FOREIGN TRADE POLICY STATEMENT 2017

MID-TERM REVIEW

GOVERNMENT OF INDIA MINISTRY OF COMMERCE AND INDUSTRY DEPARTMENT OF COMMERCE

website- http://dgft.gov.in
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EXECUTIVE SUMMARY

Vision, Mission and Objectives

1. The Foreign Trade Policy Statement explains the vision, goals and objectives underpinning the Foreign Trade Policy for the period 2015-2020, as updated through the mid-term review completed in December 2017. Keeping in the backdrop the global trade developments, it describes the market and product strategy, and the other measures required for export promotion and enhancement of the entire trade ecosystem.

2. The vision behind the policy continues to be focused on making India a significant participant in world trade and on enabling the country to assume a position of leadership in international trade.

3. The revised FTP focuses on the goal of exploring new markets and new products as well as on increasing India’s share in the traditional markets and products, leveraging benefits of GST by exporters; close monitoring of export performances and taking immediate corrective measures based on state-of-the-art data analysis; increasing ease of trading across borders; increasing the realisations from Indian agriculture based exports and promoting exports from MSMEs and labour intensive sectors to increase employment opportunities for youth.

Strategy

4. Foreign trade today constitutes 45% India’s economy, so much so that foreign trade policy deserves a special focus and dedicated attention as a key constituent of India’s economic policies. Given the diverse elements that contribute towards a conducive foreign trade environment, the foreign trade policy can neither be formulated nor implemented by any one department in isolation. Going forward, a ‘whole-of-government’ approach will continue to be the focus through the various coordinating mechanisms that have been instituted.

5. In recent times, the Department of Commerce has systematically mainstreamed State and Union Territory (UT) Governments and various Departments and Ministries of Government of India in the promotion of India’s
trade globally, resulting in significant outcomes. Twenty eight State Governments have nominated Export Commissioners, many States have prepared export strategies focusing on sectors of their strength and adopted suitable policies for promoting exports. A Council for Trade Development and Promotion has been constituted with representation of all States to provide an institutional framework to work with the State Governments for boosting India’s exports. Senior officials have been appointed as designated focal points for exports and imports in several Central Ministries and Departments.

6. The FTP will continue to provide a stable and sustainable policy environment for foreign trade in merchandise and services and to link rules, procedures and incentives for exports and imports with other initiatives such as ‘Make in India’, ‘Digital India’, ‘Skill India’, ‘Startup India’, Smart City’, ‘Swachh Bharat’ and ‘Goods and Services Tax’ (GST). It will provide diversification of India’s export basket by lending support to new and non-traditional sectors of the Indian economy to gain global competitiveness; create a conducive environment for India’s global trade engagement with a view to integrating with major regions and expanding its markets to new regions, thereby increasing the demand for India’s products and strengthening the ‘Make in India’ initiative; and provide a mechanism for regular appraisal in order to enhance exports, rationalise imports and reduce the trade imbalance.

7. The state of the external environment undoubtedly will be crucial and new features of the global trading landscape such as mega regional agreements and global value chains will profoundly affect India’s trade. The biggest challenge, however, is to address constraints within the country such as infrastructure bottlenecks, high transaction costs, complex procedures, constraints in manufacturing and inadequate diversification in our services exports. These domestic issues are being addressed on priority, notwithstanding some of the volatile external factors that are beyond control. Towards this end, the Department of Commerce has set up a new Division to promote integrated and streamlined logistics development in the country. The roll out of the GST on 1st July 2017 is part of the initiative to streamline the taxation regime and reduce costs for businesses. With the signing of the Trade Facilitation Agreement (TFA) at the WTO, the resulting procedural simplification would also contribute to the lowering of transaction costs.

8. Winners and potential winners have been identified separately from amongst industrial and agricultural products in order to make the export promotion schemes more focused and effective. At the same time, an institutional mechanism for continuous import appraisal has been put in place to ensure coordinated and rational import policies in various sectors.
9. The need to ensure that the FTP is aligned with both India’s interests in the negotiations, as well its obligations and commitments under various WTO Agreements has been an important consideration in framing this Policy.

10. In the ongoing Doha Round of trade negotiations, India will continue to work towards fulfilling its objectives and to work with like-minded members to remove any asymmetries in the multilateral trade rules which place a developing country at a disadvantage.

11. The current WTO rules as well as those under negotiation envisage the eventual phasing out of export subsidies. This is a pointer to the direction that export promotion efforts will have to take in future, i.e. towards more fundamental systemic measures rather than incentives and subsidies alone.

12. India’s newer bilateral/regional trade engagements will be with regions and countries that are not only promising markets but also major suppliers of critical inputs and have complementarities with the Indian economy. The focus of India’s future trade relationship with its traditional markets in the developed world would be on exporting products with a higher value addition, supplying high quality inputs for the manufacturing sector in these markets and continued optimization of applied customs duties on inputs for India’s manufacturing sector.

13. The US is one of India’s top trading partners. With US economic growth on the path to recovery, future bilateral trade prospects are bright. Employment-generating sectors such as textiles, pharmaceuticals, agriculture, leather and gems & jewellery will continue to receive major attention for promoting exports to the US market. Important aspects of the India-US economic relationship include access for India’s high skilled Services Sector in US markets and increased investment. Regular dialogue with the US to share India’s perspective on issues such as intellectual property rights, policies of the US Government related to temporary movement of professionals, labour and skill related policies of the US Government, will also be a key part of the India-US economic relationship and dialogue. Canada and Mexico are other important trading partners in North America with which institutionalised high level dialogues have been established and strengthened.

14. In the European Union, which is a highly discerning market, our exporters face several challenges in the form of stringent sanitary and phytosanitary standards, a complex system of quotas and tariffs and trade remedial actions against Indian products. The EU is a significant market for India’s information technology services but remains underutilised because of the data security
related constraints posed by EU regulations. Increasingly, we will focus our trade promotion activities on new products with higher value addition particularly in the categories of medical equipment, chemicals, processed foods, as also services. The EU has introduced a self certification mechanism for exports under the Generalized System of Preferences (GSP), which India has accepted and implemented from 1st January 2017 onwards. This is expected to significantly lower transaction costs for Indian exporters under the GSP.

15. India’s trade relations with its immediate neighbours in South Asia are a special focus area for the government, with a larger goal of building a regional economic zone including value chains in different sectors such as textiles, engineering goods, chemicals, pharmaceuticals, auto components, plastic and leather products. In this context, physical and digital connectivity is a key objective. A better connected south Asia can seamlessly link to onward routes to South East Asia and Central Asia.

16. Another focus area is South-East Asia. Trade integration with the CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) countries is an important part of India’s regional trade strategy and a Project Development Fund has been launched to encourage the Indian private sector to set up manufacturing hubs in this region. An added advantage of such integration will be the expansion of economic opportunity in North East India through regional trade with its consequent development outcomes.

17. Traditionally, India’s trade with South-East Asia has been robust and strengthened through several trade agreements in the ASEAN region. Since 2012 India has been negotiating the ambitious Regional Comprehensive Economic Partnership with ASEAN and its FTA partners – China, Japan, Korea, Australia and New Zealand. This regional agreement which encompasses 40% of the world’s trade and 38% of its GDP aims to promote balanced trade in services and goods among its member countries.

