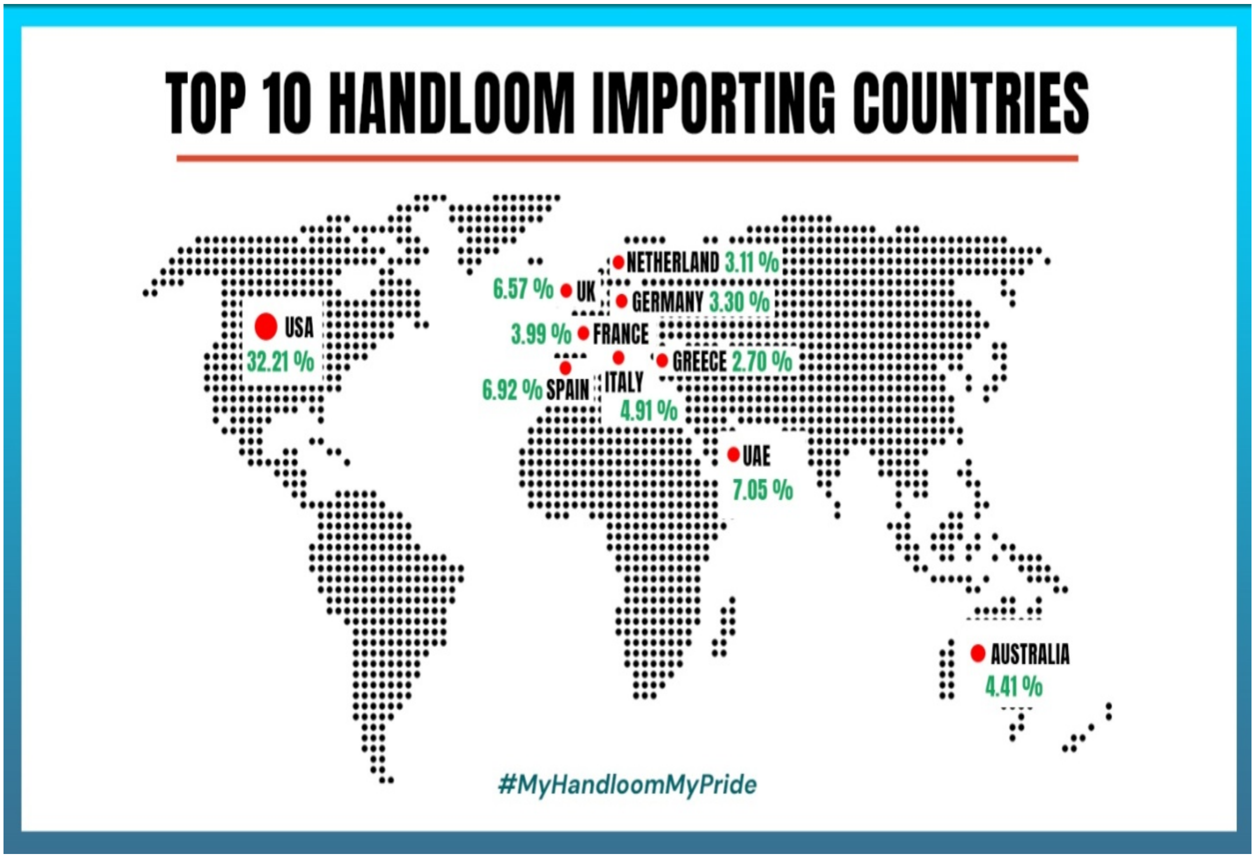
3.67 The Handloom Sector possesses inherent advantages, including its low capital intensity, minimal power usage, eco-friendly practices, flexibility in small-scale production, openness to innovation, and adaptability to market demands. The uniqueness and exclusivity of its designs, coupled with the ability to produce small batch sizes and eco-friendly fabrics, position handloom products with immense potential for both domestic and international markets. The trend in exports from the Handloom sector of the country is as follows:

Table 16: Export Performance of Handloom sector

Year	***USD Million***	***₹ crore***
2019-20	*315.62*	*2248.33*
2020-21	*222.65*	*1644.78*
2021-22	*266.88*	*1987.63*
2022-23	*180.47*	*1445.53*

Source HEPC

3.68 Export from Handloom sector mainly constitutes of fabrics, bed linen, table linen, toilet and kitchen linen, towels, curtains, cushions and pads, tapestries and upholsteries, carpets, floor coverings, sarees and dress materials, etc. The major importing countries of Handloom products from India are USA, UK, Germany, Italy, France, Japan, Saudi Arabia, Australia, Netherland and UAE.



Source: HEPC

3.69 During the study visit to Munnar, the Committee interacted with various stakeholders of the handloom sector, the major issues expressed by these stakeholders are as follows:

- To meet the challenge of Handloom products being replicated by power looms at a lower cost, a demand was made to develop handloom specific products and designs.
- Extension of Rebate of State & Central Taxes and Levies Scheme and Remission of Duties or Taxes on Export Products Schemes at enhanced rates specifically tailored for the handloom sector.
- Lack of information on interest subvention schemes.
- The cost associated with obtaining Organic Content Standard (OCS) certification, which ensures the verification of organically grown raw materials from the farm

to the final product, is substantial. Given the predominantly unorganized nature and small-scale operations in the handloom sector, providing corresponding incentives becomes crucial to alleviate the burden of these high certification charges.

- Under Free Trade Agreements (FTAs), handloom exporters require an Organic Content Standard (OCS) certification, for each HS Code. The Textile Committee charges approximately ₹7000 plus GST for each code. Additionally, separate certificates must be obtained for different countries. The fee structure needs to be streamlined by making it country-specific for each exporter across all HS lines.

3.70 **The Committee is concerned with the sharp decline in handloom exports from ₹1987.63 crore in 2021-22 to ₹1445.53 crore in 2022-23. In this regard, the Committee suggests formulation of a comprehensive strategy involving the identification of distinct designs and handloom products that hold potential for increasing exports in the international markets.**

3.71 **The Committee recommends the rationalization of charges associated with Organic Content Standard (OCS) certification, and emphasises that this process should be conducted in consultation with stakeholders. The Committee notes that handloom textiles have a significantly lower carbon footprint compared to mass-produced textiles. In light of this, the Committee recommends encouraging handloom units to explore financial benefits by tapping into the opportunities available in carbon markets.**

OTHER CROSS-CUTTING ISSUES

Remission of Duties or Taxes on Export Products (RoDTEP) Scheme

4.1 The Government introduced the RoDTEP Scheme *w.e.f.* January 1, 2021 as an initiative for duty remission on exports. This scheme serves as a mechanism to reimburse taxes, duties, and levies not covered by any existing refund mechanism at the central, state, and local levels. These costs are incurred by export entities during the manufacturing and distribution of exported products. Under the Scheme, a support of ₹27,018 crore has been extended for the 27 month period till 31.03.2023. The RoDTEP scheme operates under a budgetary framework and for FY 2023-24, a budget of ₹15,070 crore has been made available to support 10610 HS lines at the 8 digit level.

4.2 Throughout the discussions on the subject, various Export Promotion Councils and other stakeholders highlighted that the current incentives under RoDTEP scheme do not align with the benefits earlier provided under the Merchandise Exports from India Scheme. They emphasised the need for enhancing budget allocation for the scheme along with higher remission rates to be made available for all export items. The Committee was informed that the rate under the Merchandise Exports from India Scheme for chemical products was about 2 per cent, whereas the rate under RoDTEP scheme for these products is around 0.8 per cent.

4.3 During the Committee's study visit to Munnar, Bekal, and Madikeri (Coorg), stakeholders in the plantation sector also raised concerns about the insufficient remission rates under the RoDTEP Scheme for their products. Spice exporters, particularly those dealing with pepper and cardamom, highlighted the detrimental impact of low RoDTEP rates on their export competitiveness. They requested for an increase in RoDTEP rates to 5 per cent for cardamom and pepper and 7 per cent for value-added products. In the coffee sector, stakeholders requested raising RoDTEP rates for Arabica and Robusta coffee varieties to 9.8 per cent per kg from the existing 1.4 per cent per kg to address structural cost competitiveness issues.

4.4 The Committee was requested that the scope of this scheme should be expanded to encompass a greater number of products. For instance, the Committee was informed that the scheme does not include Chapter 72 (iron and steel) under its purview which results in higher product costs rendering the exports uncompetitive.

4.5 The need for extending the RoDTEP scheme to include exports from Export Oriented Units (EOUs), Special Economic Zones (SEZs), Manufacturing and Other Operations in a Customs Bonded Warehouse, and Advance Authorisation Scheme was also highlighted to the Committee as such an extension will enhance the competitiveness of Indian exporters globally.

4.6 The Department has informed the Committee that, in September, 2023, the RoDTEP Committee has been constituted by the Department of Revenue, Ministry of Finance, to review and recommend RoDTEP ceiling rates for different export sectors. The rates will be revised after carrying out the technical analysis based on the details submitted by the industry.

