Major Initiatives and Accomplishment of Department of Commerce

I. Vision and Mission

The long-term vision of the Department is to make India a major player in the world trade by 2020 and assume a role of leadership in the international trade organizations commensurate with India's growing importance.

DOC's goal is to increase India's exports of merchandise and services from the present level of 465.9 billion USD (2013-14) to approximately 900 billion USD by 2019-20 and raise India's share in world exports from present 2% to 3.5%.

Strategic Initiatives and Priorities

- Diversification of export product basket
- Diversification into non-traditional markets and conclusion of ongoing FTA negotiations and initiating new FTAs
- Strengthening export related infrastructure
- Enhancing credit flows for exports at lower cost
- Reducing Transaction Costs
- Diversification of Services exports
- Building up a Brand Image of India
- Support to Plantation Sector
- Protection to sensitive domestic industries

II. Global Economic Situation and World Trade in 2015-16

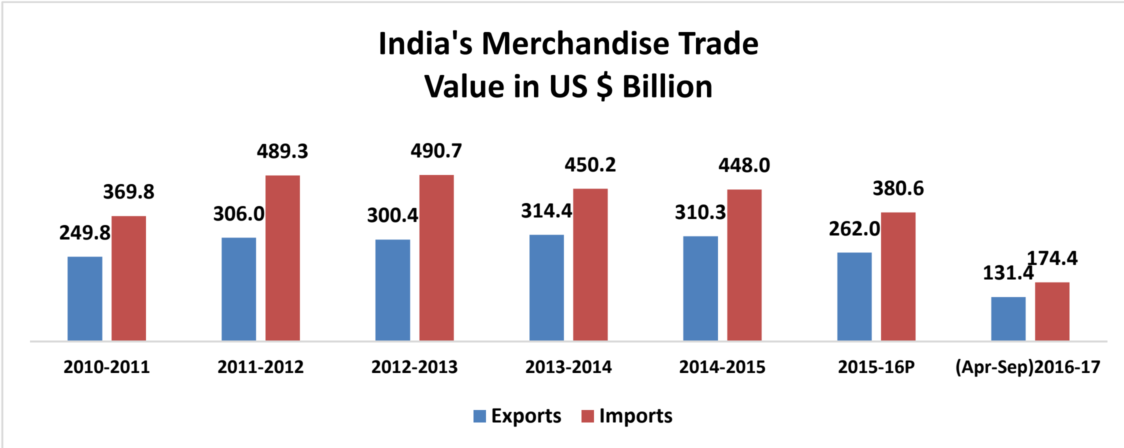
The IMF World Economic Outlook (WEO) update for October, 2016 highlights that growth prospects across countries remain uneven. Global growth for 2016 is projected at 3.1% and 3.4% for 2017 (IMF, 2016).

World merchandise trade volume growth is likely to be just 1.7% in 2016 (down from the April forecast of 2.8%), with expected real GDP growth of 2.2% at market exchange rates. This would be the slowest pace of trade and output growth since the financial crisis of 2009 (WTO, 2016). Trade in 2017 is expected to grow between 1.8% and 3.1% (down from the April forecast of 3.6%).

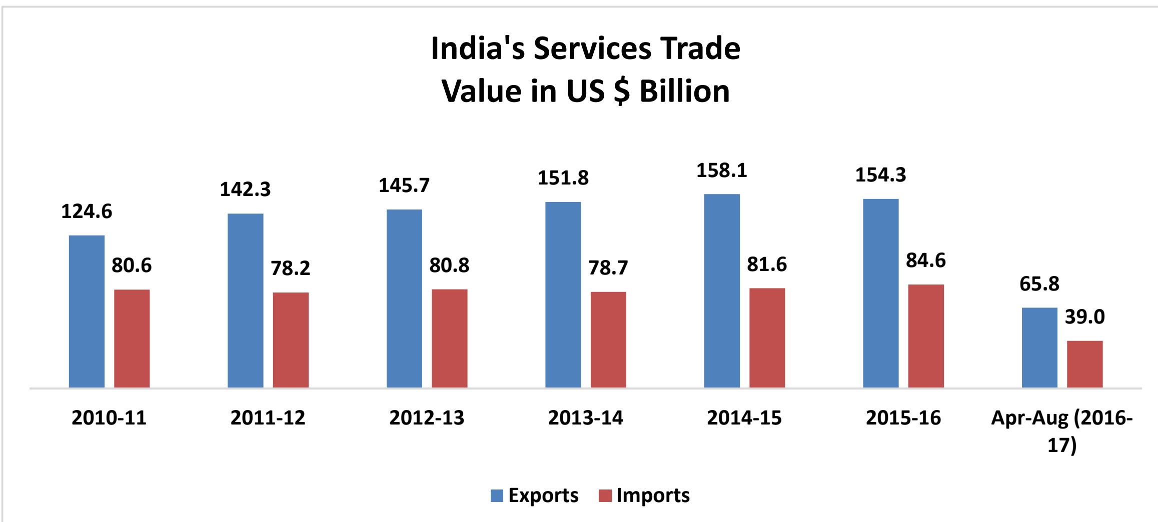
In the backdrop of global slowdown and lower world demand, India has witnessed a steady growth momentum in comparison to other developing world economies. The projection for India has increased by 0.2% for the year 2016 and 2017, and it remains to be the World's fastest growing economy. As per IMF, India's economy is projected to grow at the rate of 7.6% in 2016 and 2017. Growth will benefit from recent policy reforms, a consequent pickup in investment.

III. India's Trade Performance

In 2015-16 India's Exports fell by 15.57% to the level US $ 262.00 billion. Import came down to US $ 380.36 billion declined by 15.11%. Trade deficit stood at US $ 118.35 billion.



Source: DGCI&S

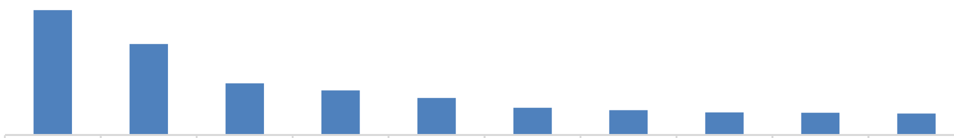


Source: RBI

Exports during September, 2016 has shown sign of revival registering a growth of 4.62 per cent in dollar terms valued at US$ 22.88 billion in September 2016 than the level of US$ 21.86 billion during September,2015. Cumulative value of exports for the period April-September 2016-17 was US$ 131.40 billion as against US$ 133.72 billion registering a negative growth of 1.74 per cent in Dollar terms over the same period last year.

Imports during September 2016 were valued at US$ 31.22 billion which was 2.54 per cent lower in Dollar terms over the level of imports valued at US$ 32.03 billion in September, 2015. Cumulative value of imports for the period April-September 2016-17 was US$ 174.40 billion as against US$ 202.26 billion registering a negative growth of 13.77 per cent in Dollar terms over the same period last year.