18. India’s most important trading partner amongst the countries of North East Asia is China. Engagement with China requires a comprehensive approach on trade, investment and economic cooperation issues. India will, inter alia, continue to pursue market access issues and removal of Non-tariff Barriers on India’s exports of pharmaceuticals and agro commodities, Indian IT Services and other service sectors such as tourism, films and entertainment. India will also encourage Chinese investment in boosting India’s manufacturing capacities while remaining vigilant against any unfair trade practices. Efforts to intensify trade and investment links with Japan and Korea under the existing bilateral trade arrangements will continue to be a focus for India’s engagement with North-East Asia.
19. There is enormous untapped potential for enhancing India’s economic relations with the fast growing African continent, encompassing not just trade and investment but also capacity building, technical assistance and provision of services such as healthcare and education. Agro-processing, manufacturing, mining, textiles, pharmaceutical, engineering, infrastructure development and construction are highly promising areas for India. India is therefore engaging actively with countries and regional groupings in Africa for trade agreements, project exports and capacity building initiatives.

20. West Asia & North Africa Region are a dynamically growing region with concomitantly high absorptive capacity for our exports. India is negotiating FTAs in the region with Israel and with six countries comprising the Gulf Cooperation Council. The region is rich in hydrocarbons and holds significance for India’s energy security.

21. The plan for greater engagement with Latin America and Caribbean region encompasses expansion and deepening of the existing trading arrangements as well as developing new ties. Efforts are being made to diversify India’s exports to the region and to encourage project exports through easy access to credit facilities. Expansion of the agreement with MERCOSUR, strengthening the partnership with Chile, Peru and other major economies will continue to focus. Special sectors of focus for the region are vehicles, chemicals and engineering goods.

22. The traditional and historical relations between India and Russia need to be transformed to the modern and contemporary level through enhanced private sector engagement on either side. CIS (Commonwealth of Independent States) region is rich in minerals and hydrocarbons which are crucial for India’s growing industry. India’s engagement with CIS will be deepened through an India-EAEU FTA; operationalising the International North South Transport Corridor; and building value chains in key areas of interest. The Indian diamond industry stands to benefit from the Special Notified Zone set up for import and export of rough diamonds at Mumbai.

23. The focus will be on promoting exports of high value added products with a strong domestic manufacturing base, including engineering goods, electronics, drugs and pharmaceuticals, textiles and agriculture. The challenges posed to the pharmaceuticals sector by NTBs and regulatory hurdles in several geographies have to be addressed. Composite programmes for promotion of healthcare products including AYUSH and services will continue to be conducted in various regions to showcase and market India’s unique strengths.
24. About 70% of India’s exports are of products whose share (exports of these products from all countries) in the total world trade is only 30%. This implies that India must focus on increasing the exports of products, which have become important in the world trade, while ensuring continued focus on sectors where India already has strengths. Some of the promising product groups are -- Defense equipment, Medical devices, Agro processing, Technical Textiles, Chemicals. Promoting the growth of exports from high value creating and employment generating sectors with a strong domestic manufacturing base, would be the lynchpin of India’s overall export growth strategy.

25. The process for obtaining duty free inputs under the advance authorization scheme for the export of new products was lengthy. In the Mid Term review, the Government has notified a scheme for issuance of the Advance Authorisations on self-declaration basis for the products where Standard Input-Output Norms (SION) have not been notified by the DGFT. The scheme will support the export of new products and save time taken in the fixation of ad hoc product norms by the norms committees of the DGFT. The scheme would initially be available to the Authorised Economic Operators.

26. Increasing the export of Agricultural and Allied Products (Including Plantation and Marine products) is an important part of the government’s strategy to double farmers’ income in the next 5 years. While such exports have more than doubled over a period of 5 years, there is considerable scope for further increase. The salient features of Government’s plan to promote exports of agricultural products are (i) maintaining a long term, stable, and by-default ‘open’ export policy (ii) effective handling of sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT) issues in domestic and destination markets (iii) Creating cold chain and transport logistics facilities from the farm to the ports and airports (iv) promoting Organic exports through appropriate policy interventions and (v) setting up credible and up-to-date organic export certification and accreditation programmes.

27. Products manufactured in the Global Value Chains account for two-thirds of world trade in manufactured Goods. The GVC model breaks the product lifecycle into many tasks. Participating countries complete each task sequentially under ‘Just in Time’ conditions. To participate in GVCs, India needs to invest in the GVC ready trade infrastructure. This will require automating port and customs operations, allowing green channel clearances and bench marking the turnaround time of ships with the best countries. India’s focus would be to increase participation in the high value segments of Global Value Chains.

28. Government is committed to transforming India into a manufacturing and exporting hub. This will require focus on improving product quality. Many
Indian products fail quality tests due to traces of pesticides, pathogens, illegal dyes, etc. An endeavour would be made to upgrade quality and infrastructure to help firms to move to higher quality standards and also protect Indian consumers from substandard imports. Setting up more globally accredited testing laboratories, enhancing the capacity of Indian testing laboratories and Mutual Recognition Agreements (MRA) with partner countries would be areas of focus.

29. A roadmap has been developed on measures required to protect consumers, raise the quality of the merchandise produced and enhance India’s capacity to export to even the most discerning markets. Standards Conclaves are being held annually in New Delhi and various regions to build awareness on the need for producing quality products in the country. A long term branding strategy has been conceptualised and is under implementation 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 facilitate their exports has been initiated.

30. The Services sector is an area of great potential for India’s trade and economy. The growing contribution of services sector to the GDP of most countries and increasing servicification of manufacturing makes this sector highly significant to any economy. Department of Commerce has been implementing an ambitious reform agenda in services, which is being pursued through an inter-ministerial mechanism. This agenda includes identification of Champion Services Sectors; review of regulatory frameworks; incentivisation of investment and ensuring quality and transparency. Efforts are being made to gain effective market access abroad through comprehensive economic partnership agreements with important markets. Global Exhibitions on Services are being held annually to showcase India’s strengths in the Services sector. Efforts are also underway to improve the availability of data on services.

31. Several initiatives have been taken or are in the pipeline for simplification of procedures and digitization of various processes involved in trade transactions in consultation with various Ministries and Departments.

32. As part of India’s commitment to implement the WTO’s Trade Facilitation Agreement (TFA), a National Committee on Trade Facilitation has been constituted for domestic coordination and implementation of the TFA. Active implementation of the TFA provisions across the country have earned India a higher ranking of 100 in the ‘Ease of Doing Business’ index in 2017.
33. Improving Ease of trading measures is a high priority area for the government as Indian exporters face high transaction costs. For example, the average logistics costs in India are about 15% while such costs in developed countries are about 8%. The smooth flow of goods and services across borders is one of the most significant elements contributing to a country’s competitiveness at the global level. A National Trade Facilitation Action Plan containing specific activities to further ease out the bottlenecks to trade has been prepared and circulated to all concerned Ministries for compliance. The steps being taken by various Ministries and Departments to implement the Action Plan are being closely monitored by the National Committee on Trade Facilitation.

34. The scheme for trade promotion and facilitation administered by the DoC, namely the Market Access Initiative Scheme (MAI) shall continue till March 2020. The other non-Plan Scheme for export facilitation namely; Market Development Assistance Scheme (MDA) has been discontinued from 1st April 2017 but essential components of the MDA Scheme have been incorporated in the MAI Scheme itself to address the needs of the eligible exporters under the erstwhile scheme.

35. Efforts will be made to support the development of infrastructure for holding conventions in all major tier 1 cities. A major convention-cum-exhibition centre is being developed at Pragati Maidan in Delhi replacing the present infrastructure.

36. Project exports are being encouraged, especially in the emerging markets with high infrastructure needs, through special lines of credit offered by the Ministry of External Affairs and the Buyers’ Credit Scheme of the Department of Commerce through Exim Bank of India and ECGC. This will, *inter alia*, continue to enable Indian businesses to develop long term business relationships, facilitate easier acceptance of India’s exports and build visibility for Indian products. In addition, EXIM Bank will undertake a study on the concept of ‘revolving credit’ for promoting our exports in new markets, especially in South Asia, Africa, CIS and Latin America. EXIM Bank will also explore developing strong ties with international lending agencies such as African Development Bank, Inter-American Development Bank, Caribbean Bank, etc. ECGC will be supported to enhance insurance cover to exporters particularly MSME’s exploring new or difficult markets.