4.7 **The Committee is aware that the RoDTEP is a WTO-compliant scheme which follows the global principle that taxes/duties should not be exported. However, low rates under the RoDTEP Scheme lead to exports becoming uncompetitive. The Committee is pleased to note that the RoDTEP Committee has been reconstituted to assess and propose ceiling rates for various export sectors under the RoDTEP Scheme. The Committee expects that the RoDTEP Committee will give its report expeditiously.**

4.8 **The Committee suggests that the Department should consider the demands to increase the scope of this scheme by encompassing a greater number of products. In this regard, the Committee recommends for inclusion of Chapter 72 (iron and steel) under the RoDTEP scheme to boost the exports from the engineering sector.**

4.9 **The Committee further recommends coverage of Advance Authorization Holders, EOUs, SEZs under the Scheme as they also pay embedded taxes on domestic procurement and fuel both for inward and outward transportation.**

Interest Equalization Scheme

4.10 The Interest Equalisation Scheme aims to benefit exporters by reducing the interest rates charged by banks on Pre and Post Shipment Rupee Export Credits. Initially launched on April 1, 2015, for a five-year period, it has been further extended till June 30, 2024. The scheme's overarching goal is to offer exporters a cost-effective source of rupee credit for pre-shipment and post-shipment activities.

4.11 The Committee was informed that under the scheme interest equalisation benefit is being provided at the rate of 3 per cent for MSME exporters of all tariff lines and 2 per cent for manufacturer and merchant exporters exporting products listed in the identified 410 tariff lines. As per the scheme guidelines, there is an upfront reduction in the interest rate charged to eligible exporters by the banks. The upfront reduction directly lowers the interest rate charged by banks to eligible exporters, translating into lower borrowing costs for exporters and thereby boosting their competitiveness in international markets.

4.12 The Committee has learnt that the interest equalisation rates have been reduced from 5 per cent to 3 per cent for MSME exporters of all tariff lines, and from 3 per cent to 2 per cent for manufacturers and merchant exporters exporting under 410 notified tariff lines *w.e.f.* 01.10.2021. The Committee was further apprised by the stakeholders that due to frequent hikes in repo rate, cost of credit has gone up significantly during the recent times. The interest rates have now crossed the pre-pandemic levels, therefore, prevailing rates under the scheme are inadequate. The Stakeholders have requested the Committee to restore the interest equalization rates of 5 per cent for MSME exporters and 3 per cent for those dealing in 410 specified tariff lines.

4.13 During the Committee's study visit to the state of Kerala, the stakeholders apprised about the poor information flow regarding the interest equalisation benefit under the scheme. They were unaware of details such as exact amount of interest liability, amount of refund to be received and time for refund to be credited in their bank account.

4.14 In response to a query in this regard, the Department replied that the operational instructions on Interest Equalization Scheme on Pre and Post Shipment Rupee Export issued by Reserve Bank of India through Circulars / Notifications are quite detailed and provide all requisite details. In addition, to improve the information flow, the amendments with respect to the Interest Equalization Scheme are highlighted by Directorate General of Foreign Trade (DGFT) through Trade Notices published on the DGFT website.

4.15 **The Committee notes that the interest rates have been hiked in the recent times thereby increasing the cost of credit. The reduction in the subvention rates under the Interest Equalisation Scheme has also caused an additional burden on the exporters. The Committee notes that despite the repo rate increasing from 4 per cent in October 2021 to 6.50 per cent in February, 2023, interest equalisation benefit under the scheme has not been proportionately adjusted.**

4.16 **The Committee, therefore, recommends that the Department must consider increasing the rates under the Interest Equalisation Scheme from 3 per cent to 5 per cent for MSME exporters of all tariff lines and from 2 per cent to 3 per cent for manufacturer and merchant exporters of the identified 410 tariff lines as existed before.**

4.17 **The Committee further recommends developing an online platform for tracking the status of refund and streamlining the refund process under the Interest Equalization Scheme.**

EXIM logistics

4.18 A robust export infrastructure plays a crucial role in economic growth, strengthening international trade ties, and diversifying the economy. High-quality export infrastructure not only reduces dependence on the domestic market but also enhances overall resilience in an interconnected global environment, serving as a vital driver of a country's economic progress. Strategic investments in construction and improvement of physical infrastructure, especially when aligned with initiatives to ease business operations, are essential for boosting efficiency and enhancing the nation's competitiveness in the export market.

4.19 As per the World Bank's Logistics Performance Index report for 2023, India holds the 38th position out of 139 countries, an improvement from its 2014 ranking of 54. This indicates a positive trend in logistics performance aligning with the clearly articulated goal to achieve a USD 5 trillion economy by 2025.

4.20 The logistics sector comprises of different components inter-dependent to each other *inter-alia* including shipping, port operation, warehousing, rail road, air freight, express cargo and other value added services. The Committee was informed by the stakeholders that Indian exporters encounter a geographical disadvantage in terms of export delivery time and logistical expenses. Unlike countries such as Bangladesh, Vietnam, and Thailand, where the distance from factories to seaports is significantly shorter, India faces increased logistics costs and prolonged inward transit times.

4.21 According to the Economic Survey 2022-23, India's logistics cost have been in the range 14-18 per cent of GDP, surpassing the global benchmark of approximately 8 per cent. This not only contributes to higher overall export expenses but also diminishes the competitiveness of Indian goods in international markets. To address this issue, the PM GatiShakti National Master Plan and National Logistics Policy (NLP) have been launched to enhance efficiency in logistics.

4.22 The Ministry informed that several measures have been taken under NLP to promote trade facilitation and streamline EXIM logistics. A comprehensive port connectivity plan has been prepared by the Ministry of Port, Shipping and Waterways, to address last and first mile infrastructure gaps and promote seamless movement of goods to ports. 60 projects under Ministry of Road Transport and Highways and 47 projects under Ministry of Railways have been sanctioned to improve last mile connectivity to ports. Port processes studies have been conducted at 3 Major Ports

(Chennai, JNPT and Vishakhapatnam) and new analysis of port-wise vessel turnaround time is being done using the Logistics Data Bank.

4.23 The Committee underscores the significance of high-quality infrastructure in boosting the country's exports. The Committee is of the view that adequate and robust infrastructure and services are essential components for achieving heightened productivity and growth in the export sector. The Committee recommends that strategic investments and enhancements in infrastructure must be made to significantly reduce both production and transaction costs, thereby elevating export competitiveness and broadening market access.

4.24 The Committee was informed that challenges such as container shortages, port congestion, substandard storage facilities, and poorly maintained roads connecting ports are significantly impeding the smooth flow of goods and exports. This situation leads to delays and disruptions in supply chains, both domestically and internationally. The stakeholders emphasized issues related to the Direct Port Entry System, which allows export containers direct entry into port terminals before obtaining the Let Export Order (LEO). Due to insufficient infrastructure, exporters are compelled to redirect their containers to distant locations for examination and clearance, resulting in increased product costs.

4.25 **The Committee urges the Department to promptly address issues such as lack of container availability, port congestion, substandard storage facilities, and the poor condition of roads connecting ports. Additionally, the Committee recommends creation of supporting infrastructure for exporters availing Direct Port entry, to facilitate smooth clearance of export consignments.**

4.26 The Committee was also informed about the insufficient budget allocation for the Trade Infrastructure for Export Scheme (TIES). Launched with the goal of boosting export competitiveness by addressing gaps in export infrastructure, TIES focuses on creating dedicated export infrastructure, enhancing first-mile and last-mile connectivity for export-oriented projects, and addressing quality and certification measures. Stakeholders informed the Committee that although TIES is a crucial scheme for bridging export infrastructure gaps, it has been allocated a budget of only ₹ 71 crore for the fiscal year 2023-24. The stakeholders urged the Committee to consider increasing the allocation to ₹1,000 crore to effectively fulfill its intended purpose.

4.27 **The Committee notes the concerns raised about inadequate funding for TIES. In view of the high cost involved in restoring roads and connectivity to the ports, setting up accredited laboratories, etc., the Committee observes that fund allocation for the scheme is insufficient.The Committee recommends a revaluation of the fund requirement for the scheme based on the proposals received from states/UTs during the last 3 years and accordingly raise the budget allocation so that crucial infrastructure projects are not delayed/stopped due to paucity of funds.**

Export Credit

4.28 Export credit holds a significant bearing on a country's export performance. One of the primary role of export credit is to enable companies to extend their reach beyond domestic boundaries. Easy access to financial support allows businesses to explore and tap into new markets, aiding growth and enhancing their global presence. Both access and cost of export credit are critical for export competitiveness.

4.29 The Department of Financial Services, Ministry of Finance informed the Committee that the institutional architecture for export finance in India encompasses several key entities such as EXIM Bank, Public and Private sector commercial banks, and ECGC. Short-term export credit is predominantly provided by commercial banks EXIM Bank supports medium/long-term export credit, particularly for project exports, while the ECGC offers insurance and guarantees for both short and medium-to-long term exports. Several measures have been taken to increase availability of credit to exporters. Priority Sector Lending (PSL) norms have been changed by the Reserve Bank of India (RBI) to increase the sanctioned limit for export credit under PSL from ₹25 crore to ₹40 crore per borrower. The RBI aims to encourage the use of the Indian rupee in international trade, enhancing its global reach.

4.30 The representative of Export-Import Bank of India (EXIM Bank) apprised the Committee that the Bank plays a vital role in supporting Indian project exporters with a comprehensive financing package. The Committee was informed that EXIM Bank has implemented the *Ubharte Sitaare* Programme focusing on future export champions. The Trade Assistance Programme (TAP) to support MSMEs addresses the trade finance gap, facilitating over 280 export transactions across 30 countries, resulting in over USD 800 million worth of incremental exports. The establishment of Exim Finserve at GIFT City enhances trade finance capabilities. Further, promotional initiatives like Exim Bazaar provide a platform for artisans, while Exim Mitra offers a single gateway for trade information and plans to launch a mobile application and web portal.

4.31 The representative of the State Bank of India (SBI) informed the Committee that the bank follows a 'Need Based Finance' approach, assessing the financial requirements based on factors like order nature, commodity, and exporter capability. Over the past three years, SBI's export credit finance has steadily increased, with market shares of 13.96 per cent, 16.89 per cent, and 18.44 per cent for the fiscal years 2020-21, 2021-22, and 2022-23, respectively.