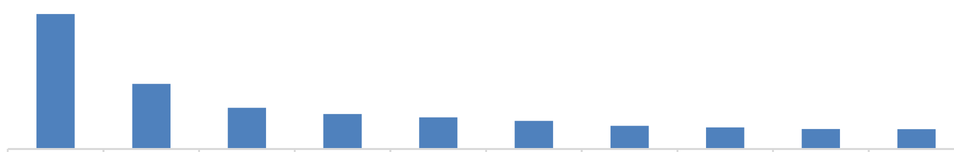
India's Top 10 Commodities of Exports, 2015-16
Value in US $ Billion



	PETROLEUM PRODUCTS	PEARL, PRECIOUS, SEMIPRECIOUS STONES	DRUG FORMULATIONS, BIOLOGICALS	GOLD AND OTH PRECIOUS METAL JEWELERY	RMG COTTON INCL ACCESSORIES	MOTOR VEHICLE/ CARS	PRODUCTS OF IRON AND STEEL	GOLD	IRON AND STEEL	COTTON FABRICS, MADEUPS ETC.
Exports	30.6	22.3	12.6	11.0	9.1	6.7	6.1	5.6	5.5	5.3

Source: DGCI&S

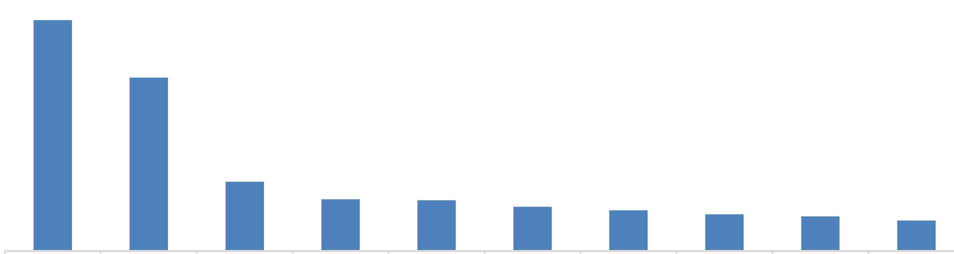
India's Top 10 Commodities of Imports, 2015-16
Value in US $ billion



	PETROLEUM: CRUDE	GOLD	PEARL, PRECIOUS, SEMIPRECIOUS STONES	PETROLEUM PRODUCTS	TELECOM INSTRUMENTS	COAL,COKE AND BRIQUITTES ETC	IRON AND STEEL	VEGETABLE OILS	INDL. MACHINERY FOR DAIRY ETC	ORGANIC CHEMICALS
Imports	65.9	31.8	20.1	17.0	15.4	13.7	11.3	10.5	9.7	9.6

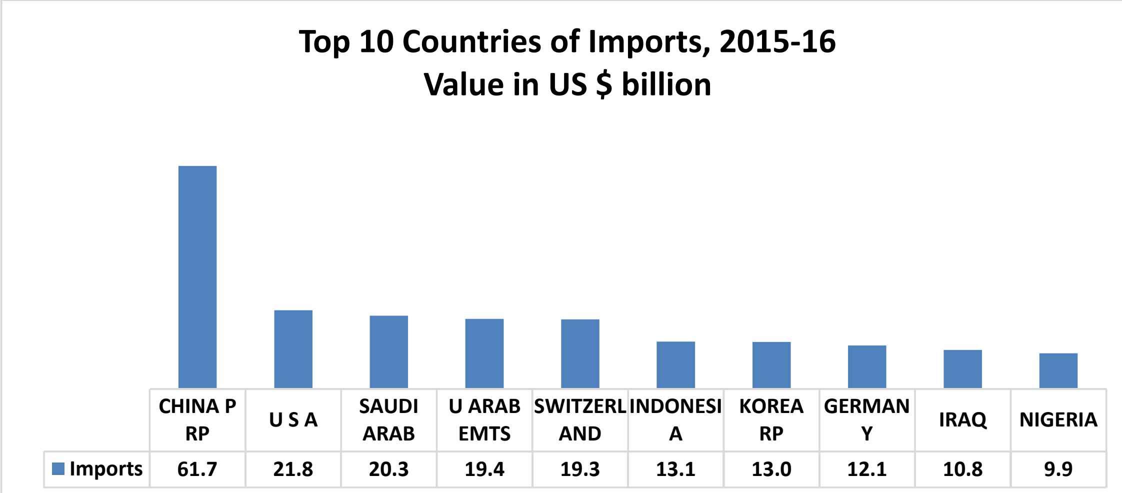
Source: DGCI&S

Top 10 Countries of Exports, 2015-16
Value in US $ Billion



	U S A	U ARAB EMTS	HONG KONG	CHINA P RP	U K	SINGAPORE	GERMANY	SAUDI ARAB	BANGLADESH PR	SRI LANKA DSR
Exports	40.3	30.3	12.1	9.0	8.9	7.7	7.1	6.4	6.0	5.3

Source: DGCI&S



Source: DGCI&S

IV. <u>Export Performance of India's top 15 export destinations</u>

The export performance of India's top 15 export destinations has been compiled from ITC Trade Map.

Country	Value of export (USD Billion)			Growth (in %)	
	2013	2014	2015	2014	2015
United States of America	1577.59	1619.74	1503.87	2.67	-7.15
United Arab Emirates	379.49	380.34	153.38	0.22	-59.67
Hong Kong	535.19	524.06	498.56	-2.08	-4.87
China	2209.01	2342.34	2281.86	6.04	-2.58
United Kingdom	548.04	511.15	465.92	-6.73	-8.85
Singapore	410.25	409.77	346.81	-0.12	-15.37
Germany	1450.95	1498.16	1331.19	3.25	-11.14
Saudi Arabia	375.87	341.95	201.49	-9.03	-41.08
Bangladesh	31.44	34.21	35.45	8.83	3.61
Sri Lanka	10.00	11.30	10.44	12.90	-7.58
Viet Nam	132.03	150.22	186.50	13.77	24.15
Belgium	511.51	472.20	397.74	-7.68	-15.77
Netherlands	571.25	571.35	471.96	0.02	-17.40
Japan	715.10	690.22	625.02	-3.48	-9.45
France	567.99	566.66	573.06	-0.23	1.13

Except for Bangladesh, Vietnam & France all other countries have recorded a negative growth in exports in 2015 over 2014.

Export of Principal commodities by Value & Volume in 2015-16

The 11544 tariff lines for which data are compiled by DGCI&S is grouped into 168 principal commodities. An analysis of the Principal commodity level data reveals that several principal commodities have recorded positive growth in volume terms even when growth in value terms has been negative.

Principal commodities like tea, raw cotton (including waste), cereal preparations, Ayush& herbal products, agro chemicals, raw wool, raw silk, natural rubber, sugar, crude fertilizer, fresh fruits, manufactured fertilizers, lead and products made of lead, tin & products made of tin, unroasted iron pyrites, packaging materials, plastic raw materials etc. have shown positive growth in both value and volume terms.

Certain Principal commodities like basmati rice, shellac, castor oil, cotton yarn, organic chemicals, inorganic chemicals, aluminum including products of aluminum, mica and products, zinc and products made of zinc, paint varnish & allied products and dyes have recorded positive growth in volume terms even though exports in value terms has been negative.