37. Department of Commerce has launched a new Scheme TIES (Trade Infrastructure for Export Scheme). TIES will seek to bridge the export infrastructure gap by providing assistance for setting up and up-gradation of infrastructure with strong export linkages. The scheme provides support on sharing basis to States PSUs and other autonomous bodies towards creation
of export infrastructure. Through focussed attention on export infrastructure, the scheme aims to improve India’s export competitiveness.

38. A combination of strategy including the use of Smart Data Analytics, feedback from the exporters, international buyers and the Indian missions abroad will help in devising effective new product-markets strategy for realising India’s export vision. To this end a data analytics Division has been created at the DGFT. The division will employ sophisticated data tools to identify the product and market related opportunities for Indian exporters. It will also identify the difficulties faced by India’s products in the destination markets. In addition, few web based Trade Analytics tool are available at the Department of Commerce website (http://commerce.gov.in/analytics/). Many firms get their first insights into India’s export products and markets from such tools. Firms also use Indian Trade Portal (http://www.indiantradeportal.in/) sponsored by the Department of Commerce to access Trade inquiries uploaded by Indian trade missions as well as details of major market destination’s product where SPS/TBT measures in force.

39. Capacity development efforts will continue to focus on EPCs and commercial missions. A new institution, namely, the Centre for Research on International Trade with three distinct centres for WTO Studies, Regional Trade and Trade Investment Law has been established for strengthening India’s research capabilities in the area of international trade and enabling better articulation of India’s views and concerns from a well-informed position of strength.

40. Many countries have relied on dedicated and specialized agencies to undertake trade and investment facilitation. These include JETRO (Min. of Economy, Trade & Industry), KOTRA (Min. of Trade & Energy, Korea), MATRADE (Min. of International Trade & Industry, Malaysia), Austrade (Dept. of Foreign Affairs & Trade), Apex Brazil (Min. of Industry, Foreign Trade & Services), ITA (US-Dept. of Commerce). It is proposed to set up a similar agency to support India’s exports and investments. The specific approach for such agency in India would include;

- Promoting platforms for Indian traders/exporters to connect to international demand, and helping international buyers identify suitable local suppliers,
- Providing sector-specific, function specific and region-specific guidance to exporters through teams of domain and functional experts, and
- Providing facilitation for country specific regulations and market access.

41. MEIS is a key export promotion scheme which seeks to promote export of notified goods manufactured / produced in India. MEIS incentives are available at 2, 3, 4 and 5% of the FOB value of exports. 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. The last expansion of the scheme took place on Nov. 24, 2017 when MEIS rates of Readymade Garments and Made Ups were enhanced from the existing 2% to 4% for the exports taking place between Nov. 1, 2017 and June 30, 2018. It is now proposed to enhance MEIS benefits by an additional 2% for all labour intensive and MSME sector products for the period Nov. 1, 2017 to June 30, 2018.

42. SEIS, 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. Major service covered include Legal, Accounting, Architectural, Engineering, Educational, Hospital services, Hotels and restaurants and other business services. It is proposed to enhance SEIS benefits by an additional 2% for the period 1st November 2017 to 30th June 2018.

43. The Interest Equalisation Scheme was approved on 18.11.2015 for 5 years w.e.f. 01.04.2015. Operational guidelines for the scheme were issued by RBI on 04.12.2015. The scheme provides for interest equalisation @ 3% per annum on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit. The scheme is 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.

44. Two institutional mechanisms have been put in place for regular communication with stakeholders, namely, a Board of Trade which has an advisory role and a Council for Trade Development and Promotion with representation from State and UT Governments. As has been done now in December 2017, the FTP will continue to be reviewed and evaluated regularly.
SECTION 1: INTRODUCTION AND BACKDROP Introduction

1. India’s Foreign Trade Policy (FTP) has, conventionally, been formulated for five years at a time and reviewed annually. The focus of the FTP has been to provide a framework of rules and procedures for exports and imports and a set of incentives for promoting exports.

2. Fifteen years ago India occupied a very small space on the global trade canvas. As various sectors of the Indian economy became more competitive globally, exports began to grow remarkably. India’s merchandise exports recorded a Compound Annual Growth Rate (CAGR) of 8.1 percent over the last decade i.e. from 2006-07 to 2016-17, which includes the recent period of decline due to the global slowdown in the post 2008-09 period. Similarly, as the economic growth rate of the country picked up, so did imports, which grew at a CAGR of 7.5 percent over the same period.

3. Today, foreign trade has begun to play a significant part in the Indian economy reflecting its increasing integration in globalisation. While the merchandise trade deficit has been at a manageable level in recent period, partly on account of low global petroleum prices, the country needs to remain vigilant and vigorously continue to pursue the strategy of promoting exports, enhancing domestic availability of key products and rationalising our import policies.

4. The trade performance of a country is so closely and inextricably linked with its overall economic performance that trade policy cannot be treated as a simple matter of manoeuvring the export or import of a product. Foreign trade policy has a direct connect with domestic economic policies.

5. Exports constitute the last segment of long sectoral value chains. A foreign trade policy that addresses only the front-end of exports without recognising the characteristics of the back-end is incomplete and, likely to be unworkable. At the same time, development of an appropriate ecosystem for the front-end can create a pull effect for the sector in question. In each case, action lies in several departments and stakeholder institutions. The biggest challenge, therefore, continues to be to properly anchor key elements of the foreign trade policy in the overall economic policy and to ensure that the framework of rules, procedures and incentives for trade is contextualised within a composite approach to economic development.

6. Government of India had initiated several measures to re-energise the economy particularly through initiatives such as “Make in India”, “Digital India”, “Skill India”, “Startup India”, Swachh Bharat etc., which today are in an advanced stage of implementation. As the already visible impact of these measures intensifies, India will become more competitive across several product areas with improved export prospects. The unprecedented FDI flows into India and growing manufacturing of products like cell phones, telecom products etc. are a reflection of this trend.

7. The FTP for 2015-2020, therefore, endeavours to build synergies with such initiatives, and lays emphasis on a “whole-of-Government” approach to foreign trade policy. Accordingly, the approach seeks out a vision with its attendant
goals and objectives followed by the strategies and actions identified as necessary to achieve that vision, and finally, set out a framework of incentives.

The Global Economy

8. The Update of the World Economic Outlook (WEO) released in April 2017 by the IMF\(^1\) puts global growth projection for 2017 at 3.5 percent and at 3.6 percent for 2018. While this indicates a possible consolidation of the very weak and uncertain recovery the world has seen in the recent period from the global financial and economic crisis of 2008-09, these global trade trends would need to be monitored closely. The factual position remains that while the United States showed the quickest and strongest recovery in the developed world, it was somewhat weak and unsteady, with only recent signs of a more secular growth pattern. Japan fell short of expectations, but in recent quarters has shown improvement in economic performance. Barring Germany, the euro area growth recovery and projections are not so promising. It is important to reckon the fact that much of the contribution to global growth in the years ahead is expected to come from the developing countries, particularly emerging economies, whose growth is projected to be at 4.8 percent in 2017 and 4.9 percent in 2018.

9. The combination of stronger growth projections for India and China at consistently around 7% will significantly impact the global trade trends. Consequent to the major economic reforms undertaken by India in recent times particularly the ‘GST’ which was launched on 1st July 2017, the Moody has upgraded India’s credit rating to Baa2 from Baa3 and changed its India outlook to positive from neutral. This reflects a robust growth forecast for India with a strong pull factor for inward investments in the future.

