Address by Shri Anand Sharma
Minister of Commerce, Industry and Textiles
at the
Release of Annual Supplement 2013-14
to the Foreign Trade Policy 2009-14

18th April, 2013, Vigyan Bhawan, New Delhi.

Ladies and Gentlemen, I have the privilege of presenting the Annual Supplement 2013-14 to the Foreign Trade Policy.

1 Four years ago, the Government had announced the 5-year Foreign Trade Policy for the period 2009-14. As we approach the end of this period, it is time for us to take stock of our performance, recognize the challenges we are faced with and take policy measures which will help boost exports. Last year has been an extremely difficult one for the global economy and the challenging economic situation in Euro Zone continues unabated. Recovery in United States is weak and in this environment it has been a difficult task for our exporting community. The World Trade Organization in its latest report has revised the global trade growth projections downwards and has projected trade growth from 3.7% to 2.5% which is less than half of the previous 20 years average. This is indeed a disturbing trend. We view exports not only as a valuable source of foreign exchange, which helps in stabilizing the Current Account Deficit, but it is also a key contributor to **growth and employment.**

2 In the financial year 2012-13, India's exports have crossed US$ 300 billion reaching at US$ 300.60 billion but compared to previous year, it fell by 1.76%. However, it is a matter of concern that the **trade deficit which was US$ 183.4 billion last year has increased to US$ 190.91 billion**. If we look at the direction of Indian exports, we are able to discern a shifting trend as Indian exports to Asia, Africa and Latin

America during 2012-13 touched US$ 195.27 billion, accounting for 65% of our total export basket. This is indeed a development with significant import as South-South trade is assuming a new dynamics. Apart from this, value added exports have got a centrality in our export basket as engineering exports accounted for US$ 57 billion, textiles accounted for US$ 26 billion and pharmaceuticals at US$ 15 billion.

3 **Agricultural exports** by the very nature are sensitive as they have a direct bearing on the domestic price situation as well as demands of the agro-based industry. However, we have always strived to strike a balance in securing interests of the farmers and consumers. On account of bumper harvest last year, export of all agricultural commodities was freely allowed. Export of non-basmati rice, wheat and wheat and wheat products was banned in 2007. Wheat products have been allowed for exports since 2009 and non-basmati rice and wheat exports have been allowed in September 2011. As a result, we have become the **largest rice exporter in the world and the second largest wheat exporter.** We have **exported more than 6 million MTs of wheat since September 2011 and at present except pulses and edible oils, export of all agricultural commodities is free**. We have also taken series of measures to promote export of Organic Agricultural produce and in order to provide a predictability for long-term contracting, we have taken a view to **exempt export of certain processed and value added products to be freely exportable even in the eventuality of a restriction on exports of basic farm produce.** For instance export of cheese, ghee, butter, casein, casein products are exempted from export ban even in the event of a ban on export of milk and milk products.

4 In the last 4 years, we have aggressively pursued a policy of **trade liberalization** and engaged with all dynamic parts of the world. We have concluded comprehensive economic partnership agreement with

ASEAN after signing of Services and Investment at the Commemorative Summit last year. Similar agreements had already been finalized with Korea, Japan and Malaysia. I have just returned from Brussels and I am happy to share with you that the negotiations for the India-EU BTIA are progressing well and both sides have given a clear mandate to negotiators for concluding a balanced and fair agreement at the earliest. I am confident that over the next couple of months, we should see intensification of this process and hope that we will be able to arrive at a broad understanding soon.

5 Over the last few months, we have been engaged in an active consultation with the apex chambers, Export Promotion Councils, industry bodies and we convened a meeting of the Board of Trade for comprehensive review to get a sense of the sectors which require special support for exports. We have held detailed dialogue with the Finance Ministry and I myself met Finance Minister on two occasions and I am grateful for the support that has been extended for today's announcements.

6 In June last year, I had outlined the 7 pillars which define our approach to foreign trade : (a) Giving a focused **thrust to employment intensive industry** because **we view exports not only in terms of their economic** contribution **but as a means of generating gainful employment, (**b) **Encourage domestic manufacturing for inputs to export industry and reduce the dependence on imports, (**c) **Promote technological upgradation of exports** to retain a competitive edge in global markets, (d) **Persist with a strong market diversification strategy** to hedge the risks against global uncertainty, (e) **Encourage exports from the North Eastern Region given its special place in India's economy, (**f)**Provide incentives for manufacturing of green goods recognizing the imperatives of building capacities for environmental sustainability and (**g)

Endeavour to reduce transaction cost through procedural simplification and reduction of human interface. I have persisted with the same approach in this year's policy announcements.

7 Now I would like to share with you the measures which we are taking this year for giving a fresh fillip to exports.

8 The **Zero Duty EPCG Scheme** has been an important instrument for increasing technology intensity of our exports. This scheme was scheduled to expire in March 2013. **In a major decision, we have decided not only to extend the Zero Duty EPCG scheme beyond March 2013, but also merge it with 3% EPCG Scheme. Now the Zero Duty EPCG benefits will be available to all sectors**. We have also undertaken a major simplification of the EPCG scheme, details of which will be available through separate notification. Further, for units located in **J&K, North East and Sikkim, exporters would be required to achieve 25% of normal export obligation under the scheme**. **Time period for completion of export obligation for BIFR units has been extended to 9 years instead of 6 years in normal cases**.