Certain principal commodities like milled products, tobacco unmanufactured, cocoa products, bulk drugs, drug intermediates, mica, sheep/goat meat, drug formulations & biological, fresh vegetables, spices, Niger seed, coffee etc. have shown positive growth in value terms but negative growth in volume terms implying higher unit price realization from export of these commodities.

V. Major Initiatives of Department of Commerce (DOC)

A. New Foreign Trade Policy (2015-20)

- New Foreign Trade Policy (2015-20) was launched on 1st April, 2015 with a focus on supporting both merchandise and services exports and improving the 'Ease of Doing Business'.
- It consolidated 5 different incentive schemes under the earlier policy for rewarding merchandise exports into a single scheme, namely the Merchandise Exports from India Scheme. The replaced schemes are: Focus Product Scheme (FPS), Focus Market Scheme (FMS), Market Linked Focus Product Scrip (MLFPS), Vishesh Krishi and Gram Udyog Yojna (VKGUY), Agri. Infrastructure Incentive Scrip.

Merchandise Exports from India Scheme (MEIS)

- MEIS is a major export promotion scheme, seeks to promote export of notified goods manufactured / produced in India. At the time of introduction on April 1, 2015, MEIS covered 4914 tariff lines at 8 digits.
- Keeping in mind the global economic downturn and the adverse environment faced by exporters, it was expanded to include additional lines, and currently it covers 7914 lines, all with global coverage. Last expansion took place on Sep 22,2016.
- The initial envisaged annual revenue foregone of Rs. 18,000 Crore was thus enhanced to Rs. 23500 Crore. MEIS incentives are available at 2, 3 and 5% of the FOB value of exports.
- Exporters were initially required to submit landing certificate as a proof of landing of consignment in the destination country for certain tariff lines for which global

coverage was not provided. Obtaining landing certificate was an avoidable cost and exporters requested doing away with the Landing Certificate. The same was done away by extending global coverage to notified MEIS products that had only regional coverage till then.

- Major product groups covered under MEIS are: Agricultural products, Fruits, Flowers, vegetables, Tea Coffee, Spices, Value added and packaged products., Handicraft, Handloom, Jute products, Textile and garments, Pharmaceuticals, Surgical, Herbals, Project Goods, Auto Components, Telecom, Computer, Electrical and Electronics Products, Railway, Transport Equipment, industrial machinery, IC engines, machine tools, parts, hand tools, pumps of all types, automobiles, two wheelers, bicycles, ships, planes, chemicals, plastics, rubber, ceramic and glass, leather garments, saddlery items, footwear, steel furniture, prefabs, lighters wood , paper, stationary ,iron, steel, and base metals, products.

Services Exports from India Scheme (SEIS)

- SEI, an incentive scheme for eligible service exports, was introduced in the Foreign Trade Policy (2015-20) replacing the Served from India Scheme (SFIS). SEIS offers reward @ 3 or 5% of net foreign exchange earned. Only Mode 1 and Mode 2 services are eligible. Covers 'Service Providers located in India' instead of 'Indian Service Providers', which was the case in the earlier policy.Under the new scheme, the incentive scrips issued are transferable.
- Service covered include:

@ 5%-Legal, Accounting, Architectural, Engineering, Educational, Hospital services

@ 3%-Hotels and restaurants, Travel agencies and tour operators ,Other business services

Interest Equalisation Scheme on Pre & Post Shipment Rupee Export Credit

- Cabinet Committee on Economic Affairs (CCEA) approved the Interest Equalisation Scheme on 18.11.2015 for 5 years w.e.f. 01.04.2015. Operational guidelines of the scheme were issued by RBI vide Circular No.62 dated 04.12.2015.
- The main features of the scheme are as follows:

(a) The rate of interest equalisation @ 3% per annum will be available on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit.

(b) The scheme would be applicable w.e.f 01.04.2015 for 5 years. Government, however, reserves the right to modify/amend the Scheme at any time.

(c) The scheme will be available to all exports under 416 specified tariff lines [at ITC (HS) code of 4 digit] and to all exports made by Micro, Small & Medium Enterprises (MSMEs) across all ITC (HS) codes.

(d) Scheme would not be available to merchant exporters.

(e) Banks are required to completely pass on the benefit of interest equalisation, as applicable, to the eligible exporters upfront and submit the claims to RBI for reimbursement, duly certified by the external auditor.

Outreach & Niryat Bandhu Scheme

- In the last two years, 46,000 new and prospective exporters have attended the Niryat Bandhu outreach programs through the regional offices of DGFT. DGFT conducted outreach activities at 34 clusters, as part of Niryat Bandhu. In addition, an online training programme has been started with the IIFT for first time entrepreneurs. So far, 303 participants (all IEC holders), comprising 34 females, have undergone this online certificate course. 8 such courses are envisaged in the current financial year (2016-17).

FTA outreach programmes

An ambitious FTA outreach programme was undertaken by Department of Commerce to reach out to the exporters located in the 34 major export clusters/cities. The programmes focused on:

- Training exporters to utilise the Free Trade Agreements (FTAs) -Taking inputs from exporters on FTAs under negotiations for example Regional comprehensive economic policy (RCEP).
- Promoting awareness about the contents of the www.indiantradeportal.in launched by Department of Commerce.

Constitution of the Council for Trade Development and Promotion

The Council for Trade Development and Promotion was constituted in July 2015. It would ensure a continuous dialogue with State Governments and UT's on measures for providing an international trade enabling environment in the States and create a framework for making the States active partners in boosting India's exports. The first meeting of the council was held on 8.1.2016.

Involvement of the states in export promotion

The State governments have been requested to develop their export strategy, appoint export commissioners, address infrastructure constraints restricting movement of goods, facilitate refund of VAT/ Octroi/State level cess, and address other issues relating to various clearances etc. and build capacity of new exporters, in order to promote exports. Many States have done so. States & UTs have also been issues user-id and password to facilitate access to the foreign trade database maintained by the Directorate General of Commercial Intelligence & Statistics to extract the export data relating to their states.

B. Ease of Doing Business and IT initiatives

- Number of mandatory documents required for exports and imports have been reduced to 3 each for export and import. Earlier 7 documents were required for exports and 10 for imports. DGFT in January 2016 has also specified that any violations in this regard should be brought to its notice.
- Applications for IEC was simplified and effective from 01.02.2016 only two documents are required to be uploaded along with the digital photograph while applying for IEC. eIEC was introduced wef Apr1, 2016 doing away with the issuance of physical copy of IEC. IEC has been integrated with eBIZ portal of DIPP so firms have a choice to use either DGFT or eBiz portal for making an application. IEC and EPCG applications have been integrated with eNivesh portal implemented by PMG set up by Cabinet Secretariat.
- Online Inter-ministerial consultations have been initiated for SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies) Items to reduce processing time of applications.
- Use of electronic bank realization certificate (eBRC) system has been extended. The eBRC system captures details of the foreign exchange received by exporters through

the banking channel. This data is shared with 13 state governments who may use it for processing of VAT refunds. DGFT is in discussion with the GST team for integrating this information with the GST network.