10. The WTO\(^2\) forecasts a world trade growth of 2.4 percent in 2017 and trade growth between 2.1 percent to 4 percent in 2018. The WTO reports that Asia recorded the fastest export growth of any region in the first half of 2014, with a 4.2 percent rise over the same period last year. It was followed by North America (3.3 percent), Europe (1.2 percent), South and Central America (-0.8 percent), and other regions\(^3\) (-2.0 percent). North America led all regions on the import side with a growth of 3.0 percent, followed by Asia (2.1 percent), Europe (1.9 percent), other regions (-0.4 percent) and South America (-3.4 percent).

11. Economic Survey 2016-17 points out that the global trade environment has undergone a paradigm shift in the aftermath of Brexit and the US elections. There has been a rise in protectionist sentiment which require India and other emerging market economies to take a more proactive role in ensuring open global markets. This however, will require that India also be more willing to liberalize its own markets. The Survey states that with the withdrawal of USA from TPP, it is important to reaffirm the utility and relevance of the World Trade Organization.

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\(^1\)IMF (2016), *World Economic Outlook Update*, January 2016
\(^3\)Other regions comprise Africa, Commonwealth of Independent States and Middle East.
India's Trade Performance

12. Despite the global slowdown, which saw a period of decline in the recent past, India's merchandise exports increased from USD 83.5 billion in 2004-05 to USD 276.3 billion in 2016-17.

13. The cumulative value of imports in 2016-17 was USD 384.3 billion as against USD 381.0 billion during the previous year registering an increase of 0.87 percent. Coupled with the moderate growth in exports, this resulted in a decline in India’s trade deficit from USD 118.7 billion in 2015-16 to USD 108 billion in 2016-17, contributing to a lower Current Account Deficit (CAD).

14. India’s two-way trade (Merchandise and Services) reached USD 920 Billion in the FY 2017 which is about 45% of the GDP. This has been achieved despite tepid global growth and is indicative of India’s resilience and increasing integration with the global economy.

Chart 1: India’s Foreign Trade

![Chart showing India's Foreign Trade](chart.png)

15. According to the WTO, in merchandise trade, India was the 20th largest exporter in the world with a share of 1.7 percent and the 14th largest importer with a share of 2.2 percent in 2016. In commercial services, India was the 8th largest exporter in the world with a share of 3.4 percent and the 10th largest importer with a share of 2.8 percent.

<table>
<thead>
<tr>
<th>Table 1: India’s Share in Global Trade for 2016</th>
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<td><strong>India’s Exports of Merchandise</strong></td>
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<td><strong>Value</strong></td>
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<td>161.25</td>
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Source: WTO's Trade Statistics for 2016

16. Both external and domestic factors have posed a challenge to export growth such as the global trade slowdown from 2008-09 onwards, exchange rate fluctuations, volatility in commodity prices, non-tariff barriers imposed by India’s trading partners and loss of competitiveness in many product areas. The supply
side constraints facing manufacturing in India, the lack of diversity in services exports, the under achievement of SEZs, high transaction costs, high cost of trade finance and infrastructural bottlenecks are the domestic challenges to be overcome. The heavy dependence on imports of essential commodities including crude oil, gas, coal, pulses, edible oils, fertilizers and electronics had kept India's merchandise trade deficit at a high level, albeit somewhat moderated in recent times on account of sluggish demand and low commodity prices. This situation, however, needs to be closely watched and an enduring structural solution put in place.

17. While there has been a gradual broadening in India's exports away from the advanced economies of the European Union and North America, the United States of America continues to be the topmost destination for India's exports with a share of 15.3 percent in 2016-17 followed by the United Arab Emirates (11.3 percent) and China (5.1 percent) in 2016-17. The IMF WEO update presents a mixed picture for these key markets for India's exports.

Chart 2: India's Export Destinations

Dynamic Global Context

18. Change has been constant in the global economy, not least in the international trading landscape. The industrial countries' growth rates have slowed but the US appears to be getting back on a growth path, a development which has enormous implications for global trade, given the size of the US economy. Other developed countries are also showing some signs of recovery. As brought out by the IMF, the slowdown in growth rate in China will consequentially impact some regions. Developments in these two countries, which are both top trading partners of India, will have significant repercussions on India's trade.
19. Global value chains (GVCs) are a prominent feature of the international trade landscape today. Intermediate goods and services from several countries are combined through integrated production networks to produce the final goods and services.

20. India participates in manufacturing GVCs, *inter alia*, in sectors such as Chemicals, Electrical Equipment, Auto Components and Jewellery, in general by way of sourcing intermediates from abroad. India also has a high participation in services sectors, in particular, business services, mainly driven by the use of Indian intermediates in the exports of other countries. The share of imported inputs and intermediate goods in exports is higher in mining, pharmaceuticals, textiles, machinery, and in services sectors such as distribution, transport and telecom.

21. In general, inadequate infrastructure, sub-optimal connectivity with global transport networks, low transport capabilities and complicated administrative requirements that cause delays at ports and customs, are some of the serious obstacles to India’s effective participation in GVCs. In some of these areas, Indian producers are at a disadvantage as compared to those in ASEAN and East Asian countries. While much has been done in improving transport linkages by road and rail, and enhancing port handling capacity with streamlining of handling processes, ongoing efforts need to be taken to their logical conclusion. The establishment of the National Committee on Trade Facilitation (NCTF) in August 2016 in pursuit of implementing the WTO TFA provisions is a step in the right direction. Concerted efforts of this body in close coordination with various Ministries/Departments and agencies and in consultation with industry stakeholders for implementing appropriate measures have yielded desired results, reflecting in India achieving a higher ranking of 100 in the ‘Ease of Doing Business’ index of the World Bank.

22. Mega-regional trading arrangements and plurilateral trade arrangements are the other new features of the international trading landscape with the potential to bring about enormous changes in world trade dynamics, given their coverage and scope. They tend to go well beyond trade in goods and services into areas such as investment, competition, intellectual property, labour, environment, transparency, regulatory coherence and dispute settlement.

23. A key macro-economic variable critical to competitiveness and prospects for export growth is the exchange rate. There are two aspects that merit particular mention. First, if the nominal exchange rate stays steady and the rate of inflation in India is higher than that in the rest of the world (as has been the case for the last decade) the real exchange rate for the Rupee appreciates and the competitiveness of India’s exports gets eroded. For exporters, this exchange rate is, in effect, entirely exogenous viz. it is an outcome of domestic and global fiscal and monetary policies, and differential global economic performance, over which they have no control. Secondly, the last 7 to 8 years have witnessed the phenomenon of Quantitative Easing (QE). The resultant increase in money supply has meant that dollars (from the QE in the US) have sought higher rates of return in markets outside. This, in turn, resulted in nominal and real exchange rate appreciation in many emerging markets.
Leading economists have referred to this as a “beggar thy neighbour” policy because QE works by artificially depreciating the currency where the QE is undertaken vis-à-vis other currencies. The ECB has undertaken QE for Europe. The Euro has already depreciated significantly. The adverse implications on Indian exporters' competitiveness are obvious. The phenomenon would, however, lower the Rupee cost of imported inputs that go into exports.

24. The FTP is predicated on a stable real effective exchange rate. Macroeconomic adjustments that affect either the nominal exchange rate or the real exchange rate will have a significant impact on the realization of export goals. In past years it has been seen that the influx of foreign currencies and regulatory action have led to an erosion of competitiveness. The realization of FTP objectives will clearly require some intervention at appropriate junctures if the exchange rate turns excessively volatile and/or displays a trend of steady appreciation.

**Domestic Challenges: Setting Our House in Order**

25. The changing global dynamics of trade and production will profoundly affect India’s trade and we will have to grapple with important questions in the near future around issues such as to what extent India should integrate into new forms of trading arrangements and the pace and extent of such integration.