4.32 The Committee was informed about challenges faced by exporters in accessing EXIM credit facilities, including limited awareness of government schemes, complex application processes, and the demand for collateral. Financial constraints, such as inadequate cash flow and payment delays, hinder Indian exporters, restricting their entry into new markets and sectors, leading to delays and impacting product quality.

It was suggested that the sanctioned limit for export credit under Public Sector Lending (PSL) may be enhanced from ₹40 crore to ₹100 crore per borrower in view of the rising inflation. Additionally, compliance issues, like Know Your Customer (KYC), Anti Money Laundering (AML), Combating the Financing of Terrorism (CFT) guidelines, pose challenges for exporters, requiring repetitive submission of documents. Stakeholders suggested the development of a common digital platform for exporter details to streamline compliance. While the *Udyam* registration portal exists for MSMEs, there's no dedicated platform for the exporters.

4.33 **The Committee notes the considerable impact of challenges like inadequate awareness of government schemes, complex documentation and time-consuming procedures on the performance of the country's EXIM credit sector. The Committee also notes that a multifaceted approach is required to address these issues. The Committee recommends that the Government initiates awareness programs targeted at informing exporters about various schemes being implemented to empower exporters with comprehensive knowledge of available resources.**

4.34 **The Committee also advocates for revamping of the EXIM credit process and documentation procedures to streamline and simplify the system. This will not only enhance efficiency but also alleviate the burden on exporters, creating a more conducive environment for businesses to tap emerging opportunities and expand their international footprint. The Committee recommends for creating a user-friendly framework that encourages greater participation and reduces bureaucratic hurdles.**

4.35 **Furthermore, recognizing the crucial role collateral play in the disbursement of credit, the Committee strongly recommends aligning collateral requirements**

with the established guidelines of the Reserve Bank of India. This alignment will ensure consistency, transparency, and fairness in the collateralization process, instilling confidence among exporters and financial institutions.

4.36 **The Committee notes the suggestion to increase the credit limit under PSL to ₹100 crore per borrower and is of the view that raising the credit limit under PSL category could result in favorable outcomes, with Banks potentially becoming more inclined to finance exporters. Furthermore, obtaining the priority sector benefit may lead to a reduction in the interest rate for exporters. The Committee, therefore, recommends that the Government should review and consider raising the credit limit under the PSL category to meet the requirement of exporters.**

4.37 **The Committee also recommends setting up a secure digital platform dedicated to storing exporters' details for various compliances. This platform would serve as a centralized repository for enhancing efficiency, confidentiality, compliance management and secure environment. By consolidating information in a secure digital space, the platform will simplify the submission and verification of documents related to compliances, thereby reducing redundancy and improving overall effectiveness.**

Credit Insurance

4.38 Export Credit Insurance shields exporters from political and commercial risks, including default, insolvency, and repudiation concerning payments owed by overseas buyers. ECGC Limited, established in 1957 under the Companies Act 1956, offers export credit insurance services on short-term, medium-term, and long-term bases. Its mission is to support exporters and banks, thereby facilitating exports from the country. The details regarding value of businesses covered by the ECGC over the last decade are as follows:

Table 17: Value of businesses covered by the ECGC (2013-14 to 2022-23)

(₹ करोड़ में) (₹ in Crore)

वर्ष / YEAR	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
संरक्षित कारोबार मूल्य / VALUE OF BUSINESS COVERED										
अल्पावधि पॉलिसियां */** Short Term Policies */**	321767.00	269272.00	241934.17	215021.77	198872.00	177349.00	172788.00	135871.97	133983.00	131344.00
अल्पावधि ई सी आई बी ***/**** Short Term ECIB ***/****	338984.00	345676.00	354200.12	341826.72	455267.00	456684.00	448604.00	127534.80	138555.00	138150.00
मध्यम व दीर्घावधि रक्षाएं Medium & Long Term Covers	2851.00	3896.97	6667.25	4757.37	5787.00	7415.57	6027.26	5979.06	7652.00	9762.80
कुल / Total	**663602.00**	**618844.97**	**602801.54**	**561605.86**	**659926.00**	**641448.57**	**627419.26**	**269385.83**	**280190.00**	**279256.00**

Source: Annual Report 2022-23 (ECGC)

4.39 Increasing export credit insurance is a crucial step to instill confidence among exporters and banks by offering a safeguard against potential non-payment or credit risks. The Committee has been apprised by the Department regarding the augmentation of export credit risk insurance coverage provided by ECGC. The coverage has been increased to 90 percent for exporters (excluding traders, merchant exporters, and those in the GJD Sector) with a credit limit of ₹50 crore under the Export Credit Insurance for Banks Whole Turnover Packaging Credit and Post Shipment scheme. This initiative is expected to provide significant support to small exporters.

4.40 During the deliberation on the subject, stakeholders emphasized the negative repercussions stemming from the alteration of Russia's cover category, from Open Cover to Restricted Cover Category – I. Stakeholders have pointed out that despite the interest of prominent brands and buyers in Russia to place export orders, Indian exporters are hesitant due to Russia's placement in the 'High Risk Category' by the ECGC. The premium rates in this category are notably higher compared to other categories, posing a substantial obstacle to the prospective growth of trade with Russia.

4.41 Furthermore, stakeholders have brought to the Committee's attention that delays in claims processing, insufficient awareness about schemes and products for export insurance, and elevated premium rates are the primary hindrances preventing exporters from utilizing insurance facilities effectively.

4.42 The Committee was informed that currently ECGC offers Whole Turnover policies to banks, encompassing the entire export credit portfolio. At present, the bank bears the entire premium for post-shipment export credit coverage, while for pre-shipment export credit, the bank covers the premium for all borrowers rated 'A' and above. It was requested that possibility of introduction of sector-specific Whole Turnover policies may be explored which may reduce costs for the bank. This reduction in premium expenses for the bank could lead to passing on benefits to exporters.

4.43 **Acknowledging the important role of insurance in mitigating the risks inherent in international trade and shielding exporters from both political and commercial uncertainties, the Committee underscores the need to enhance the reach of schemes and programs implemented by the ECGC.**

4.44 **The Committee emphasizes the importance of disseminating information about the various schemes and programs offered by the ECGC to ensure that a broader spectrum of exporters can benefit from these risk-mitigation measures. The Committee suggests that a comprehensive and targeted awareness campaign should be launched to reach exporters at all levels for better understanding of the available support mechanisms. The Committee recommends the expansion of awareness initiatives targeting exporters across the country through media, digital platform, export promotion councils and Government websites.**

4.45 **Recognizing the time-sensitive nature of international trade, the Committee recommends streamlining the insurance claims procedures to ensure swift resolution and payment, to provide timely support to exporters facing challenges and to instill confidence among exporters in the effectiveness and responsiveness of ECGC's services.**

4.46 **The Committee notes that ECGC provides Whole Turnover policies to Banks, covering the entire export credit portfolio. To reduce the cost to banks, the Committee recommends the ECGC must explore the possibility for introduction of sector-specific Whole Turnover policies as lower premium costs to banks would translate into benefits being passed on to exporters.**

4.47 **The Committee emphasizes the importance of maintaining competitive premium rates. To make export credit insurance more accessible and attractive to a wider range of exporters, contributing to the overall growth of international trade from the country, the Committee recommends that the ECGC should continually assess and adjust its premium rates to remain competitive in the market.**

4.48 **Furthermore, to address the concern regarding the classification of Russia as Restricted Cover Category–I (RCC-I), the Committee recommends that the Department conducts a thorough review of this classification to identify potential adverse effects on exporters. The Committee further recommends the Department to take necessary steps, including an understanding of regulatory challenges and potential barriers to entry, to mitigate any negative impact thereby ensuring conducive environment for exporters engaging in trade with Russia.**

Free Trade Agreements (FTAs)

4.49 FTAs hold immense significance towards encouraging industries to take advantage of economies-of-scale and increase production. These Agreements open market access and deepen international linkages for the participating nations in the partner countries as well as in other countries that are located in that region. FTAs not only reduce and eliminate tariffs and quotas but also address behind-the-border barriers that impede the flow of goods and services between parties, encourage investment, enhance cooperation, etc. The Committee was informed that India has so far concluded 13 FTAs, as per details tabulated below:

Table 18: **List of Free Trade Agreements (FTAs)**

Sl. No.	Name of the Agreement	Date of Signing of the Agreement	Date of Implementation of the Agreement
1	India - Sri Lanka FTA	28th December, 1998	1st March, 2000
2	Agreement on SAFTA (India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan, the Maldives and Afghanistan)	4th January, 2004	1st January, 2006 *(Tariff concessions implemented from 1st July, 2006)*
3	India Nepal Treaty of Trade	27th October, 2009	The Treaty has been extended for a further period of 7 years and is currently in force till 26th October 2023.
4	India - Bhutan Agreement on Trade Commerce and Transit	17th January, 1972	Renewed periodically, with mutually agreed modifications. Agreement dated 29th July 2006 was valid for 10 years. With mutual consent, the validity was extended for a period of one year or the period till the proposed new Agreement comes into force. The renewed Agreement has been signed on 12.11.2016 and came into force with effect from 29 July 2017, for a period of 10 years.
5	India - Thailand FTA - Early Harvest Scheme (EHS)	9th October, 2003	1st September, 2004
6	India - Singapore CECA	29th June, 2005	1st August, 2005
7	India - ASEAN- CECA - Trade in Goods, Services and Investment Agreement (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)	13th August, 2009 for goods and November 2014 for Services and Investment	Goods 1st January 2010 in respect of India and Malaysia, Singapore, Thailand. 1st June 2010 in respect of India and Vietnam. 1st September 2010 in respect of India and Myanmar. 1st October 2010 in respect of India and Indonesia. 1st November 2010 in respect of India and Brunei. 24 January 2011 in respect of India and Laos. 1st June 2011 in respect of India and the Philippines. 1st August, 2011 in respect of India and Cambodia. Services and Investment 1 July, 2015

Sl. No.	Name of the Agreement	Date of Signing of the Agreement	Date of Implementation of the Agreement
8	India - South Korea CEPA	7th August, 2009	1st January, 2010
9	India - Japan CEPA	16th February, 2011	1st August, 2011
10	India - Malaysia CECA	18th February, 2011	1st July, 2011
11	India - Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)	22nd February, 2021	1st April, 2021
12	India-UAE CEPA	18th February, 2022	1st May 2022
13	India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA)	2nd April, 2022	29 December 2022.