- Attention has also been paid to simplify various 'Aayat Niryat' Forms, bringing in clarity in different provisions, removing ambiguities and enhancing electronic governance.
- DGFT has launched a new look website making it more user-friendly and easy to navigate. DGFT website has a large dynamic component whereby the trade community can file applications online for IEC and various other schemes of DGFT. The exporters can also see the status of their electronic Bank realization certificates in almost real-time. The website is rich in content with all documents related to Foreign Trade Policy along with a responsive online grievance redressal system.
- Board of Trade was reconstituted, the first meeting chaired by CIM was held on 06.04.2016. 13 Ministries / Departments and 34 Trade bodies/ organizations took part. Action initiated on the recommendations.
- Indian Trade Portal launched by Department of Commerce and managed by FIEO displays information useful for export import. It contains the Trade enquiries uploaded by Indian trade missions, Tariff and Trade data of India's major trade partners, Export Market Reports, and Trade Agreements etc.
- DGFT: Facilities for Complaint Resolution
    - Complaint Resolution System (CRS) for resolution of EDI related issues:- The public can log their complaints through the CRS and are assigned a unique complaint number. A toll-free line and 3 other numbers are also available for exporters to register their complaints.
    - Grievances on policy, procedure and implementation issues registered at the Public grievances portal of Department of Administrative Reforms & Public Grievances are handled promptly.
    - DGFT maintains an active Twitter handle (#DGFTINDIA) with more than 8000 followers. Responses to tweets sent to CIM's account and DGFT handle are managed through the Twitterseva service and more than 1400 tweets have been replied to w.e.f Apr 2016 with an average reply time of less than 12 hours.

C. <u>Government e- Market (GeM)</u>

- GeM owes its genesis to the recommendations of two Groups of Secretaries made to the Hon'ble PM in January 2016. They recommended setting up of a dedicated e-market for different goods & services procured/sold by Government/PSUs besides reforming DGS&D. Subsequently, it was also mentioned in the Budget speech 2016-17 that DGS&D will establish a technology driven platform to facilitate procurement of goods and services by various Ministries and agencies of the Government.
- The conceptualization and development of GeM started in April 2016, with technical support of National e-Governance Division (NeGD) under Ministry of Electronics & IT (MeitY). Business Process Re-engineering and the development of GeM portal has been done in a record time with minimal expenditure. The portal was launched on 9th August 2016 by the Hon'ble Commerce & Industry Minister.
- Within a very short span of time, GeM has become a vibrant e-marketplace. Around 650 product sellers, 45 service providers and 162 Government organizations (including PSUs and autonomous organizations) are already registered on GeM. More than 1300 products in 29 categories and hiring of transport service are available for procurement on the GeM portal. GeM has also been integrated with major taxi aggregators like Uber & Ola for providing user friendly spot hiring facility to

Government users using a mobile app. Transactions worth around Rs 13 Crore have already taken place on GeM.

- Advantages of GeM:
    - GeM is a scalable system and being completely online, transparent, and system driven, makes procurement of goods and services, not only easy but also efficient and fast. GeM covers the entire procurement process chain, right from vendor registration, item selection by buyer, Supply order generation, and receipt of goods/services by the consignees (s), to online payment to the vendor.
    - The registration of Government buyers and sellers is completely online and automatic, being based on self certification and user authentication through Electronic Data Interchange (EDI) with Aadhar, Biometric Attendance System (BAS), MCA21, PAN and NIC mail databases.
    - The system offers real-time price comparison with major e-Commerce portals like Amazon, Flipkart, Snapdeal etc, in order to bring greater transparency to the system.
    - For large orders the system automatically directs the buyer to Bidding/Reverse Auction, wherein the buyer has the facility to add additional techno-commercial specifications to the existing technical specifications.
    - GeM provides all tools to facilitate the buyer to verify the reasonableness of the rates offered for Direct purchase (upto Rs 50,000), L1 purchase (more than Rs 50,000) as well as for procurement through RA/bidding. The onus however, lies on the buyer to satisfy him/her about the reasonableness of the rates offered on GeM.
    - The option for Demand Aggregation on GeM allows the Government users to extract the best price in the market, thereby making public procurement more efficient.
    - Online payment to the supplier is possible either through the buyer Departments' bank account using the SBI multibank payment gateway (SBMOPS) or through PFMS for Central Government Departments (except Posts, Railways and Defence).
    - As all the processes are online and visible to all stakeholders (including payment authorities and auditors) in real time at every stage, GeM is a very fair and transparent system.
    - GeM system is completely secure and is security audited by STQC.
    - GeM is a tool to promote Maximum Governance Minimum Government, Make in India, Ease of Doing Business and Digital India. By providing timely payment to vendors GeM not only ensures competitive rates but also encourages small business units/individuals to do business with government organizations.
- The Road Ahead: Efficiency of GeM will be further strengthened when more and more buyers and vendors come on-board and more competition is generated. At present, with the limited number of buyers/ sellers and products, the rates on GeM are already lower by 15-20% in comparison to the Rate Contract rates.

D. <u>Trade Related Infrastructure</u>

- Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE). Department of Commerce has, till now, worked with States to fill infrastructure gaps through ASIDE.
- As per 14th Finance Commission recommendation, tax devolution to States has been increased from 32% to 42%, which consequently resulted in delinking of ASIDE scheme from support of Centre.

- Proposed new Central Sector Scheme i.e., TIES (Trade Infrastructure for Exports Sector) for supporting export infrastructure is under consideration. At present, there is huge deficit in India of such export infrastructure like quality testing and certification labs, pack houses, common environment mitigation measures such as CETP etc. focused attention is, therefore, required in these areas. Presently, there is no scheme to address this vacuum.
- This scheme would support Only projects which have direct linkage to exports to be funded e.g.,
    - Capital expenditure projects and logistics infrastructure including Land Custom Stations, Border Haats, etc. may be funded.
    - Testing and certification labs may be funded – vital for SPS/TBT compliance.
    - Trade facilitation Centres, Technology upgradation, Common Facility Centres, business information centre, convention/trade centres may be funded.
    - Projects with environmental concerns like CETP etc. facilities for manufacturing for exports may be considered for funding.

E. Multilateral Trading System and India

- The Tenth Ministerial Conference of the World Trade Organization (WTO) was held in Nairobi, Kenya from 15 to 19 December 2015. This was the first such meeting to be hosted by an African nation.
- The outcomes of the Conference, referred to as the 'Nairobi Package' include Ministerial Decisions on agriculture, cotton and issues related to least developed countries (LDCs). These cover public stockholding for food security purposes, a Special Safeguard Mechanism (SSM) for developing countries, a commitment to abolish export subsidies for farm exports particularly from the developed countries and measures related to cotton. Decisions were also made regarding preferential treatment to LDCs in the area of services and the criteria for determining whether exports from LDCs may benefit from trade preferences.
- At Nairobi, India negotiated to ensure that the WTO continues to place the interests of developing countries and LDCs at the centre of its agenda.
- As the future of the Doha Round appeared in doubt, India sought and succeeded in obtaining a re-affirmative Ministerial Decision on Public Stockholding for Food Security Purposes honouring both the Bali Ministerial and General Council Decisions. The decision commits members to engage constructively in finding a permanent solution to this issue.