26. The biggest challenges that India’s foreign trade faces today are from within the country. There will always be external challenges but there is no gainsaying the fact that without addressing the domestic constraints, we cannot possibly tackle external challenges effectively.

27. Studies show that *vis-a-vis* products exported by some of the major East Asian countries, Indian products have been losing their competitiveness. This has been attributed to mainly two kinds of reasons. The first kind relates to the state

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**Box 1: Some Findings of a Study by the Centre for WTO Studies**

(i) Telecommunications and IT infrastructure have increasingly become important in the process of trade. Internet use in India remains extremely low, compared to some of our competitors.

The GST which was implemented from 1 July 2017, is expected to help Indian exporters significantly. The simplification and harmonization of the indirect tax regime of the country will reduce the cost of production and lead to a seamless, integrated Indian market, thereby making Indian trade and industry more competitive.

(iii) Labour regulations play a critical role in determining the trade and investment climate of a country. The initiatives of the Central Government and some State Governments towards liberalisation, rationalisation and simplification of labour laws must be taken to their logical conclusion in order to make Indian labour more productive and efficient, which will, in turn, contribute to enhancing the global competitiveness of India’s products.
of infrastructure, factor policies, ease of doing business, facilitation at the borders and the system of taxation.

28. Some other factors are attributed to India’s relatively lower integration into regional and global supply chains; poor utilization of the existing trade architecture; and relatively less focus on value-added exports and consequently remaining at the lower levels of value realisation.

29. Long-term interventions are needed to address many of these inadequacies. But there are also short and medium term measures that can improve foreign trade performance. These would be in the domain of multiple departments and institutions in the country. This policy therefore attempts to mainstream exports and imports related strategies into overall and sector-specific economic policy.

**Vision and Mission**

30. The vision underpinning the Foreign Trade Policy for 2015-2020 is to make India a significant participant in world trade and to enable the country to assume a position of leadership in the international trade discourse.

31. Robust trade will help India to forge stronger relationships in its immediate neighbourhood and in new markets, both bilaterally as well as regionally.

32. The policy of market diversification which has stood India in good stead during the global economic downturn will continue to be a key determinant of the country’s trade policy, together with product diversification.

33. High quality products are their own best advertisement. Recognising the increasing role of standards in global trade and the steps India needs to take both to strengthen its own standards as well as to meet the challenges posed to its exports, a roadmap has been developed on measures required to protect consumers, raise quality of the merchandise produced and greatly enhance India’s capacity to export to discerning markets.

34. The increasing challenge of Non-Tariff Measures (NTMs) used by various countries cannot be wished away. India will have to adopt a multi-pronged strategy to deal with NTMs for accessing overseas markets. Equally, there is a need to put in place measures to keep out sub-standard products by strengthening monitoring and surveillance systems.

35. Further, in an increasingly competitive world, branding plays an indispensable role in global positioning and the FTP addresses this issue as well. Branding campaigns are being planned for promoting exports from sectors such as services, pharmaceuticals, plantations and engineering as well as of commodities and services in which India has traditional strengths, such as handicrafts and yoga.

36. Efforts at the operational level include simplification of procedures and digitization of various processes. Specific measures will be taken to facilitate entry of new entrepreneurs and manufacturers in global trade through extensive training programmes.

37. While Government of India is responsible for policy on foreign trade, much of the activity at ground level takes place in States. State Governments can play a crucial role in promoting exports and rationalising non-essential imports.
Steps have, therefore, been taken to mainstream States in the process of international trade.

38. The FTP also recognises the importance of compliance with India’s international obligations and this consideration has fully informed the Policy.

Goals and Objectives

39. The FTP for 2015-2020 seeks to achieve the following objectives:

(i) To provide a stable and sustainable policy environment for growth of foreign trade in merchandise and services and creation of employment;

(ii) To link rules, procedures and incentives for exports and imports with other initiatives such as ‘Make in India’, ‘Digital India’, ‘Skills India’, ‘Startup India’ and ‘Swachh Bharat’ to create an ‘Export Promotion Mission’ for India;

(iii) To promote the diversification of India’s export basket by helping various sectors of the Indian economy to gain global competitiveness;

(iv) To create an architecture for India’s global trade engagement with a view to expanding its markets and better integrating into major regions, thereby increasing the demand for India’s products and contributing to the government’s flagship ‘Make in India’ initiative;

(v) To provide a mechanism for regular appraisal in order to rationalise imports and reduce the trade imbalance.

What must be done

40. In order to achieve these objectives, the way forward requires measures to:

- Help improve India’s export competitiveness and deepen engagements with new markets;
- Operationalise institutional mechanisms in existing bilateral and regional trade agreements;
- Deepen and widen the export basket;
- Reduce transaction costs;
- Make efforts to reduce the cost of export credit;
- Help improve infrastructure eg. ports, laboratories and Common Facility Centres;
- Promote product standards, packaging and branding of Indian products
- Rationalise tax incidence through the Goods and Services Tax (GST);
- Help improve manufacturing by mainstreaming exports;
- Incentivise potential winners for promising markets;
- Promote and diversify Services Exports; and
Mainstream States and Ministries in India’s Export Strategy.

41. The success of a trade policy is critically dependent on the coordinated efforts of the Government of India as a whole with State Governments, Ministries/Departments and institutions.

Anchoring Trade Policy in the Domestic Policy Framework

42. There is a symbiotic relationship between the FTP and the government’s ‘Make in India’ initiative, which aims to achieve global recognition for the Indian economy, promote the country as an investment destination, spur manufacturing and promote employment. It encompasses initiatives for skill development to ensure the availability of skilled manpower for manufacturing and improve the ease of doing business through initiatives such as self-certification of documents and innovative revenue models. It also envisages the development of infrastructure including i-ways besides highways, ports, optical fibre networks, gas grids and water grids.

43. There is a clear recognition within Government that exports should not merely be a function of marketable surplus but should reflect a genuine enhancement of economic capacity and development. Through its foreign trade policy, government envisages:
   • employment creation in both manufacturing and services through the generation of foreign trade opportunities
   • Zero defect products with a focus on quality and standards;
   • A stable agricultural trade policy encouraging the import of raw material where required and export of processed products;
   • A focus on higher value addition and technology infusion;
   • Investment in agriculture overseas to produce raw material for the Indian industry;
   • Lower tariffs on inputs and raw materials; and
   • Development of trade infrastructure and provision of production and export incentives.

Focus of the FTP

44. The Foreign Trade Policy is primarily focused on accelerating exports. This is sought to be implemented through various schemes intended to exempt or remit indirect taxes on inputs physically incorporated in the export product, import capital goods at concessional / zero duty, stimulate services exports and focus on specific markets and products. The Policy attempts to dovetail these schemes with the specific market access openings that India has achieved through negotiations with its trading partners for various bilateral and regional trading arrangements.

45. To make these schemes more focused and effective, an exercise was undertaken to identify products that are winners and potential winners for export purposes, based on their price competitiveness, the CAGR of India’s
exports and world imports and RCA\textsuperscript{4} and areas of strength, both now and in the future. These have been identified separately from amongst industrial and agricultural products.

46. Further, to realise the objective of exporting more value-added goods, technology intensive sectors have also been identified for hand-holding by the Government in the next five years.

**Import Appraisal**

47. Striking a balance between meeting the needs of a growing economy and the promotion of domestic industry is a continuous challenge for policymakers. An institutional mechanism for continuous import appraisal would provide valuable inputs for economic policy in general and trade policy in particular. A mechanism has been put in place by the Department of Commerce for quarterly appraisal of imports. The 21 identified stakeholder Ministries/Departments have been advised to examine the reasons for high import dependence on various commodities and the feasibility of producing them in a cost-effective way. The objective is to develop an ecosystem conducive to formulating coordinated and rational import policies in various sectors and remove constraints impacting creation of domestic capacities.