Source: DoC

4.50 In addition, India is also engaged in trade negotiations with some other trading partners, notable among these are – (i) India-UK FTA, (ii) India-EU FTA, (iii) India-Australia Comprehensive Economic Cooperation Agreement (CECA) (iv) India-Peru Trade Agreement, (v) India-European Free Trade Association (EFTA) Trade and Economic Partnership Agreement (TEPA) (Iceland, Norway, Liechtenstein and Switzerland), and (vi) India-Sri Lanka Economic and Technical Cooperation Agreement (ECTA).

4.51 The Department has informed that it has undertaken various steps for leveraging FTAs namely operationalisation of e-Certificate of Origin (eCoO) platform for helping industry overcome the challenges that arise specific to FTAs and use the opportunities created; establishing FTA related outreach programs for offering advice on implementation and market access issues; and by identifying specific trade and investment opportunities created by such agreements.

4.52 During the deliberations on the subject, the Committee was informed by the stakeholders that India's FTA utilization remains very low, the country's exports to its FTA partners has not grown proportionately at the rate as imports from these partner countries. For example, exports from ASEAN increased by 4 per cent, while its imports increased by 28.6 per cent in 2022-23.

4.53 The Department of Commerce, informed during deliberations, that Free Trade Agreements (FTAs) are comprehensive and include IPRs and commitments on labour, environment and other issues.

4.54 **The Committee recognizes the significant role of Free Trade Agreements (FTAs) in enhancing and broadening the country's exports while also contributing to the growth of domestic industries. The Committee suggests that the Government should actively engage in signing FTAs with countries that share high complementary interests thereby promoting mutual benefits. The Committee further recommends the recalibration of existing FTAs to safeguard against negative trade balances with partner countries to optimize the advantages of FTAs and ensure a balanced trade relationship for the country.**

4.55 The Committee was informed by stakeholders that Indian exporters face challenges while exporting to FTA partners due to the presence of inverted duty structure across various products whereas raw material imports are attracting varied range of duties. Exporters from the engineering sector apprised the Committee that approximately 80 per cent of total Copper Tubes & Pipes imports come from ASEAN. Copper Tubes & Pipes benefit from zero-duty under the India-ASEAN Free Trade Agreement. However, the primary raw materials for Copper Tubes & Pipes, namely Copper Cathode and Copper Scrap, invites import duties of 5 per cent and 2.5 per cent, respectively. Similarly, the exporters from the Chemical sector informed that, finished products manufactured from Crude Glycerine, Toilet Soaps, Soap Noodles and Fatty Alcohol are imported in India with zero per cent duty, whereas the raw materials are imported at higher duty.

4.56 The existence of an inverted duty structure not only hampers the competitiveness of exports but also contradicts the 'Make in India' initiative of the Government. Further, it serves as a deterrent to the manufacturing of value-added products within the country.

It also inadvertently promotes the import of finished goods by traders and end-use industries.

4.57 **The Committee notes with concern the problems caused by the inverted duty structure in certain FTAs as it leads to higher raw material costs for manufacturers, while the import of finished product incurs lower duties, resulting in disadvantage for manufacturers.**

4.58 **The Committee is of the view that failure to address this issue could lead to severe negative consequences for the manufacturing industry. The Committee, therefore, recommends addressing this issue by implementing matching tariff reductions for the materials/inputs whenever a finished product benefits from a lower import duty due to a free trade agreement. The Committee further suggests that a comprehensive overall assessment be conducted to understand the potential effects and to avoid or mitigate the issues like the inverted duty structure in FTAs.**

4.59 **Further, to improve the availability of information regarding FTAs for exporters, the Committee recommends establishment of FTA facilitation centers, serving as centralized sources of information for all FTAs. These centers should be tasked to connect with exporters targeting markets in FTA partner countries.**

Domestic Manufacturing

4.60 Domestic manufacturing is vital for economic stability, job creation, and national security. It fosters innovation, supports a skilled workforce, and reduces dependence on imports, contributing to a positive trade balance. A robust manufacturing sector also enhances infrastructure development, ensuring a nation's self-sufficiency and resilience in the face of global economic challenges.

4.61 The “Atmanirbhar Bharat Abhiyaan” has been launched to instill independence and self-reliance across all facets of the country and its citizens. The “Make in India”, is the flagship program of the Government to facilitate investment, foster innovation, enhance skill development, and build best-in-class manufacturing infrastructure.

4.62 The Indian manufacturing industry generated 16-17 per cent of India's pre-pandemic GDP and employed a workforce of around 27.3 million workers. Fueled by factors such as sustainable growth, enduring employment opportunities, and skill development pathways for millions, Indian manufacturing holds substantial potential for expanding exports and promoting the localization of imports.

4.63 Manufacturing exports have registered annual exports of USD 447.46 billion with 6.03 per cent growth during F.Y-2022-23 surpassing the previous year (F.Y-2021-22) exports of USD 422 billion. Further, India's Gross Value Added at current prices was estimated at USD 626.5 billion as per the quarterly estimates of the first quarter of F.Y-2021-22.

4.64 The Committee was informed that in order to enhance India's Manufacturing capabilities, Production Linked Incentive (PLI) Schemes have been announced for 14 key sectors with an outlay of ₹ 1.97 lakh crore (over USD 26 billion). These sectors include, (i) Mobile Manufacturing and Specified Electronic Components, (ii) Critical Key Starting Materials/Drug Intermediaries & Active Pharmaceutical Ingredients, (iii) Manufacturing of Medical Devices, (iv) Automobiles and Auto Components, (v) Pharmaceuticals Drugs, (vi) Specialty Steel, (vii) Telecom & Networking Products, (viii) Electronic/Technology Products, (ix) White Goods (ACs and LEDs), (x) Food Products, (xi) Textile Products: MMF segment and technical textiles, (xii) High efficiency Solar PV modules, (xiii) Advanced Chemistry Cell Battery, and (xiv) Drones and Drone Components.

4.65 The stakeholders briefed the Committee on various challenges faced by manufacturing sector in the country. One significant concern highlighted by stakeholders is the imposition of import duties on raw materials which is posing obstacles to the growth of domestic goods production. Exporters from the pharmaceutical sector emphasized that countries like Indonesia, Vietnam, and Thailand import raw materials from China with minimal or zero import duties, while Indian manufacturers face a 5 per cent tariff for the same materials. This has resulted in an increased production cost thereby making domestically produced goods less competitive both in the domestic and international markets.

4.66 **The Committee strongly advocates scaling up of domestic manufacturing to propel India from being predominantly an import-dependent market to a globally competitive exporter. In line with this vision, the Committee recommends that a rationalised duty structure may be put in place that begins with zero or minimal duties at the raw material stage. Embracing this comprehensive approach would not only fortify India's economic independence but also position it as a dynamic force in the global market, capable of exporting competitive and value-added products.**

4.67 The exporters from the Chemical Sector informed the Committee that the absence of a Production Linked Incentive (PLI) scheme in their sector is adversely affecting domestic production and exports.

4.68 **In light of the economic significance of the Chemical Industry to the nation's export landscape, the Committee emphasizes the requirement of PLI Scheme for this sector. This will not only strengthen the industry's position in international markets but also create a thriving ecosystem that drives economic growth and innovation within the chemical manufacturing sector. The Committee, therefore, strongly recommends implementation of a Production Linked Incentive (PLI) Scheme specifically tailored to bolster the Chemical Industry in the country.**

Aligning with Global Value Chains (GVCs)

4.69 GVCs encompass a spectrum of production activities spanning design, manufacturing, marketing, distribution, and the final sale to end-consumers. These activities are distributed among multiple firms situated in various countries. Countries participate in GVCs through either backward or forward linkages. Backward linkages occur when a country imports foreign products to manufacture goods and services for export, whereas forward linkages take place when a country exports products to countries responsible for downstream production. The Committee was informed that today more than 50 per cent of the global value trade is done through the global value chains.

4.70 GVCs are presently in a state of transition, influenced by various factors such as emerging technologies; climate change, diversification prompted by the pandemic and the pursuit of supply chain security for strategic reasons. This shift has created substantial opportunities for emerging countries to enter established value chains and secure a larger market share.

4.71 The Committee was informed that, in a world of Global Value Chains, trade policy cannot solely focus on impediments to trade with direct trade partners. As outlined in the World Economic Forum's document titled "Shifting Global Value Chains: The India Opportunity," India stands as a significant contender to leverage GVCs, and can potentially make a contribution exceeding USD 500 billion in annual economic impact by the year 2030. As per FICCI – McKinsey & Company report (December 2022) on "India's Century: A Roadmap for Sustainable and Inclusive Growth", the country has the potential to capture USD1 trillion in trade flows resulting from global supply chain shifts over the next decade.