F. Trade Facilitation Agreement

- The Union Cabinet chaired by Prime Minister have approved the Proposal for Notification of Commitments under the Trade Facilitation Agreement (TFA) of World Trade Organisation (WTO), ratification and acceptance of the Instrument of Acceptance of Protocol of TFA to the WTO Secretariat and constitution of the National Committee on Trade Facilitation (NCTF).
- The Trade Facilitation Agreement contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. These objectives are in consonance with India's "Ease of Doing Business" initiative.

VI. Other initiatives

A. Mainstreaming of States

- Commerce Secretary convenes a joint meeting in each State with the State Government officials, the exporters and other stakeholders to voice their concerns.
- These meetings provide a platform to the various stakeholders to voice their concerns on the various impediments being faced in exports of goods from the State and enables decision making by both State Government and Government of India to address the same.
- This initiative supports trade facilitation as well as Ease of Doing Business initiatives.
- Meetings held in major exporting States of Madhya Pradesh, Maharashtra, Tamil Nadu, Gujarat, North East, Andhra Pradesh, Telangana, Odhisha, Rajasthan, Chattisgarh, Uttar Pradesh and West Bengal. Visit to other major States are in the pipeline.

B. Special Economic Zones (SEZs)

- Digitization and online processing of various activities relating to SEZ Developers and Units called SEZ Online has been introduced in all Zones from 01.11.2014. Second phase of Digitization has been launched in all Zones from 01.07.2015. This has now resulted in online processing of all activities in SEZ Administration.
- Dual use of infrastructure in Non-Processing Area (NPA): In order to create Social & Commercial infrastructure and other facilities in NPA of SEZ, Government vide notification G.S.R. 5(E) dated 02.01.2015 has allowed dual use of facilities in NPA both by SEZ and non-SEZ entities. This would lead to better and more viable utilisation of vacant NPA land in SEZs.
- Integration of Customs ICEGATE system to SEZs: In order to facilitate paperless transaction for movement of goods for imports and exports from SEZs to Ports, it has been decided to integrate the Customs ICEGATE system to SEZ Online system. A pilot project has been launched in Madras SEZ on 19.01.2015. The progress of the pilot is being monitor by nodal officers of Department of Commerce and Department of Revenue. This has now been rolled out in all the other SEZs and the project is running satisfactorily.
- Extension of MEIS/SEIS for SEZ entities has been implemented since 01.4.2015. This would incentivise exporters in SEZs and help them remain competitive.
- Revised Guidelines for Power generation, transmission, and distribution in Special Economic Zones were issued in consultation with Department of Revenue on 16.2.2016 to bring more clarity in the power guidelines to SEZ Developers and Units.
- Offences contained in the under relevant Sections of The Customs Act, 1962; The Central Excise Act, 1944 and The Finance Act, 1994 and investigating agencies authorised to investigate into such offences in SEZs notified under the Special Economic Zones Act, 2005 vide notification dated 05.8.2016.
- Provision for Refund, Demand, Adjudication, Review and Appeal relating to authorised operations under Special Economic Zones Act, 2005, notified on 05.8.2016. In the absence of specific provisions for Refund, Demand, Adjudication, Review and Appeal, the claims being made by the SEZ Developers/Units could not be entertained. With this notification, these issues can be settled by the appropriate authorities.
- Mapping of activities related to Developers and Units in SEZs were identified and timelines for completion of the said activities were prescribed and implemented. This was launched on 14.08.2014 in all Zones.

- Single Window Clearance Mechanism for speedy implementation of SEZ Projects. Accordingly, the State Governments are also requested regularly to enact their SEZ Act to provide a friendly environment to investors. SEZ rules and procedures are reviewed from time to time to facilitate the speedy implementation of SEZ projects. This has now resulted in online processing of all activities in SEZ administration.
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- The Central Government vide S.O 968(E) dated 08.04.2015 have notified the Rules of operations framed by RBI, SEBI, IRDA, Ministry of Finance for the Units in an International Financial Services Centre (IFSC) in SEZs.

C. **ECGC / EXIM Bank / NEIA** - Cabinet approval for raising the corpus to over Rs. 4000 crore – approved in September, 2014

- Cabinet approval for raising the corpus to over Rs. 4000 crore, strengthening the capacity to augment Project exports from the country.
- To infuse paid up capital of Rs. 800 crore in ECGC over 12th Plan period, enabling higher underwriting capacity to support exporters to expand their business and support banks for adequate lending to exporters. By now the equity capital of ECGC Ltd. has been raised to Rs. 1308 crore.
- Adoption of budgetary route for raising corpus in a phased manner on an yearly basis.
- ECGC had paid-out record claims of over Rs. 1122 crore during the year.
- Export advances of all the Government owned Banks and 14 Private Sector Banks are under the cover of ECGC. Share of Banks under ECGC's cover for disbursement is around 75%
- Premium reduction by average of 17% w.e.f. 01.04.2016.
- Under National Export Insurance Account, ECGC covered 31 projects of the value of Rs. 16,576.13 crore in 15 countries during the year.
- ECGC introduced a New Exposure-based Policy for covering GJD Exports and a new product covering 'Buyers Credit' to overseas private entities.

D. **India Trade Portal** – launched on 8th December, 2014

- Indian trade portal (www.indiantradeportal.in) upgraded and launched on 8thDecember, 2014.
- Provides vital information on 42 countries in a user friendly manner in 4 easy steps, which is of immense help to our exporters.
- Makes available important data such as (i) MFN tariff, (ii) Preferential tariff, (iii) Rules of Origin (RoO) and (iv) Non-tariff measures.

- Aids our exporters to utilize the FTAs and capture export opportunities. Is also being used in FTA Outreaches Programmes.

E. **Hannover Messe 2015** – held in April, 2015

- DOC participated in Hannover Messe – 2015, Germany as partner country. 'Make in India' was the theme of this fair.
- As India was the Partner Country, the fair was jointly inaugurated by Prime Minister of India and the German Chancellor.
- A high profile platform for presentation of India's industrial and business achievements was facilitated by DOC in close coordination with the DIPP. 120 top CEOs from India participated in the Indo German Business Summit held in HM 2015.

F. **INNOPROM - 2016**

INNOPROM is the largest Industrial Trade Fair in Russia held annually in Yekaterinburg. India participated in INNOPROM 2016 held on 11-14 July, 2016 as a "Partner Country", with 117 Indian Companies. The States of Maharashtra, Rajasthan, Andhra Pradesh, Gujarat, Himachal Pradesh and Jharkhand also participated in the event along with various Ministries / Departments / Public Sector Undertakings of Central Government such as Department of Heavy Industry, Department of Electronics & IT, Ministry of Tourism, National Institute of Design, NTPC, NHPC, NEEPCO and Power Grid Corporation. The Trade Fair was attended by around 700 exhibitors from 95 countries. Participation in INNOPROM 2016 provided opportunities for direct interaction with the global and Russian producers, awareness of best-in-class new manufacturing technologies, international and inter-industrial networking, etc.