9 We would like to encourage our exporters to procure capital goods domestically and thus we have decided that if a EPCG authorization holder procures capital goods from domestic market, the export obligation of such authorization shall be reduced by 10%. Being Textile Minister, I have been conscious of the demands and aspirations of the textile industry. Hitherto, any exporter who had obtained benefits under the Technology Upgradation Fund Scheme was in-eligible for obtaining benefits under Zero Duty EPCG Scheme. **We have now decided that even an exporter who has obtained benefits under TUFS Scheme, will be eligible for benefits of Zero Duty EPCG Scheme. This I hope will provide a push to our labour intensive textile industry.**

10 In December last year, we had introduced a new Scheme **– Incremental Export Incentive Scheme** – for a period of 3 months under which an additional incentive of 2% of FOB value of exports was provided on the incremental exports during that period over the corresponding period last year. This Scheme was made available for exports to USA, Europe and Asia. Recognizing the popularity of the Scheme, **I have decided to extend the benefits of this Scheme for this year as well and to cover 53 countries of Latin America and Africa apart from the earlier notified markets**.

11 High interest costs have been a major impediment in increasing our exports. We had extended 2% interest subvention to specified labour intensive exports till 31st March 2013. In December we had extended this facility upto March 2014. Now, we have taken a conscious decision to extend this facility to textile made up articles listed in Chapter 63 of ITC and specified items in Engineering sector.

12 We have **added Norway as a new market under the Focus Market Scheme, taking the total number of markets to 125. We have added Venezuela for the eligibility under the Special Focus Market Scheme with 4% duty credit, taking the total number of countries to 50. 47 new items have been added to the Market Linked Focus Product Scheme (MLFPS) and benefits for exports to USA and EU for chapter 61 & 62 pertaining to the textile sector, has been extended by another year till March 2014. We have added 126 items of engineering, pharmaceuticals, chemicals and textiles sector to the Focus Product Scheme (FPS) and two new items have been added in the Vishesh Krishi and Gram Udyog Yojana (VKGUY) Scheme**. We have also decided to incentivize **High Tech Products** with effect from 30th June, 2013 for which a separate notification would be issued.

13 We had announced that the scrips under Chapter 3 Schemes will be eligible for utilization for offsetting excise duty in case exporter procures from domestic market to give a focused thrust for manufacturing in domestic industry. This year, I have further **allowed utilization of duty credit scrip issued under FMS, FPS and VKGUY for payment of service tax on procurement of services.**

14 **All duty credit scrips under Chaper 3 will also be eligible for payment of application fee, composition fee and value-wise shortfall in export obligation.** This benefit will be available to the original holder of the duty credit scrip.

15 Last year, we had allowed transferability of the Status Holder Incentive Scrip (SHIS) subject to the condition that the transferee is a status holder manufacturer. **I have expanded the scope of this transferability and allowed such transfers within a group company of a status holder provided the group company is a manufacturer.**

16 Duty credit scrips equivalent to 10% of free foreign exchange earned is issued under **Served From India Scheme** (SFIS), but currently is allowed for imports relating to any service sector business of applicant. However, recognizing that a group company of service sector provider may also be engaged in manufacturing, we have **decided to allow usage of SFIS scrips for import or domestic procurement of capital goods including spares related to manufacturing sector business of such service provider**.

17 In order to encourage export of services, especially in the **tourism sector**, I am **allowing use of SFIS scrips for import or domestic procurement of motor cars, SUVs, all purpose vehicles for hotel, travel agents, tour operators, companies owning/operating golf resorts for tourist purposes**. However, **users will be required to submit proof of registration for tourism purposes within 6 months**

and these vehicles will not be allowed to be imported under EPCG scheme.

18 Status Holder exporting agricultural products are allowed **Agri-Infrastructure Incentive Scrip (AIIS) equivalent to 10% of FOB** value of agricultural exports. Currently this is subject to 'actual user' condition and is non-transferable. This year, I am allowing transferability of these scrips from the Status Holder to Supporting Manufacturer of the Status Holder.

19 In order to promote exports of agricultural produce, minor forest produce, gram Udyog products, forest based products, VKGUY scheme provides for duty credit scrip equivalent to 5% of FOB value of exports. The Scheme has a stipulation that in case exporter is eligible for duty drawback of more than 1%, VKGUY scheme scrips will be available at a reduced rate of 3%. **We are doing away with this condition of reduction of VKGUY rates and all exporters availing benefits under VKGUY will now get 5% duty scrips.**

20 At present **duty free import of specified 10 raw materials for manufacture of handlooms made ups, for cotton made ups or manmade made ups is allowed up to 5%** of FOB value of preceding year in case of handloom made ups and 1% of FOB value in case of cotton made ups or manmade made ups. Now, **in addition to 10 raw materials allowed earlier, embroidery threads, sewing threads, poly-wadding materials, quilted materials and printed bags have also been allowed within these duty free limits.**

21 For enhancing exports of **sports goods**, import of 16 specified items is allowed duty free to the extent of 3% of FOB value of exports in the preceding year. We have expanded the list to include 5 more items.