4.72 **The Committee notes that a comprehensive approach is necessary, considering the entire value chain and addressing bottlenecks upstream and downstream between countries, to enhance exports and bolster economic performance. The Committee is aware that the competitiveness of a country's exports is closely tied to imported inputs. Therefore, the Committee recommends that from a policy standpoint, emphasis has to be placed on the complete value chains. Further, promoting FDI in export-oriented sector is important in sustainable supply value chain. Local companies may be incentivized to join global supply chains through smart business strategies. The Committee also recommends investment in technological capabilities to align with international standards on quality, cost and delivery to reap the advantages of the GVCs.**

4.73 **The Committee also emphasizes that deeper engagement in GVCs is imperative for achieving ambitious export targets and recommends focusing on devising mechanisms to decarbonise supply chains as it can be a crucial factor in developing sustainable GVCs. Further, the Committee recommends exploring the possibility of identifying and engaging in most beneficial segment of the value chain for some sectors keeping in mind the inherent advantages of production/supply within that specific sector.**

Micro, Small and Medium Enterprises (MSMEs)

4.74 The MSME sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by promoting entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. MSME sector's Gross Value Added contribute to around 30 per cent in India's Gross Domestic Product, nearly 35 per cent in India's manufacturing output 45 per cent share to Indian exports.

4.75 The details of last three years exports from the MSMEs of the country are as under:

Table 19: Export performance of the MSMEs

	2019-20	2020-21	2021-22
	Million USD	Million USD	Million USD
Exportsfrom MSMEs	154801.48	143993.81	190019.21
India'stotal exports	311035.49	291808.48	422004.40
Percentage ofExports	49.77	49.35	45.03

Source: Reply to Rajya Sabha Question No-1234 dated 13.02.2023

4.76 The contribution of the MSME sector to exports stood at 49.77 per cent in FY 2019-20 but has witnessed a gradual decline, reaching 45.03 per cent in FY 2021-22. Despite this decline in percentage share, the actual value of exports from MSMEs has shown positive growth, rising from USD 154.8 billion in FY 2019-20 to USD 190 billion in FY 2021-22.

4.77 Stakeholders have apprised the Committee of various challenges confronting the exporters from MSME sector in the country. These include limited information about product demand, unfamiliarity with foreign market operations, difficulties in accessing export distribution channels and establishing connections with overseas customers. MSMEs also face challenges related to understanding standards, certification, and regulatory frameworks while trading with different countries. Additionally, issues such as a lack of innovation and low-value addition pose hurdles to the growth of exports from the country's MSMEs, limiting their entry into foreign markets.

4.78 The Committee was informed that the Government has implemented several initiatives to enhance exports from MSMEs. These measures include negotiating MSME-related provisions in Free Trade Agreements, incorporating MSMEs into platforms like Government e-Marketplace and Open Network for Digital Commerce. Further, the Technology Incubation and Development of Entrepreneurs 2.0 scheme has been launched to promote tech entrepreneurship by providing financial and technical support to incubators that primarily assist startups engaged in MSMEs, utilizing emerging technologies and e-commerce.

4.79 **The Committee is of the view that a robust MSME sector is crucial for growth of Indian economy. The MSME sector is considered as the engine of economic growth and export performance of this sector has direct impact upon economic development of the country. However, the Committee expresses its concern over the declining contribution of exports from MSMEs in the total exports of the country.**

4.80 **The Committee recommends the development and strengthening of the export orientation of MSMEs through increased participation in trade shows, exhibitions, and other relevant events. These measures will create a conducive environment for MSMEs to thrive in the export sector.**

4.81 **In addition, the Department must implement programmes to provide training to MSMEs on essential aspects of export procedures, documentation, standards, and compliances. The website of the Department should be made user-**

friendly and interactive, facilitating prompt resolution of concerns raised by MSME exporters.

Cross-Border E-Commerce

4.82 As per WTO Work Programme on E-commerce (1998), "Electronic commerce" is the production, distribution, marketing, sale and delivery of goods and services by electronic means. Due to rise in income, growing consumer demands, and a strong push towards a digital economy, E-commerce exports are appearing to be a promising category. However, it requires distinct policy interventions from traditional offline trade. Various estimates suggest e-commerce export potential in the range of USD 200 to USD 300 billion by 2030. As per Indian Brand Equity Foundation (IBEF), over one lakh Indian exporters are selling their products to the international markets through Amazon India's online exports initiative. The initiative began in 2015 with only 100 exporters and has been an example of growing Indian e-commerce exports.

4.83 During the interaction, stakeholders informed the Committee that pre-shipment and post-shipment export credit are not available to E-commerce exports, as exporters do not have export orders sought by the banks for providing pre-shipment and post-shipment credit. The stakeholders further highlighted the issues with Electronic Bank Realisation Certificate (EBRC) and informed that banks charge fee of ₹1,000 to ₹1,500 per invoice for this service. Given the inherently small per transaction value in E-commerce exports, the cost of each EBRC is often more than the profit reaped from individual unit sales.

4.84 In response to a query, the Department informed about various measures taken to increase the e-commerce exports, these includes provisions of Foreign Trade Policy 2023 that outlines the intent and roadmap for establishing e-commerce hubs and related elements such as payment reconciliation, book-keeping, returns policy, and export entitlements. In addition, the consignment wise cap on E-Commerce exports through courier has been raised from ₹5 Lakh to ₹10 Lakh in the Foreign Trade Policy, 2023.

Further steps such as integration of Courier and Postal exports with Indian Customs Electronic Data Interchange Gateway (ICEGATE), drafting of a comprehensive e-commerce policy and outreach and training activities of artisans, weavers, garment manufacturers, gems and jewellery designers to onboard them on E-Commerce platforms have also been taken.

4.85 **The Committee observes that, within the current landscape marked by increasing internet penetration, a surge in e-commerce activity, secure payment options and heightened globalization, e-commerce exports stands out as a significant avenue for growth. Nevertheless, challenges such as the absence of pre-shipment and post-shipment export credit, delays in the implementation of the E-commerce policy and the imposition of EBRC charges act as hindrances to the expansion of the country's e-commerce exports.**

4.86 **In light of these challenges, the Committee suggests that the Government should take proactive measures to ensure the availability of pre-shipment and post-shipment export credit for e-commerce exporters. Additionally, the Committee proposes that the requirement for EBRC may be waived for export orders below a specified threshold, providing crucial support to smaller-valued e-commerce exports.**

4.87 **The Committee expresses concern over the prolonged delay in launching the National e-commerce policy. The Committee strongly recommends the expedited introduction of the National e-commerce policy to address the current challenges and foster a conducive environment for the growth of e-commerce exports.**

SUMMATION

5.1 Exports are an important element of India's comprehensive development strategy, serving as a crucial pillar for accelerating economic growth and achieving the ambitious target of a USD 5 trillion economy. **To achieve this target, the Committee underscores the necessity of promoting exports through policy interventions,**

export promotion schemes compliant with international trade policies and a robust logistics infrastructure. The Committee feels that systematic attention is required for enhancing India's global competitiveness and maximizing exports through regular strategy reviews to align with the ever changing market dynamics.

5.2 All products manufactured in the country cannot be promoted in the same way, differentiation is required to focus our attention on those product categories in which India has a distinct advantage/potential to improve. India has significant potential to diversify its export by concentrating on its top products aligned with current capabilities. Innovative approaches to trade creation and diversification are essential in a globalized world. Simultaneously, trade diversification beyond traditional partners, exploring non-traditional markets like Latin America, Africa, and Oceania, is crucial. **The Committee emphasises the need to develop a strategic approach to enhance the trade performance by focusing on the identification of products that have a significant export potential and also the countries with the maximum demand for the identified products. The Committee suggests that a focused strategy of trade creation and trade diversification should be prepared, which could be instrumental for India to increase its global trade share.**

5.3 Technology upgradation with an emphasis on value chain improvement is a key contributor to global competitiveness. Although, India has substantial capacity in sectors like iron and steel, electrical machinery, and auto components, there is a need to move up the value chain to enhance value addition**. However, with technology up-gradation, up-skilling of the workforce is also crucial for value chain improvement. The Committee, therefore, recommends initiating skill development programs in educational institutions and introducing on-the-job refresher courses to ensure the continuous upskilling of the workforce.**

5.4 **The Committee acknowledges that the Production Linked Incentive (PLI) scheme has been instrumental in transforming India into a manufacturing center**

and has also helped in successfully reducing the trade deficit. PLI scheme has provided Indian manufacturing sector with a chance to compete on cost with other manufacturing destinations in the world. The Committee is of the view that PLI's effectiveness could be further enhanced by extending its duration, reducing administrative delays and compliance burdens. The Committee recommends that the scope of PLI scheme may be expanded to include other sectors with high employment potential such as chemicals sector and labour intensive sectors like leather, apparel, toys, jewellery, handicrafts, etc.