G. **BRICS Trade Fair, October 2016**

India organized the 1st BRICS Trade Fair from 12-14 October, 2016 at India Trade Promotion Organisation (ITPO), Pragati Maidan, New Delhi. The Trade Fair was inaugurated by Hon'ble Vice President of India in the presence of the BRICS Trade Ministers. There were 397 exhibitors in the BRICS Trade Fair with participation from 14612 business representatives. Small, medium and large enterprises from BRICS countries participated in the Trade Fair. A number of key sectors such as Agriculture and agro processing, Auto and auto components, Chemicals, Green energy, Handicrafts, Healthcare and pharmaceuticals, High technology, ICT, Infrastructure, Leather, Machine Tools, Mining and Textiles and apparel were represented in the Fair. There were 1601 Business to Business (B2B) meetings held during the BRICS Trade Fair. The participation of the investment promotion agencies from BRICS countries provided opportunities for potential investors to understand the investment regimes in the region. The BRICS Business Forum was also held on the sidelines of the BRICS Trade Fair. The Forum discussed a number of pertinent topics of interest for the business representatives from BRICS region such as green energy, infrastructure development and finance etc.

H. **Revenue Insurance Scheme for Plantation Sector** - approved on 28th July, 2015

- Price volatility in Tea, Coffee, Rubber and spices affect the livelihoods of 5 million small growers and workers.
- The scheme would:
- Protect growers from both, fall in yield and prices.
- To be implemented as a Pilot Scheme in seven districts for two years, through insurance companies and administered by Commodity Boards.

- Kerala is the first State to have opted for this scheme.

I. **<u>Operationalisation of Special Notified Zones for display of Rough Diamonds</u>** on 20th December, 2015

- Indian Diamond Industry is import sensitive which constantly requires its primary raw material-rough diamond from overseas diamond mining companies.
- With an objective to facilitate constant supply of rough diamonds and to make this industry an International Diamond Trading Hub, the sector had been requesting for the creation of a Special Notified Zone in Mumbai.
- Accordingly, the India Diamond Trading Centre -Special Notified Zone (IDTC-SNZ) has been created at Bharat Diamond Bourse, Mumbai with an objective to make India an International Diamond Trading Hub.
- Requisite policy framework for operationalising the SNZ has been put in place by the Government.
- Viewing operations by mining companies at the SNZ have started and so far, 11 viewings have been completed (1 viewing typically consist of a week). This facility has already been booked for viewing till December, 2016.

J. **<u>Board of Trade – re-constituted</u>** on 23rd March, 2016

- First meeting held on 6th April, 2016. Participation by various Members of the Board and some special invitees, comprising senior officials from Government and representatives of certain sectors of trade and industry.
- Exporters were asked to provide inputs and suggestions on possible trade policy interventions, the institutional framework and possibilities for enhancing trade competitiveness.

K. **<u>Global Exhibition on Services (GES)</u>**

- Two editions held in April, 2015 and in April, 2016.
- Department of Commerce organizes GES, in association with Services Export Promotion Council (SEPC) and Confederation of Indian Industry (CII).
- Provides a platform to all the participants from the services industry and other related industry to interact with, and explore new business avenues.

L. **<u>Standard Conclaves</u>** – held in 2014, 2015 and 2016

- Government is committed to transforming India into a manufacturing and exporting hub. This is possible only if India's products are of world class standard.
- Department of Commerce in collaboration with trade bodies and knowledge partners organizes National Standards Conclave every year.
- Eight Standards Conclaves (three national and five regional) have been already held to generate awareness.
- Objective of these Standard Conclaves is to find out gaps in India's preparedness in this matter to address critical issues related to quality control and the vision of zero defect zero effect state of art manufacturing in India.

M. **<u>Building the India Brand</u>**

A long term branding strategy has been conceptualised to enable India to hold its own in a highly competitive global environment and to ensure that "Brand India" becomes synonymous with high quality. Further, a programme to promote the branding and commercialisation of products registered as Geographical Indications and to promote their exports will be initiated within one year of this policy coming into force.

N. Institutional Mechanisms for Trade Promotion

The schemes for trade promotion under the Department of Commerce, namely, the Market Access Initiative (MAI) Scheme and the Market Development Assistance Scheme will continue. Efforts will be made to support the development of infrastructure for holding conventions in all major tier 1 and tier 2 States. A major convention-cum-exhibition centre will be developed at Pragati Maidan in Delhi replacing the present infrastructure. Export Promotion Councils are being strengthened, both in terms of technical capabilities and management structures.

VII. Recent initiatives

- Government of India has notified 10 Spice Development Agencies (SDAs) in major spice growing States/Region of the country In order to have synergy and convergence of activities for development of Spices by different State/Central agencies.
- Spices Board had established the crop specific Spice Parks in the major spices producing/market centers at Puttady, Kerala, Jodhpur, Rajasthan, Guna, Madhya Pradesh, Guntur, Andhra Pradesh, Sivaganga, Tamill Nadu, Kotta, Rajasthan, Rae Bareli, Uttar Pradesh.
- E-Chilli Bazaar e-Commerce platform for better market reach and price realization for Chilli farmers of Andhra Pradesh and Telangana" - e-Spice Bazaar web portal is designed in association with Department of Electronics and Information Technology (DeitY). The objective is to ensure total traceability of farms and to strengthen the farming community to negotiate with traders and to improve the digital literacy in the project area.
- **Tea Sector** - PAN India Auction - Started from Sale no. 25 in the auction centres of South India on 23.06.2016 at Kochi and Coonoor and on 24.06.2016 at Coimbatore. Sale percentage is well over 90 % at the three centres.
- **Project Development Fund (PDF)**
  - The proposal of the Department for creation of a Project Development Fund (PDF) with a corpus of Rs. 500 crores to catalyse Indian economic presence in the Cambodia, Laos, Myanmar and Vietnam regions has been approved by the Cabinet. The fund is expected to facilitate Indian investments and broaden the manufacturing base in CLMV countries with the objective of facilitating subsequent investment by Indian private sector.
  - The fund to be operated through the Exim Bank will be used to identify suitable projects in CLMV countries which will integrate Indian companies in the Regional Value Chains (RVC). Once the viability of the project is established a Special Purpose Vehicle (SPV) will be floated with equity/ financing from PDF. Viable SPVs will then be sold off to Indian companies on cost plus basis and the proceeds recouped to PDF. The idea of SPVs is to absorb the initial risks and facilitate Indian companies to step in at an appropriate time.
- **Engineering Sector**
  - In order to reduce the stress afflicting the domestic industry and keeping in view the long term implications of the threat to the Indian steel sector, the Government increased the peak rate of basic customs duty on steel to 15%. The effective rates were increased by 5% thereafter in two phases, in June 2015 and August 2015. A provisional safeguard duty of 20% was also imposed on HR Coils in September 2015, on petition from affected industry.
  - However, in view of the continuous and steep fall in international steel prices from steel surplus countries, all these measures apparently were negated and did

not accord necessary protection to the steel industry as envisaged and thus the Government was constrained to resort to emergency measures, permitted under the Foreign Trade Policy and notified the Minimum Import Price (MIP) on 173 steel products (all under chapter 72).