48. India’s simple average applied and bound MFN tariff rates are indicated in Table 2 below. The applied rates are much lower than the bound rates especially in the case of agricultural goods, a testament to India’s steady and continued autonomous tariff liberalization. Apart from the occasional adjustment in the tariffs on some agricultural commodities in the face of high volatility in food prices, in most cases tariffs have been reduced rather than raised and have generally continued at the lower levels. However, for industrial products India’s average basic customs duty (BCD) is just around 7%.

49. Tariff policy will be optimized in order to take advantage of the manufacturing opportunities offered by regional and global value chains, while retaining the policy space to promote domestic industry.

**Table 2: Simple Average of MFN Tariffs**

<table>
<thead>
<tr>
<th></th>
<th>Final Bound</th>
<th>Applied MFN 2015</th>
</tr>
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<tbody>
<tr>
<td>All goods</td>
<td>48.5%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Agricultural goods*</td>
<td>113.5%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>34.5%</td>
<td>10.1%</td>
</tr>
<tr>
<td>goods</td>
<td></td>
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</table>

*As per the definition of agricultural products in the WTO Agreement on Agriculture

*Source: WTO Trade Profiles*

\textsuperscript{4}Revealed Comparative Advantage
50. A data analytics Division has been created to monitor export and import at the transaction level. It will inter-alia highlight the difficulties faced by India’s products in the destination markets. For example, monitoring action taken by many countries on the Pharmaceutical exports from India would confirm unjustified action which need to be confronted. India has 500+ USFDA approved pharmaceutical units, yet Indian drug quality is suspected in many countries. Big Pharma pushes their government to apply the harshest possible measures to discourage entry of pharma products from India. Even high-quality products from India face routine rejection in China and many other countries.

The Multilateral Trading System and India

51. India, a founding member of the World Trade Organization (WTO), believes that a rules-based, non-discriminatory multilateral trading system is necessary for bringing transparency, equity and fair play into global trade relations. Such a system ensures discipline and enables members at all levels of development to chart out a course in global trade that would address the need for enhanced opportunities for citizens across nations, while meeting their economic development requirements. The multilateral trading system offers the best institutional architecture for a developing country. The consensus-based decision making in the WTO ensures that even the voice of the smallest member is heard.

52. India also recognizes the extraordinary contribution made by the WTO in dispute settlement, laying down jurisprudence in areas where the law was relatively ambiguous or not fully developed. As a founding member, and a country which has evolved significantly since the WTO was established, India will continue to contribute to the capacities of willing developing members to help them to fully participate in the rule making process. The need to ensure that the FTP is aligned with both India’s interests in the negotiations, as well its obligations and commitments under various WTO Agreements, has been an important consideration in framing this Policy.

Future Initiatives

The Doha Development Agenda

53. While the multilateral trading system needs to keep pace with new developments and update the relevant rules, the fact is that there are glaring asymmetries in the capacities of WTO members to participate in and benefit from international trade. Therefore, while India will endeavour to work towards new areas of rulemaking in the WTO, at the same time, it will continue to work towards fulfilling its objectives through negotiations under the Doha Round.

54. It is well recognized that various Uruguay Round Agreements which form the covered agreements under the Marrakesh Agreement contain several asymmetries. One such asymmetry is in the methodology prescribed in the Agreement on Agriculture for estimating trade-distorting support on account of procurement at administered prices for public food stocks. India took up this issue with like-minded members through the G-33 coalition of developing countries and the group has been able to persuade the WTO membership to agree to negotiate a permanent solution to this problem. India will intensively
work towards getting a consensus on a permanent solution at an early date and will continue to work with like-minded members to remove such asymmetries which place a developing country at a disadvantage vis-a-vis developed countries.

Phasing out Export Subsidies

55. The Agreement on Subsidies and the Countervailing Measures (ASCM) of the WTO envisages the eventual phasing out of export subsidies. This will become inevitable in the light of India having graduated from Annex VII countries of WTO under ASCM on breaching US$ 1000 per capita income for 3 consecutive years in 2015, the existing export promotion schemes would need to be phased out and replace them with WTO compatible schemes. In this regard, Department of Commerce will hold consultations with line Ministries/ Departments and industry stakeholders to re-calibrate our strategy. This is a pointer to the direction that export promotion efforts will have to take in future, i.e. towards the more fundamental measures detailed in earlier sections rather than incentives and subsidies alone. The Merchandise Exports from India Scheme (MEIS) introduced in the FTP 2015-20 for offsetting the infrastructural inefficiencies faced by exports of specified goods provides a level playing field. There is perhaps a need to streamline and fine-tune such programs to more precisely target the distortion being addressed.

56. In this context, one opportunity relates to refund of taxes that remain unrebated under the GST regime like electricity duty, duties paid on petroleum etc. Such Scheme for Rebate of State Levies (ROSL) would provide refund of unrebated taxes through the ROSL/drawback route. The ROSL would also need to take into account the needs of the energy intensive sectors and states with poor infrastructure. The rate(s) for refund under ROSL should be determined on the basis of verifiable evidence so as to ensure there is no over rebate.

The Mega Agreements: Implications for India

58. The three mega agreements namely the Trans Pacific Partnership (TPP), Trans Atlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP) add a completely new dimension to the global trading architecture. The 49 participants in these mega agreements are significant economies both in terms of trade volumes and GDP. Statistics indicate that these countries account for nearly 3/4th of global trade and 4/5th of the global GDP. There is an overlap of participating countries in the three mega agreements. While the United States is common to the TPP and TTIP, 7 countries, namely, Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam are part of both the TPP and RCEP. Although US has withdrawn from TPP while the TTIP negotiations have been suspended for the time being, it is possible that at some stage in future these agreements might be revived in some form. Their implications for India’s trade cannot be under estimated.

59. India is engaged in the RCEP negotiations, which is a comprehensive free trade agreement between the 10 ASEAN Member States and ASEAN’s FTA (Free Trade Agreement) partners viz. Australia, China, India, Japan, Korea and
New Zealand. The 16 RCEP countries cover around 49 percent of world population, 30 percent of global GDP and 29 percent of global trade.

61. Although TPP was signed on 4 February 2016, subject to ratification, withdrawal of US from the agreement has created uncertainty around the agreement. But these mega regional arrangements are bound to challenge India’s industry in many ways. Firstly, they will erode existing preferences for Indian products in established traditional markets such as the US and EU, benefitting those who are partners to these agreements. Secondly, they are likely to develop a rules architecture which will place a greater burden of compliance with advanced standards on India’s manufacturing and services exports for access to markets of the participating countries. However, these challenges should be seen as an opportunity to respond strategically and enable Indian industry to rise to the challenge of higher standards in the area of both products and services, and the framework of rules. Therefore, the Government will work towards facilitating Indian industry to do so. Parties to the RCEP negotiations are engaged in discussions on issues of modalities and the extent of liberalisation. India will continue to engage in these negotiations constructively seeking balanced outcomes and will be taking into consideration the interest of its business and industry.

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**Box 2: FTA Nomenclature**

These arrangements are known by various nomenclatures such as Preferential Trade Agreements (PTAs), Free Trade Agreements (FTAs), Regional Trade Agreements (RTAs), Comprehensive Economic Cooperation Agreements (CECAs), Comprehensive Economic Partnership Agreements (CEPAs), Broadbased Trade and Investment Agreements (BTIA) etc.