5.5 International trade is susceptible to continuous shifts driven by economic, political and environmental factors. In the dynamic global landscape, there is a pressing need for a dedicated entity to aggregate real-time global information concerning regulations and impediments in international trade in goods and services. **The Committee proposes the establishment of an institutional mechanism like a cell under the Ministry of Commerce and Industry, to fulfill this role. The envisioned cell should be entrusted with the responsibility of interpreting market entry barriers, domestic regulations, and related issues from the perspective of Indian exporters, thereby contributing to a more informed and strategic approach to international trade. The Committee believes that the creation of such a platform would confer a competitive advantage to exporters across various sectors.**

5.6 Initiating economic empowerment requires the cultivation of a culture of export orientation at every level. **The Committee feels that the existing fragmented approach should be supplanted by a collaborative effort with a strong focus on exports and a vision for the global landscape. A comprehensive 'whole of the government' strategy, involving collaboration with states and industries, needs to be seamlessly integrated into the overall export approach.**

RECOMMENDATIONS/OBSERVATIONS- AT A GLANCE

MAPPING OF PRODUCTS AND COUNTRIES

Identifying focus products

1. **The Committee opines that India must expand its focus beyond its "conventional markets" and explore export opportunities in areas where it holds a competitive edge. The Committee recognises the significance of aligning products with the specific needs of consumers and businesses in designated markets. The Committee strongly recommends that emphasis must be given on mapping products to target markets. This strategic approach in alignment with the effective international trade practices is essential for the success of export initiatives.**

(Para 2.15)

2. **The Committee acknowledges that mapping products to target markets necessitates thorough market research to identify potential new markets for export. Utilising advanced data analysis tools and leveraging the expertise of research professionals will ensure a thorough understanding of the dynamic market landscape. The Committee, therefore, recommends investing in comprehensive and up-to-date market research methodologies.** (Para 2.16)

3. **Furthermore, the Committee underscores the importance of staying alert to evolving market dynamics. Regular updation of the mapping strategy based on real-time market feedback will enable Indian exporters to stay ahead of the curve and remain competitive in the global market. This insight is also crucial for a successful and sustained growth in the market.** (Para 2.17)

4. **The Committee suggests formulating customized export promotion strategies for each target market to enhance export capabilities. Such strategies may encompass participating actively in international trade fairs, arranging buyer-seller meets, conducting capacity-building programs and addressing trade-**

related challenges encountered by exporters. The Committee also suggests for regular monitoring and evaluation of outcomes of these trade promotional activities to ensure a more streamlined and successful export promotion effort. (Para 2.18)

Minimizing imports

5. **More than one-third of the country's total imports comprise of the crude petroleum, coal, coke and other petroleum products. These are extremely important for 'Energy security' of the country. The Committee opines that there is a need to enhance domestic production by incentivizing the exploration and extraction of hydrocarbons from fossil fuels to curtail imports. Additionally, a greater contribution of renewable energy in India's energy mix will contribute in reducing reliance on imported coal and other petroleum products. To further reduce imports, a shift from traditional fuel-based vehicles to electric vehicles (e-vehicles) is also essential.** (Para 2.27)

6. **The Committee notes that achieving success in the global market is no longer solely dependent on the ability to export; it equally relies on the proficiency in importing high quality inputs. The Committee is of the view that tariffs and regulatory measures can be implemented to control the influx of certain goods. The Committee, however, acknowledges that, in the context of a substantial economy like India, certain imports play a crucial role in meeting domestic demand and acting as essential inputs for export-oriented industries. The Committee recommends implementation of import substitution strategies for each sector to fortify the cost competitiveness in the respective sectors and also propel the growth of domestic manufacturers, particularly MSME sector.** (Para 2.28)

7. **The Committee opines that investment in Research and Development (R&D) stands as a crucial pillar in reducing import dependence. The Committee suggests**

incentivising investment in Research and Development (R&D) to promote innovation, technological advancements, and homegrown solutions. This proactive approach not only strengthens domestic industries but also reduces import dependency, increases competitiveness, nurtures innovation and fosters economic resilience. (Para 2.29)

SECTOR SPECIFIC ISSUES

Engineering Exports

8. **The Committee acknowledges the noteworthy role played by engineering exports in the overall merchandise exports of the country. The Committee also notes the initiatives taken to give momentum to the country's engineering sector through various schemes. While being optimistic about the prospect of achieving the USD 300 Billion target by 2030 for engineering exports, the Committee expresses concern over potential hindrances posed by tariff and non-tariff barriers raised by the USA and EU, which could impede growth. To protect the domestic industry from the imposition of additional tariffs under Section 232 of the Trade Expansion Act of 1962 and non-tariff barriers in the form of CBAM, the Committee recommends that the Government engage at the highest level with USA and EU respectively to resolve the matter.** (Para 3.10)

9. **The Committee notes that the Indian manufacturers in the MSME sector may not have the financial resources to make necessary changes to counter the CBAM. The Committee therefore, exhorts the Government to seek the deferment on application of CBAM on MSME sector by at least three years. The Committee also recommends that a robust mechanism to support and equip MSMEs of the country to counter the adverse effects of CBAM must be implemented on priority basis.** (Para 3.11)

Apparel Sector

10. **The labour-intensive textile and apparel sector significantly influences the country's economy through higher export levels and creating substantial employment opportunities. Therefore, it is imperative to take necessary measures to boost production and address obstacles hindering exports. The Committee was informed that the Production Linked Incentive (PLI) scheme has been very helpful in much-needed capacity development of value-added garments in the MMF segment. However, there are some issues which require Government's attention. The Committee recommends that Government must engage with the Export Promotion Councils and other stakeholders to address the demands related to the changes required in the Production Linked Incentive (PLI) scheme such as covering additional high potential MMF apparel products, reduction in the value addition criteria, etc.** (Para 3.19)

11. **The Committee expresses concern that India's apparel exports are heavily concentrated in a limited number of markets. The Committee recommends diversifying from the USA and EU to explore new destinations through Free Trade Agreements (FTAs). The Committee suggests leveraging the market intelligence to anticipate import demands and identify emerging markets. Furthermore, the Committee proposes establishing country-specific help desks for exporters, providing comprehensive insights about the respective countries and sectors.** (Para 3.20)

12. **The Committee is also concerned to note that 63 per cent of India's exports is only in 20 products, which is a very small basket. The Committee strongly advocates for diversification of export basket, specifically shifting from cotton-based exports to Man-Made Fibers (MMF). It recommends investments in the MMF value chain, including fiber manufacturing, yarn production and fabric manufacturing. The Committee urges the Department to consider granting duty-**

free access for all MMF-based raw materials to facilitate cost-effective imports for the manufacturing of competitively priced MMF garments. (Para 3.21)

13. **The Committee emphasizes the importance of replacing outdated machinery with new technology to empower Indian exporters to handle large orders efficiently and cost-effectively. To facilitate this transition, the Committee recommends urgent reintroduction of a scheme for technology upgradation in textiles/apparel sector, particularly for Micro, Small, and Medium Enterprises (MSMEs). Additionally, the Committee suggests for an Export Facilitation Fund Scheme to enable exporters to access credit facilities for importing raw materials at a lower cost and support in maintaining competitive pricing.** (Para 3.22)

Pharmaceutical Sector

14. **The Committee acknowledges that India's pharmaceutical sector is a significant contributor to the country's foreign trade and has consistently played a crucial role in export growth. However, obstacles hindering the expansion of pharmaceutical exports need prompt attention. The Committee therefore suggests that suitable provisions be made in the PLI scheme, in consultation with stakeholders, for safeguarding the interests of the manufacturers against the price fluctuations in the international markets.** (Para 3.31)

15. **The Committee recommends that mutual recognition agreements and FTAs may be signed with partner countries with a special focus to address the issues of complex registration procedures and intellectual property (IP) protection. In addition, it is also recommended that provisions of access for Indian manufacturers to the government procurement markets in foreign countries must also be included while signing FTAs. The Committee also recommends that the Department may consider revising the MAI guidelines to include companies with export turnover above ₹100 crore, as the scheme is considered to be pivotal in**

diversifying the export destinations from the pharmaceutical sector of the country. (Para 3.32)

Gems and Jewellery Sector

16. **The Committee acknowledges the significant contribution of exports from Gold, Pearls and Precious and Semi Precious Stones sector in the merchandise exports of the country. The exports from the sector are to the tune of USD 37.95 billion and ranks at third largest amongst the major exports from the country. The Committee has been apprised that around 30 per cent of the total diamond supply of the country is imported from Russia and the industry is wary of the effects of the imposition of G7 sanctions on Russia. The Committee, therefore, recommends that the Government must take proactive steps to diversify diamond sourcing to countries such as Canada, Botswana, Israel etc. to reduce dependency upon any particular country.** (Para 3.40)

17. **The Committee also recommends for increasing the limits for allowing the export of gems and jewellery for participation in overseas exhibition/ export promotion tours in consultation with all stakeholders. The Committee further recommends that the issue of exports of gems and jewellery by hand-carriage being only permitted from Delhi Airport must be resolved by extending this facility at every major airport in the country.** (Para 3.41)

18. **The Committee takes note of the issues faced by the exporters due to the calculation of duty drawback rates on the basis of quantity instead of value of the exported goods. The Committee is of the view that the issue of reduction of import tariffs on precious materials, *i.e.* gold and silver should also be addressed. The Committee, therefore, recommends that the Department may consider fixing the duty drawback rates on *ad valorem* basis for the exports from the G&J sector. The Committee further recommends that the Department must interact with the**

exporters of the G&J sector for re-introduction of Diamond Imprest License, expanding the ambit of entities entitled to operate through Special Notified Zones (SNZs) and inclusion of diamonds, precious stones and semi-precious stones in MOOWR Scheme. (Para 3.42)