- Based on consultation with Ministry of Steel and keeping in view the need for imposing MIP on a minimum number of product lines, which are directly affected by the import of the steel in 2015 a list of 173 products at 8 digits for imposition of MIP was finalised formal notification was issued by the DGFT on 5.2.2016.
- On 4th October, 2016, MIP was extended for a further period of 2 months on the 66 tariff lines covered on 4.8.2016. This has been done to protect the interests of the domestic industry which is yet to recover from the impact of the global downturn in the sector and till such time a final decision on alternate trade remedial measures initiated (or being initiated) by the industry is arrived at.

- **Common Facility Centres for Gems & Jewellery Sector:** To make state-of-the-art equipment and technological advancement available to SME units, working in traditional way, with a view to increase their productivity and to get the higher yield, a Scheme of setting up of 13 Common Facility Centres (CFC) for Gem & Jewellery Sector is being implemented. Out of 13 CFCs, 8 are to be set up in Gujarat, 1 each at Delhi, Jaipur and Kolkata and 2 in Southern States. To begin with, 4 CFCs are being set up in the first phase at Amreli, Ahmedabad, Visnagar and Palanpur (all in Gujarat) for Diamond sector.
- Separate HS Code for Lab-grown diamonds: Issue of separate HS Code for Lab-grown Diamonds was successfully pursued with Ministry of Finance. Separate HS Code for labgrown diamond is first step for developing separate value chain for it and look at emerging opportunities in lab-grown diamond industry.

Development of Infrastructure in border areas

- **Border Haat**
  - With a view to promoting the wellbeing of the people dwelling in remote areas across the borders of two countries, by establishing traditional system of marketing the local produce through local markets, India has established four Border Haats across the border between India and Bangladesh on zero line, two each in Meghalaya (Baliamar-Kalaichar and Lauwaghar-BaIat) and Tripura (PurboMadhyagram-Srinagar and TarapurKashba-Kamalasagar) which are operational. Six more Border Haats are under consideration. Two of the Border Haats are in Tripura at Palbasti (Raghna) and Kamalpur (Dhalai) & four in Meghalaya at Bholaganj (East Khasi Hills), Nalikata (South West Khasi Hills), Shibbari (South Garo Hills) and Ryngku (East Khasi Hills).

Land Custom Stations (LC) and ICPs

- DOC co-ordinates with Land Port Authority of India in developing Integrated Check posts (ICPs) along the borders of India. Initially the development of ICPs was divided into two phases. In Phase-I, 7 integrated check posts were being developed and in Phase—Il, 6 ICPs were proposed, across borders of Pakistan, Nepal, Bangladesh and Myanmar.
- ICPs at Attari, Agartala, Raxaul and Petrapole are operational and other ICPs in Phase —l are at various stages.
- The development of ICPs is no more divided into phases and now 13 ICPs, including the six designated under earlier Phase-Il, have been prioritised on the basis of level

and nature of trade, passenger movement, immediate and foreseeable potential and strategic importance. These ICPs are in addition to the ICPs identified in Phase-I.

- Requests have been received from Bangladesh and Nepal for upgradation of infrastructure at the existing Land Custom Stations and to establish new land customs stations at new points. The requests are being examined and efforts are being made to upgrade the infrastructure, subject to the resource constraints.
- 16 LCSs of high bilateral importance have been identified betheen India and Bangladesh for faster upgradation.
- In order to facilitate upgradation and other related issues, the Sub-Group on Infrastructure is in the process of being reconstituted between India and Bangladesh, which will make its recommendations to the Committee headed by the Commerce Secretaries.
- The Bangladesh, Bhutan, India and Nepal (BBIN) Motor Vehicle Agreement (MVA) for the Regulation of Passenger, Personal and Cargo Vehicular Traffic amongst BBIN countries was signed in June 2015.0nce this motor vehicle agreement is implemented, it will facilitate increased inter-regional and intraregional trade and commerce in South Asia and create new opportunities to boost the economies in the region. Presently, the ratification of the agreement by Bhutan is pending but, meanwhile, the protocol for implementation of the BBIN MVA is being negotiated.
- **Coastal Shipping**
  - Realizing the need for smaller ships to provide direct connectivity of eastern sea ports of India with Chittagong and other ports in Bangladesh, the Governments of India and Bangladesh signed the "Agreement on Coastal Shipping between India and Bangladesh" on 6th June, 2015. The projected benefits on account of Coastal Shipping are reduction in freight charges and facilitation of EXIM Trade. It will help in decongestion of roads especially at the Land custom stations/integrated check posts at the India-Bangladesh border. Coastal shipping between India and Bangladesh will also provide an alternate mode for the movement of cargo to the North Eastern part of the country using Chittagong and other Ports in Bangladesh.
- **Trade Agreement**
  - Based on our proposal for a longer term of the Trade Agreement between India and Bangladesh, with automatic renewal clause for continuity, as compared to the present practice of extending it by three years at a time, the new Trade Agreement between India and Bangladesh was signed on 6th June, 2015 with a validity of five years, and with a provision for automatic extension by successive terms of five years unless either Government terminates the agreement by giving a written notice. In addition, proposal from Bangladesh for transit through watennays, roadways and railways, for trade between two places in one country and to third countries through the territory of the other, has also been incorporated in the present agreement, under mutually agreed terms, to facilitate incremental trade between the two countries.
  - The construction of a bridge over river Feni was agreed by India and Bangladesh in January, 2010 to improve the connectivity to Tripura with Chittagong port. The issue has been struck on the matter of providing the finances. Commerce Secretary chaired an Inter-Ministerial meeting on 1202.2016 and as a follow up of the same; the issue of finances has been sorted out. The issue was also discussed in the 10th Meeting of the Joint Working Group on Trade held on 08th - 09th June 2016 at New Delhi.