The basic difference is in the coverage with CECA / CEPA / BTIA covering an integrated package of Agreements on Goods (both tariffs and non-tariff barriers), Services, Investment, Intellectual Property etc while the more traditional FTAs are limited to trade in goods.
SECTION II: MARKET STRATEGY

62. In order to put exports on a high growth trajectory, India needs a market diversification strategy based on the changing dynamics of growth in the world economy. So far India’s bilateral trade engagement has been mainly with the industrial powers. In future engagements, India will engage with regions and countries that are not only promising markets but are also major suppliers of critical inputs and have complementarities with the Indian economy.

63. Bilateral and regional trading arrangements have gradually become permanent features of the global trading architecture. As per WTO website, all WTO members now have an RTA in force. RTAs have clearly become the rule rather than the exception.

64. India has been actively engaging in regional and bilateral trade negotiations with a view to diversifying and expanding the markets for its exports as well as ensuring access to raw materials, intermediates and capital goods for stimulating value added domestic manufacturing.

65. RTAs are an important means to take advantage of tariff reduction, address non-tariff barriers, facilitate the integration of the economy into global value chains and production networks and attract investment in potential growth sectors. With the declining role of tariffs, non-tariff barriers, including TBT\(^5\) and SPS\(^6\) measures, are increasingly becoming more crucial. RTAs provide a potentially effective tool to address such measures.

66. The need to attract foreign investment for boosting manufacturing and increasing competitiveness, thereby generating employment, is also a consideration for entering into Comprehensive Economic Cooperation Agreements (CECAs) and Comprehensive Economic Partnership Agreements (CEPAs).

67. India has, so far, signed 10 FTAs and 6 limited Preferential Trade Agreements (PTAs) and is negotiating 19 FTAs, including the expansion of some of the existing FTAs/PTAs. While the negotiations are ongoing for several agreements, some new initiatives have been taken. Recognising the complementarity between India and Peru; and between India and Eurasia involving Tajikistan, Uzbekistan, Armenia, Belarus, Kazakhstan, and Kyrgyzstan and the Russian Federation, two Joint Study Groups have recommended initiation of the process for FTAs with these countries.

68. The focus of India’s future trade relationship with its traditional markets in the developed world would be to:

- Increase, or at least, retain market share in these markets;
- Move up the value chain in these markets (this in turn, would provide an opportunity to introduce modern, international standards in India’s manufacturing and service delivery);
- Optimise applied customs duties in order to enable the import of inputs for India’s manufacturing sector; and to

\(^5\)Technical Barriers to Trade
\(^6\)Sanitary and Phytosanitary Measures
• Supply high quality inputs for the manufacturing sector in these markets.

69. Latin America and Africa are the new growth frontiers. South-East Asia is a melting pot of diverse cultures that is a focus area under India’s “Act East” policy. North East Asia, the Middle East, and the Commonwealth of Independent States (CIS) are relatively less traversed territories for Indian trade and offer considerable potential.

**North America**

70. The United States of America is the most important market for India in this region. In terms of statistics, it is the largest export destination for India. In 2016-17, 15.3 percent of India’s total exports were destined for the US. The size of bilateral trade stood at approximately USD66 billion for merchandise goods. A significant contribution of information technology services would raise the overall exports to USA to approximately USD 100 billion. As the US economy is doing well with a growth rate of 3.1 percent per annum in the recent period, it will continue to be the sheet anchor of India’s exports. Enhancing trade and investment linkages with the US economy offers India a unique opportunity for finding markets for its technology products and services and products from high-employment creating sectors such as textiles, agriculture, leather and gems & jewellery. Therefore, these sectors will continue to receive major attention for accessing the US market. At the same time, there are challenges relating to area such as intellectual property rights, policies of the US Government related to movement of professionals and labour and skill related policies of the US Government. Policy uncertainty and rise of protectionist attitude in global trade are increasingly becoming risk factors for free trade environment.

71. Important aspects of the India-US economic relationship for India include temporary access for our high skilled professionals in US markets and resolution of the issue relating to social security contributions by Indian workers in the US, through the early conclusion of a Totalisation Agreement between the two countries.

72. Bilateral investment is a prominent tool within the bouquet of instruments of economic engagement between the two countries. With focus on ‘Make in India’, simplification and further opening up of investment policies and a focus on sector specific efforts for attracting investment, it is expected that investment flows will improve significantly. Targeted investments will make a significant contribution to the improvement of trade performance.

73. The US renewed its GSP (Generalised System of Preferences) Program, which expired in July 2013. This is an important development given that India is the largest user of the US GSP.

74. India’s bilateral trade with Canada is at present USD 6.1 billion. There is significant potential for this bilateral trade to grow. There is complementarity between several sectors of the two countries. Bilateral negotiations are underway for an FTA. It is expected that this agreement will offer significant trading opportunities to India’s employment creating sectors besides the services sector including information technology enabled services. Canada’s strengths in agricultural products (a sensitive area for India), its position on certain principles of market access to services and India’s concerns on
percolation of commitments up to sub-federal levels in Canada, are some of the challenges in these FTA negotiations.

75. Mexico is a major market for India. At USD 6.4 billion bilateral trade, it has the potential to grow significantly. Mexico is the destination for an array of products from India. Mexico’s participation in NAFTA, along with Canada, creates a rules framework that may pose some challenges. However, the potential of this market underscores the need for a closer look at it.

The European Union

76. EU is an important trading partner of India with immense potential for IT sector, investments and technology transfers. In 2011-12, India's bilateral merchandise trade with EU touched a record USD 109.13 billion. However, since then, bilateral merchandise trade has recorded a declining trend and stood at USD 88.64 billion in 2016-17. Indian exporters have been facing stringent and evolving sanitary and phytosanitary standards in EU, along with a complex system of quotas and tariffs; and trade remedial actions. Further, data security issues constrain the reach of India's information technology services in EU. Developments such as Brexit have caused unprecedented uncertainty.

77. EU’s Generalised Scheme of Preference (GSP) helped India to maintain a competitive advantage in some sectors, so far. However, the progressive exclusion of GSP benefits to India in some sectors, including textiles, leather, some chemicals, mineral products, etc. has adversely affected India’s exports to EU. The competitive advantage has been further eroded by continuing with GSP plus benefits to other countries. The EU introduced the self-certification scheme under its GSP and India implemented this from 1 January, 2017 onwards.

78. An India-EU Broad-based bilateral Trade and Investment Agreement (BTIA) has been under negotiation since 2007 and 16 rounds of negotiations have been held till 2012. Both sides have once again attempted to re-negotiate and several stocktaking meetings have taken place since January, 2016. India is committed to an early resumption and conclusion of India-EU BTIA. The present state of the European economy is also a challenge in these negotiations.

EFTA (European Free Trade Area) countries

79. India is negotiating a Trade and Economic Partnership Agreement with the EFTA countries, which includes Iceland, Norway, Switzerland and Liechtenstein. India is committed to concluding a balanced agreement in a time-bound manner. In the next 5 years, our trade promotion activities with these countries will focus on our traditional areas of strength such as textiles, pharmaceuticals, engineering and machinery. Increasingly, we will focus our trade promotion activities on new products with higher value addition as also services.

Australia and New Zealand

80. There is considerable scope to both widen and deepen India’s economic relations with Australia, which is underpinned by trade and, more importantly, investment linkages. India and Australia have a strong and mutually beneficial
partnership in the energy and minerals sector. Australia is an important source of six crucial inputs, namely, iron ore, coking coal, copper, gold, uranium and LNG. It is noteworthy that all of Australia’s primary exports are received in India at a zero tariff or very low tariff.

81. There is significant potential for Australia to scale up investment in India, in areas including cold chains, mega food parks, bio-tech projects, the marine sector, infrastructure, clean and renewable energy, engineering and manufacturing sectors, and pharmaceuticals, apart from mining and energy related projects.