Spices

19. **The Committee acknowledges the country's status as the Spice Bowl of the World and recognizes the significant contribution of spice exports to bolstering the nation's foreign exchange reserves. The Committee recommends that the Government engage with the Government of Saudi Arabia to address the concerns related to Maximum Residue Levels (MRL) and work towards rationalizing MRL levels to align with the naturally occurring levels in Indian spices and spice products. Additionally, the Committee suggests that the Department take corrective measures to curb the dumping of pepper from ASEAN countries through Sri Lanka. The Department should engage with the Government of Sri Lanka and consider incorporating specific provisions in the Indo-Sri Lanka Free Trade Agreement (FTA), such as the issuance of Country of Origin (CoO) certificates and the provision of licenses to estates exporting their products to India.** (Para 3.46)

20. **The Committee believes that an insurance scheme designed to mitigate the risks associated with adverse weather conditions, pest attacks and fluctuations in international/domestic prices can substantially contribute to enhancing domestic productivity in the sector. Consequently, the Committee suggests Department must engage with all stakeholders, both plantation crop growers and insurance companies, and address their concerns related to Revenue Insurance Scheme for Plantation Crops and launch a revised insurance Scheme for Plantation Crops.** (Para 3.47)

21. **The Committee also suggests that the support provided to subsidize freight costs should align with current charges. The Department should establish a mechanism to adjust the transport assistance in accordance with fluctuations in international freight rates. The Committee, therefore, recommends that the assistance aimed at alleviating freight expenses be updated within the framework of the Transport and Marketing Assistance (TMA) scheme.** (Para 3.48)

Tea

22. **The Committee underscores the importance of Tea industry of the country. With around 21 per cent of the global tea production and the highest productivity rate amongst all the tea producing countries, the country's tea industry is crucial in terms of earning foreign exchanges as well as providing employment to the workers.** (Para 3.55)

23. **Iran is the second largest importer of Indian tea and during 2021-22, around 29.28 per cent of the total tea exports have been to Iran. The Committee, therefore, recommends the resolution of export stalemate with Iran at the earliest. The Department must ensure that the matter may be taken at the highest level of both the Governments and the bottlenecks are removed on immediate basis.** (Para 3.56)

24. **The Committee notes the low demand for Indian Tea due to the present geo-political factors such as Russia-Ukraine war and stiff competition from countries such as Kenya, Sri Lanka, Vietnam, Malawi and Nepal. The Committee is of the opinion that diversification of country's export destinations can minimize the impact of these factors to a large extent. The Committee, therefore, recommends that the Department must conduct a study to identify such countries where there is a demand of Indian Tea. The Committee further recommends that necessary steps must be taken to increase the competitiveness of Indian Tea exports to counter the stiff competition from other countries.** (Para 3.57)

25. **The Committee is of the view that the issue of MRL levels is adversely affecting the Indian Tea exports to the EU and other countries. Therefore, the Committee recommends the Department must take up the issue of rationalization of MRL level with the appropriate authority in the EU and other countries. The Committee stresses upon the need to enhance the availability and infrastructure for laboratories required for testing residue levels in the export consignments and also advocates utilising the capacity available in the private sector in this regard.** (Para 3.58)

26. **The Committee is of the view that the small tea growers should be considered on par with farmers for availing benefits under various welfare schemes for the agriculture sector like Pradhan Mantri Fasal Bima Yojana (PMFBY), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), etc. The Committee recommends that the Department of Commerce must take up the matter with the concerned Ministry to extend such essential schemes for small tea growers.** (Para 3.59)

Coffee

27. **The Committee is concerned to note low yield in the country's coffee production. The Committee is aware that there is sufficient demand for Indian Coffee in the global markets The Committee believes that boosting domestic production is the key to enhancing exports in the coffee sector. Consequently, the Committee recommends the development of high-yielding, climate-resilient, and disease-resistant varieties that can be readily accessed by coffee growers in the country.** (Para 3.64)

28. **The Committee is aware that EU is a major market of Indian coffee, constituting approximately 55 per cent of the total coffee exports from India. Recognizing the apprehensions among coffee exporters due to the enforcement of EU Deforestation Regulations, the Committee suggests that the government actively**

engage with the EU on this matter to ensure that the implementation of these regulations does not negatively impact the country's coffee exports. (Para 3.65)

Handloom Sector

29. **The Committee is concerned with the sharp decline in handloom exports from ₹1987.63 crore in 2021-22 to ₹1445.53 crore in 2022-23. In this regard, the Committee suggests formulation of a comprehensive strategy involving the identification of distinct designs and handloom products that hold potential for increasing exports in the international markets.** (Para 3.70)

30. **The Committee recommends the rationalization of charges associated with Organic Content Standard (OCS) certification, and emphasises that this process should be conducted in consultation with stakeholders. The Committee notes that handloom textiles have a significantly lower carbon footprint compared to mass-produced textiles. In light of this, the Committee recommends encouraging handloom units to explore financial benefits by tapping into the opportunities available in carbon markets.** (Para 3.71)

OTHER CROSS-CUTTING ISSUES

Remission of Duties or Taxes on Export Products (RoDTEP) Scheme

31. **The Committee is aware that the RoDTEP is a WTO-compliant scheme which follows the global principle that taxes/duties should not be exported. However, low rates under the RoDTEP Scheme lead to exports becoming uncompetitive. The Committee is pleased to note that the RoDTEP Committee has been reconstituted to assess and propose ceiling rates for various export sectors under the RoDTEP Scheme. The Committee expects that the RoDTEP Committee will give its report expeditiously.** (Para 4.7)

32. **The Committee suggests that the Department should consider the demands to increase the scope of this scheme by encompassing a greater number of**

products. In this regard, the Committee recommends for inclusion of Chapter 72 (iron and steel) under the RoDTEP scheme to boost the exports from the engineering sector. (Para 4.8)

33. **The Committee further recommends coverage of Advance Authorization Holders, EOUs, SEZs under the Scheme as they also pay embedded taxes on domestic procurement and fuel both for inward and outward transportation.** (Para 4.9)

Interest Equalization Scheme

34. **The Committee notes that the interest rates have been hiked in the recent times thereby increasing the cost of credit. The reduction in the subvention rates under the Interest Equalisation Scheme has also caused an additional burden on the exporters. The Committee notes that despite the repo rate increasing from 4 per cent in October 2021 to 6.50 per cent in February, 2023, interest equalisation benefit under the scheme has not been proportionately adjusted.** (Para 4.15)

35. **The Committee, therefore, recommends that the Department must consider increasing the rates under the Interest Equalisation Scheme from 3 per cent to 5 per cent for MSME exporters of all tariff lines and from 2 per cent to 3 per cent for manufacturer and merchant exporters of the identified 410 tariff lines as existed before.** (Para 4.16)

36. **The Committee further recommends developing an online platform for tracking the status of refund and streamlining the refund process under the Interest Equalization Scheme.** (Para 4.17)

EXIM logistics

37. **The Committee underscores the significance of high-quality infrastructure in boosting the country's exports. The Committee is of the view that adequate and robust infrastructure and services are essential components for achieving heightened productivity and growth in the export sector. The Committee**

recommends that strategic investments and enhancements in infrastructure must be made to significantly reduce both production and transaction costs, thereby elevating export competitiveness and broadening market access. (Para 4.23)

38. **The Committee urges the Department to promptly address issues such as lack of container availability, port congestion, substandard storage facilities, and the poor condition of roads connecting ports. Additionally, the Committee recommends creation of supporting infrastructure for exporters availing Direct Port entry, to facilitate smooth clearance of export consignments.** (Para 4.25)

39. **The Committee notes the concerns raised about inadequate funding for TIES. In view of the high cost involved in restoring roads and connectivity to the ports, setting up accredited laboratories, etc., the Committee observes that fund allocation for the scheme is insufficient.The Committee recommends a revaluation of the fund requirement for the scheme based on the proposals received from states/UTs during the last 3 years and accordingly raise the budget allocation so that crucial infrastructure projects are not delayed/stopped due to paucity of funds.** (Para 4.27)

Export Credit

40. **The Committee notes the considerable impact of challenges like inadequate awareness of government schemes, complex documentation and time-consuming procedures on the performance of the country's EXIM credit sector. The Committee also notes that a multifaceted approach is required to address these issues. The Committee recommends that the Government initiates awareness programs targeted at informing exporters about various schemes being implemented to empower exporters with comprehensive knowledge of available resources.** (Para 4.33)

41. **The Committee also advocates for revamping of the EXIM credit process and documentation procedures to streamline and simplify the system. This will not**

only enhance efficiency but also alleviate the burden on exporters, creating a more conducive environment for businesses to tap emerging opportunities and expand their international footprint. The Committee recommends for creating a user-friendly framework that encourages greater participation and reduces bureaucratic hurdles. (Para 4.34)

42. **Furthermore, recognizing the crucial role collateral play in the disbursement of credit, the Committee strongly recommends aligning collateral requirements with the established guidelines of the Reserve Bank of India. This alignment will ensure consistency, transparency, and fairness in the collateralization process, instilling confidence among exporters and financial institutions.** (Para 4.35)

43. **The Committee notes the suggestion to increase the credit limit under PSL to ₹100 crore per borrower and is of the view that raising the credit limit under PSL category could result in favorable outcomes, with Banks potentially becoming more inclined to finance exporters. Furthermore, obtaining the priority sector benefit may lead to a reduction in the interest rate for exporters. The Committee, therefore, recommends that the Government should review and consider raising the credit limit under the PSL category to meet the requirement of exporters.**

(Para 4.36)

44. **The Committee also recommends setting up a secure digital platform dedicated to storing exporters' details for various compliances. This platform would serve as a centralized repository for enhancing efficiency, confidentiality, and compliance management and secure environment. By consolidating information in a secure digital space, the platform will simplify the submission and verification of documents related to compliances, thereby reducing redundancy and improving overall effectiveness.** (Para 4.37)