- **Need for operationalization of International North-South Transport Corridor (INSTC):**
  - One of the major reasons for low trade figure between India and CIS countries pertains to the logistics of the sea route. The existing trade route between India and the CIS countries is through JNPT (Mumbai) to St. Petersburg by sea and by rail/road to other parts thereafter. Hence, the alternative route i.e. INSTC is being explored by the INSTC member countries, which will move goods from Indian Ports through Iran into the CIS countries. The INSTC International Agreement was signed by India, Iran and Russia on 12th September, 2000 and currently, 13 countries have signed this agreement. The route conceived under this is from India via sea to Iran, by rail/road to Caspian Sea and then on to the CIS countries and beyond by Sea/Rail/Road, and back. India conducted a Dry Run on INSTC route in 2014 and found that the distance is reduced by 40% time and there is significant scope for reduction in cost, if there is adequate volume on the INSTC route.
  - CBEC has formulated a draft of Customs Protocol for the movement of goods along the International North-South Transport Corridor (INSTC) and the same has been forwarded to Iranian, Russian and Azerbaijan side with a copy to concerned Indian Missions and MEA. A preliminary meeting of the Experts of Customs Authorities of Iran/Russia/India/Azerbaijan was held in Mumbai on 22nd September, 2016 in connection with the proposed INSTC – Customs Cooperation Agreement.
  - INSTC Member countries, particularly, India, Iran and Russia need to ensure adequate movement of cargo on the INSTC route. To encourage actual movement of cargo on this new route, the Government of Russia and Iran have to suitably revise the transport tariff (rail charges) and the port handling charges and offer attractive discounts in the initial period so as to make the new route cost competitive.

<u>South Asia and Iran</u>

- India-Myanmar border trade has shifted from barter trade to normal trade with effect from 1.12.2015. Now trade transactions could be settled in any permitted currency in addition to Asian Clearing Union (ACU). With the transition to normal trade the provisions of AITIGA and DFTP scheme could be utilised to its full capacity.
- India's exports to Iran have increased two-fold in the last couple of years. This has been facilitated by the Rupee-Riyal payment mechanism and encouraged by the complementarities between the two economies. In January 2016, US sanctions on Iran have been partially lifted.
- India and Iran had agreed to commence preliminary consultations for entering into a Preferential Trade Agreement (PTA). During the visit of the Prime Minister to Iran in May 2016, it has been agreed to conclude the PTA at an early date, preferably within a year. The broad principles of the PTA are being worked out before commencing negotiations on the text.
- In December 2015, India and Sri Lanka agreed to start negotiations for a new comprehensive agreement titled 'Economic and Technology Cooperation Agreement (ETCA)". The scope of the Agreement includes trade in services, investment issues and cooperation in various fields such as technology, customs, standards etc apart from trade in goods. Both sides have finalized the framework for the proposed ETCA and the text based negotiations have commenced. The Second Round of negotiations was held on 29th-30th September 2016 at New Delhi.

VII. Status of RTAs/FTAs

- Trade Agreement between India and Bangladesh signed on June, 2015.
- The Cabinet in its meeting held on 20th April, 2016 approved proposal of expansion of India-Chile PTA. An agreement on the expansion of India-Chile Preferential Trade Agreement (PTA) was signed between India and Chile in a meeting held between Commerce Secretary and Ambassador, Embassy of Chile on 6th September, 2016.
- Agreement between the Government of the Republic of India and the Government of the Republic of Croatia on Economic Cooperation on 10th August, 2016.
- Exchange of tariff concessions under APTA on 12th September, 2016.
- Signing of Memorandum of Understanding (MOU) between the Ministry of Commerce and Industry of the Republic of India and the Ministry of Economic Development of the Russian Federation on expansion of Bilateral Trade and Economic Cooperation on 15th October, 2016.
- **Ongoing negotiations –**
    - Expansion of India-MERCOSUR PTA.
    - JSG set up to explore the possibility of FTA with Peru.
    - Mid-term review of India-BLUE (Belgium Luxembourg Economic Union) JEC (Joint Economic Commission) was held on 23rd August, 2016.
    - Capacity Building Initiative for Trade Development (CITD) Project: The EU and the Department of Commerce have initiated a project named "Capacity Building Initiative for Trade Development (CITD) which is aimed at enhancing capacity of India's trade related institutions and enforcement system in order to meet international standards and requirements. CITD meeting was held in April 2016.
    - 3rd session of India-Egypt Joint Trade & Economic Committee meeting was held on 9th – 10th March, 2016 in Cairo, Egypt.
    - MoU signed on November, 2014 with Netherlands for establishment of JTIC.
    - India-EU BTIA
    - Three stock taking meetings held between Chief Negotiators of India and EU on 18.01.2016, 22.02.2016 and 15.07.2016.
    - RCEP (Regional Comprehensive Economic Partnership) – under active negotiation.
    - Australia and New Zealand CEPA
        - ✓ India negotiating with both countries.
    - USA and Canada
        - ✓ India-Canada CEPA under negotiation, stock taking meeting held in April, 2016. Annual Ministerial Dialogue held in September, 2016.
        - ✓ US Trade Policy Forum (TPF) meeting held in New Delhi on 19th -20th October, 2016. Both sides agreed that TPF has greatly strengthened US-India Bilateral Trade.
    - India negotiating two FTAs, with Israel
    - With the six countries, comprising Gulf Cooperation Council
    - 10th meeting of the JSG on trade with Bangladesh was held on 8th -9th June, 2016.
- **Review initiated –**
    - ASEAN
    - India-Sri Lanka FTA already in place. Proposed to negotiate an India-Sri Lanka Economic & Technology Cooperation Agreement.

- **New initiatives –**
    - Joint Study Group (JSG) set up to explore possibility of entering into FTA with Peru.
    - India-Iran PTA – framework being drafted.
- India is negotiating a TEPA (Trade and Economic Partnership Agreement) with EFTA countries. A stocktaking meeting was held on 10th June, 2016.

IX. <u>Services Sector</u>

- The Services sector has emerged as a prominent sector in India in terms of its contribution to national and State incomes, trade flows, employment and FDI inflows. This sector contributes around 58 percent to the GDP of the country and 28 percent to employment. Its contribution to total trade is 25 percent, around 35 percent to exports and 20 percent to imports. The sector accounts for more than 50 percent of FDI into the country. The Services sector in India has in general grown at a rate higher than the overall GDP growth rate.
- Increasing surplus from services trade over the previous decade has helped to offset a major part of the merchandise trade deficit thereby, keeping a check on the Current Account Deficit.
- The single most important contributor to India's services exports is the IT/ITES sector. India has inherent competitiveness and export potential in many skill based and labour intensive services. Healthcare, education, professional, R&D, consultancy, printing and publishing and entertainment services are some of the sectors which have great export potential. Many of these services can be exported in different modes.
- We also have advantages in various services which are incidental to manufacturing and R&D and can bring transformational efficiency to manufacturing. With the structure of manufacturing in many countries, including India, becoming more and more sophisticated, there is an increasing "servicification" of manufacturing. Better services will improve the competitiveness of the manufacturing sector. For instance, efficient and reliable infrastructure services such as transport, distribution and logistics chains, finance and payments infrastructure, utilities such as telecommunications, and professional services are essential for cost effective production and marketing of goods. Services sectors have a critical role to play in the "Make in India" initiative.
- Another very important issue w.r.t. trade facilitation in services relates to seamless flow of cross border transfer of information by electronic means, including personal information, for business processing. While nations should be encouraged to adopt or maintain a domestic legal framework which ensures the protection of the personal data, they must not create unnecessary legal and administrative hurdles for data transfers in the name of privacy protection.
- A Global Exhibition on Services is held annually, which provides a forum for showcasing India's strengths in the Services sector.

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