22 There are several Advance Authorization and EPCG authorizations of the past which are pending for closure on account of non-fulfillment of export obligation. In order to clean up such cases, **one time relief has**

been provided to such authorization holders who would be able to close these cases on payment of custom duty and interest and the total amount of duty and interest shall not exceed two times of amount of the duty saved.

23 In order to make IT exports more flexible, we have extended the facility of **'Work from Home' to STPI and EOUs.**

24 We have **also allowed import of cars and vehicles at ICD at Faridabad and Ennore Port**.

25 The Special Economic Zones **(SEZs)** scheme has been a key instrument for promoting exports from India. **Today, 389 SEZs have been notified of which 170 are functional and they employ over one million persons**. We **have received investment of over Rs. 2.36 lakh crores in SEZs and exports from SEZs have seen a dramatic jump from Rs. 22,840 crores in 2005-06 to Rs. 4.76 lakh crores in 2012-13, a growth of over 2000% over the 7 year period**. Exports from SEZs during the current financial year have registered a growth of over 31% over the previous year. Undoubtedly, these are significant achievements, but the SEZ scheme has not been able to realize its full potential so far. We have undertaken a comprehensive review of the SEZ Policy after intense stakeholder consultation and after a year- long process, today I am happy to announce a package of reforms for reviving investor interest in SEZs.

26 We have taken a note of the fact that there are acute difficulties in **aggregating large tracts of uncultivable land which is vacant and contiguous and we have decided to reduce the Minimum Land Area Requirement by half for different categories of SEZs. For Multi—product SEZ, this has been brought down from 1000 hectares to 500 hectares and for Sector-Specific SEZs, it has been brought down to 50 hectares from the existing 100 hectares.**

27 To provide greater flexibility in utilizing land tracts falling between 50-450 hectares, it has been decided to introduce a **Graded Scale for Minimum Land Criteria which would permit a SEZ an additional sector for each contiguous 50 hectare parcel of land. This will also bring about more efficient use of the infrastructure facilities created in such an SEZ**.

28 Further flexibility to set up additional units in a sector specific SEZ has been provided by introducing **Sectoral Broad-Banding to encompass similar or related areas under the same sector**.

29 While existing policy allows for parcels of land with pre-existing structures not in commercial use to be considered as vacant land of SEZ, it has now been **decided that additions to such pre-existing structures and activities being undertaken after the notification would be eligible for duty benefits similar to any other activity in SEZ**.

30 IT exports constitute a significant part of India's exports and IT SEZs have made a significant contribution in this direction. We have decided **that there would be no minimum land requirement for setting up IT/ITES SEZs and only minimum built up area criteria would be needed to be met by SEZ Developers.** Minimum built up area requirements have also been **considerably relaxed with the requirement of one lakh square meters to be applicable for 7 major cities – Mumbai, Delhi (NCR), Chennai, Hyderabad, Bangaluru, Pune and Kolkata. For the other class B-cities minimum built up area would be 50,000 sq. mtrs while for other cities 25,000 sq. mtrs built up area norm will be applicable. I am confident that these measures will give a boost to IT SEZs in Tier-II and III cities, creating employment and growth.**

31 We have received feedback from SEZ units that they are placed at a severe disadvantage in absence of exit policy. **We have now decided to allow transfer of ownership of SEZ units including sale**.

32 It may be recalled that we had constituted a Committee for addressing the issue of high transaction costs and the measures which were taken had resulted in reduction of transaction cost of Rs. 2100 crore. Subsequently, some more measures were taken which have further reduced transaction cost by Rs. 395 crore. I am **happy to announce constitution of 2nd Task Force on Transaction Costs which will submit its report in a 6-months period**.

33 Last year, we had announced introduction of e-BRC system in DGFT and I am happy to share with you that e-BRC system has been successfully implemented by DGFT and the requirement of physical copy of BRC has been dispensed with and **use of e-BRC have been made mandatory since last year. So far, banks have successfully uploaded 31.2 lakh e-BRCs on DGFT server and this will be a significant step in reducing the transaction cost of exporters**. Exporters can print BRC from the DGFT website and submit it to any Department which can verify accuracy of the data from the DGFT website which will reduce not only the requirement of interface with public functionaries but will also result in significant savings in costs. DGFT has received requests from many State Governments for sharing of this data for automating VAT refund process. Several other measures have been taken for simplification of procedures and documentation, details of which are available in the Highlights. It has now been decided to dispense with requirement of submission of physical form of Export Promotion copy of shipping bill to the Regional Authority of DGFT in order to obtain Export Obligation Discharge Certificate in case of Advance Authorization, Duty Free Import Authorization and EPCG scheme.

34 I hope that the measures which we have announced today, will go a long way in providing much needed support for exports.

Thank you.