Credit Insurance

45. **Acknowledging the important role of insurance in mitigating the risks inherent in international trade and shielding exporters from both political and commercial uncertainties, the Committee underscores the need to enhance the reach of schemes and programs implemented by the ECGC.** (Para 4.43)

46. **The Committee emphasizes the importance of disseminating information about the various schemes and programs offered by the ECGC to ensure that a broader spectrum of exporters can benefit from these risk-mitigation measures. The Committee suggests that a comprehensive and targeted awareness campaign should be launched to reach exporters at all levels for better understanding of the available support mechanisms. The Committee recommends the expansion of awareness initiatives targeting exporters across the country through media, digital platform, export promotion councils and Government websites.** (Para 4.44)

47. **Recognizing the time-sensitive nature of international trade, the Committee recommends streamlining the insurance claims procedures to ensure swift resolution and payment, to provide timely support to exporters facing challenges and to instill confidence among exporters in the effectiveness and responsiveness of ECGC's services.** (Para 4.45)

48. **The Committee notes that ECGC provides Whole Turnover policies to Banks, covering the entire export credit portfolio. To reduce the cost to banks, the Committee recommends the ECGC must explore the possibility for introduction of sector-specific Whole Turnover policies as lower premium costs to banks would translate into benefits being passed on to exporters.** (Para 4.46)

49. **The Committee emphasizes the importance of maintaining competitive premium rates. To make export credit insurance more accessible and attractive to a wider range of exporters, contributing to the overall growth of international trade from the country, the Committee recommends that the ECGC should**

continually assess and adjust its premium rates to remain competitive in the market. (Para 4.47)

50. **Furthermore, to address the concern regarding the classification of Russia as Restricted Cover Category–I (RCC-I), the Committee recommends that the Department conducts a thorough review of this classification to identify potential adverse effects on exporters. The Committee further recommends the Department to take necessary steps, including an understanding of regulatory challenges and potential barriers to entry, to mitigate any negative impact thereby ensuring conducive environment for exporters engaging in trade with Russia** (Para 4.48)

Free Trade Agreements (FTAs)

51. **The Committee recognizes the significant role of Free Trade Agreements (FTAs) in enhancing and broadening the country's exports while also contributing to the growth of domestic industries. The Committee suggests that the Government should actively engage in signing FTAs with countries that share high complementary interests thereby promoting mutual benefits. The Committee further recommends the recalibration of existing FTAs to safeguard against negative trade balances with partner countries to optimize the advantages of FTAs and ensure a balanced trade relationship for the country.** (Para 4.54)

52. **The Committee notes with concern the problems caused by the inverted duty structure in certain FTAs as it leads to higher raw material costs for manufacturers, while the import of finished product incurs lower duties, resulting in disadvantage for manufacturers.** (Para 4.57)

53. **The Committee is of the view that failure to address this issue could lead to severe negative consequences for the manufacturing industry. The Committee, therefore, recommends addressing this issue by implementing matching tariff reductions for the materials/inputs whenever a finished product benefits from a**

lower import duty due to a free trade agreement. The Committee further suggests that a comprehensive overall assessment be conducted to understand the potential effects and to avoid or mitigate the issues like the inverted duty structure in FTAs. (Para 4.58)

54. **Further, to improve the availability of information regarding FTAs for exporters, the Committee recommends establishment of FTA facilitation centers, serving as centralized sources of information for all FTAs. These centers should be tasked to connect with exporters targeting markets in FTA partner countries.** (Para 4.59)

Domestic Manufacturing

55. **The Committee strongly advocates scaling up of domestic manufacturing to propel India from being predominantly an import-dependent market to a globally competitive exporter. In line with this vision, the Committee recommends that a rationalised duty structure may be put in place that begins with zero or minimal duties at the raw material stage. Embracing this comprehensive approach would not only fortify India's economic independence but also position it as a dynamic force in the global market, capable of exporting competitive and value-added products.** (Para 4.66)

56. **In light of the economic significance of the Chemical Industry to the nation's export landscape, the Committee emphasizes the requirement of PLI Scheme for this sector. This will not only strengthen the industry's position in international markets but also create a thriving ecosystem that drives economic growth and innovation within the chemical manufacturing sector. The Committee, therefore, strongly recommends implementation of a Production Linked Incentive (PLI) Scheme specifically tailored to bolster the Chemical Industry in the country.** (Para 4.68)

Aligning with Global Value Chains (GVCs)

57. **The Committee notes that a comprehensive approach is necessary, considering the entire value chain and addressing bottlenecks upstream and downstream between countries, to enhance exports and bolster economic performance. The Committee is aware that the competitiveness of a country's exports is closely tied to imported inputs. Therefore, the Committee recommends that from a policy standpoint, emphasis has to be placed on the complete value chains. Further, promoting FDI in export-oriented sector is important in sustainable supply value chain. Local companies may be incentivized to join global supply chains through smart business strategies. The Committee also recommends investment in technological capabilities to align with international standards on quality, cost and delivery to reap the advantages of the GVCs.** (Para 4.72)

58. **The Committee also emphasizes that deeper engagement in GVCs is imperative for achieving ambitious export targets and recommends focusing on devising mechanisms to decarbonise supply chains as it can be a crucial factor in developing sustainable GVCs. Further, the Committee recommends exploring the possibility of identifying and engaging in most beneficial segment of the value chain for some sectors keeping in mind the inherent advantages of production/supply within that specific sector.** (Para 4.73)

Micro, Small and Medium Enterprises (MSMEs)

59. **The Committee is of the view that a robust MSME sector is crucial for growth of Indian economy. The MSME sector is considered as the engine of economic growth and export performance of this sector has direct impact upon economic development of the country. However, the Committee expresses its concern over the declining contribution of exports from MSMEs in the total exports of the country.** (Para 4.79)

60. **The Committee recommends the development and strengthening of the export orientation of MSMEs through increased participation in trade shows, exhibitions, and other relevant events. These measures will create a conducive environment for MSMEs to thrive in the export sector.** (Para 4.80)

61. **In addition, the Department must implement programmes to provide training to MSMEs on essential aspects of export procedures, documentation, standards, and compliances. The website of the Department should be made user-friendly and interactive, facilitating prompt resolution of concerns raised by MSME exporters.** (Para 4.81)

Cross-Border E-Commerce

62. **The Committee observes that, within the current landscape marked by increasing internet penetration, a surge in e-commerce activity, secure payment options, and heightened globalization, e-commerce exports stands out as a significant avenue for growth. Nevertheless, challenges such as the absence of pre-shipment and post-shipment export credit, delays in the implementation of the E-commerce policy and the imposition of EBRC charges act as hindrances to the expansion of the country's e-commerce exports.** (Para 4.85)

63. **In light of these challenges, the Committee suggests that the government should take proactive measures to ensure the availability of pre-shipment and post-shipment export credit for e-commerce exporters. Additionally, the Committee proposes that the requirement for EBRC may be waived for export orders below a specified threshold, providing crucial support to smaller-valued e-commerce exports.** (Para 4.86)

64. **The Committee expresses concern over the prolonged delay in launching the National e-commerce policy. The Committee strongly recommends the expedited introduction of the National e-commerce policy to address the current challenges and foster a conducive environment for the growth of e-commerce exports.** (Para 4.87)

SUMMATION

65. **To achieve this target, the Committee underscores the necessity of promoting exports through policy interventions, export promotion schemes compliant with international trade policies and a robust logistics infrastructure. The Committee feels that systematic attention is required for enhancing India's global competitiveness and maximizing exports through regular strategy reviews to align with the ever changing market dynamics.** (Para 5.1)

66. **The Committee emphasises the need to develop a strategic approach to enhance the trade performance by focusing on the identification of products that have a significant export potential and also the countries with the maximum demand for the identified products. The Committee suggests that a focused strategy of trade creation and trade diversification should be prepared, which could be instrumental for India to increase its global trade share.** (Para 5.2)

67. **However, with technology up-gradation, up-skilling of the workforce is also crucial for value chain improvement. The Committee, therefore, recommends initiating skill development programs in educational institutions and introducing on-the-job refresher courses to ensure the continuous upskilling of the workforce.** (Para 5.3)

68. **The Committee acknowledges that the Production Linked Incentive (PLI) scheme has been instrumental in transforming India into a manufacturing center and has also helped in successfully reducing the trade deficit. PLI scheme has provided Indian manufacturing sector with a chance to compete on cost with other manufacturing destinations in the world. The Committee is of the view that PLI's effectiveness could be further enhanced by extending its duration, reducing administrative delays and compliance burdens. The Committee recommends that the scope of PLI scheme may be expanded to include other sectors with high**

employment potential such as chemicals sector and labour intensive sectors like leather, apparel, toys, jewellery, handicrafts, etc. (Para 5.4)

69. **The Committee proposes the establishment of an institutional mechanism like a cell under the Ministry of Commerce and Industry, to fulfill this role. The envisioned cell should be entrusted with the responsibility of interpreting market entry barriers, domestic regulations, and related issues from the perspective of Indian exporters, thereby contributing to a more informed and strategic approach to international trade. The Committee believes that the creation of such a platform would confer a competitive advantage to exporters across various sectors.** (Para 5.5)

70. **The Committee feels that the existing fragmented approach should be supplanted by a collaborative effort with a strong focus on exports and a vision for the global landscape. A comprehensive 'whole of the government' strategy, involving collaboration with states and industries, needs to be seamlessly integrated into the overall export approach.** (Para 5.6)

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