82. India and Australia are negotiating a Comprehensive Economic Cooperation Agreement (CECA) covering trade in goods, services, investment and related issues. In parallel, India is also engaged with Australia through a mega-regional RCEP Agreement under negotiation.

83. New Zealand is also a participating country in the RCEP negotiations and the two countries are also pursuing bilateral negotiations for a CEPA. New Zealand is a globally recognized source of dairy and dairy products. It is also an important source of some fruits, lamb meat and wool. Some of these product areas are highly sensitive in India as regards imports.

South Asia

84. India’s trade relations with its immediate neighbours are a special focus area for the government. During the last decade, India’s total trade with SAARC countries increased from USD 8 billion in 2006-07 to nearly USD 22 billion in 2016-17. Bangladesh is India’s largest trading partner in the SAARC followed by Sri Lanka, Nepal and Pakistan.

85. India has indicated its willingness to take on asymmetrical trade responsibilities in the region in order to promote greater regional and economic integration. It already provides zero duty/preferential duty market access to all Least Developed Countries (LDCs) of SAARC, for upto 98.2% tariff lines under India’s DFTP scheme,. This measure is already helping them to reduce their trade deficits with India.

86. India has kept 88 percent of tariff lines outside the SAFTA \(^7\) Sensitive List for non-LDC members. India also provides significant trade access to Sri Lanka under a separate bilateral India-Sri Lanka Free Trade Agreement. These measures have led to a fair degree of integration of the economies in the region with the Indian economy.

87. India’s approach in this region has been to enlarge the canvas for economic engagement by including services, investments and several other non-tariff areas. South Asia should be visualised as one large economic entity which can take part as a seamless whole in regional and global production networks. South Asia contributes substantially to global demand and, therefore, it is only fitting that it plays a greater role in regional economic decision making.

\(^7\) South Asian Free Trade Area
Issues

88. India-Sri Lanka trade is mostly conducted under a bilateral Free Trade Agreement. The two countries completed negotiations for a Comprehensive Economic Partnership Agreement, a few years ago. The CEPA was aimed at building bilateral value chains and promoting services and investment on both sides. The agreement could not be made effective due to certain reservations on the part of Sri Lanka, expressed after the negotiations were completed.

89. The enhancement of trade with Pakistan has been constrained by Pakistan’s unique approach to trade with India. Not only do they maintain a legitimate sensitive list under SAFTA but they also have a negative list of 1209 products at 6-digit level which cannot be exported from India to Pakistan. The two countries had agreed to a roadmap for normalisation of relations in 2012 but this roadmap has not been acted upon due to continued reservations expressed by Pakistan, thus depriving consumers in Pakistan of affordable, good quality Indian products or made to pay more for Indian products which reach there through third countries. India will await action on the part of Pakistan in accordance with the agreed roadmap.

Future focus

90. After tariff liberalisation, Government proposes to focus on improvement of trade infrastructure in the region. The aim is to provide seamless connectivity for trade and commerce within the SAARC region. These measures would help in building regional value chains in different sectors such as textiles, engineering goods, chemicals, pharmaceuticals, auto components, plastic and leather products. An added advantage of such integration will be an expanded role for North East India in regional trade with its consequent development outcomes. A well connected South Asia can provide additional trade routes to South East Asia and Central Asia.

91. In order to encourage regional integration within South Asia, India will:

(i) Prepare a 5-year plan for South Asian integration by identifying specific value chains which will include textiles, leather, tourism, automotive components, chemicals and healthcare;

(ii) Pursue negotiations under the SAFTA Trade In Services Framework Agreement with a view to concluding it at the earliest. This will open up a pathway for services-related liberalisation within the region which will, in turn, make South Asia more competitive in many product areas;

(iii) Help our South Asian trading partners, particularly the LDCs, to develop their technical regulatory framework including infrastructure to respond to the requirements of the growing Indian market;

(iv) Intensify efforts at infrastructure development at the borders;

(v) Promote multimodal connectivity including inland waterways in order to realise the vision of a seamless South Asia;
(vi) Work towards concluding SAARC Agreements on promotion and protection of investments, Motor Vehicles and Railways, and also for electricity transmission grids;

(vii) Intensify efforts at utilization of hydro power potential in the region; and

(viii) Promote project exports to South Asian partners.

**Iran**

92. During the period of sanctions India's exports to Iran increased two-fold, which was facilitated by the Rupee-Riyal payment mechanism and supported by the complementarities between the two economies. The potential for bilateral trade, however, is yet to be fully realised.

93. Given the significant complementarities between the two economies, project exports to Iran hold out a lot of promise and need to be adequately supported. Keeping in view the long-term potential of project exports to Iran especially in the railways sector, an umbrella financing agreement for rupee credit has been signed between EXIM Bank of India and Iranian banks on commercial terms and in rupees. For the designated project export contracts, rupee financing is offered through the Export Development Fund being operated through EXIM Bank.

94. Currently there are some concerns relating to payment mechanisms for bilateral trade in foreign currency and steps are being taken to establish requisite mechanisms for facilitating such trade. Bilateral trade in areas such as meat, agricultural products, gems & jewellery, engineering, pharmaceuticals, automobiles and auto components will be encouraged. Trade promotion activities will be further intensified. Establishment and strengthening of institutional mechanisms for regular review, evaluation and monitoring of bilateral trade and for identification of other opportunities will also be carried out.

**South-East Asia**

95. In pursuance of the ‘Look East' policy, which has been a major pillar of the country's foreign policy since the early 1990s, India has developed multi-faceted relationship with ASEAN⁸ countries both bilaterally and multilaterally. Taking this to the logical next phase, the ‘Act East' policy of the Government of India endeavours to cultivate wide-ranging economic and strategic relations with South-East Asia.

96. India’s trade with ASEAN was USD 71.7 billion in 2016-17 and accounts for about 10.85 percent of India’s total trade. ASEAN, as a bloc, has become one of India's largest trading partners in recent years. India's four major trading partners from ASEAN are Indonesia, Singapore, Malaysia and Vietnam, accounting for around 80 percent of India's total trade with ASEAN.

97. The ASEAN-India Trade in Goods Agreement, which was signed in Bangkok on 13 August 2009, entered into force on 1 January 2010. The ASEAN-India Agreement on Trade in Services and Investment was concluded in 2014 and became operational from 1 July 2015. It provides business certainty to service

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⁸ASEAN (Association of South East Asian Nations) comprises 10 countries namely Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
providers from both India and ASEAN countries and is expected to strengthen business and commercial relations between ASEAN and India, as also opportunities of movement for both manpower and investments between India and ASEAN.

98. The India-Singapore Comprehensive Economic Cooperation Agreement became operational from 1 August 2005. The second review of this CECA is underway. A Comprehensive Economic Cooperation Agreement was signed with Malaysia on 18 February 2011.

Future Focus

99. Enhancing bilateral and regional trade relations with this rapidly growing region of strategic importance will continue to be a focus area. Trade integration with the CLMV (Cambodia, Lao PDR, Myanmar, Vietnam) countries is an important part of India’s future regional trade strategy. These are among the fastest growing economies in the ASEAN region, with rising consumption levels, a young workforce, a potentially strong manufacturing sector and rich natural resources, offering India significant opportunities for trade in goods and services, investment and project exports. Three of the CLMV countries benefit from India’s zero-tariff regime for LDCs.

100. However, so far the scope of engagement by Indian industry with CLMV countries has been limited. Seamless connectivity with this region will help in the flow of goods, services and manpower and enable Indian industry to create forward and backward linkages with the existing production networks in this region.

101. The CLMV region also offers opportunities for Indian investment in manufacturing zones with a view to benefitting from their institutional trade architecture and lower factor costs. It was announced in the Budget 2015-16 that in order to catalyze investments from the Indian private sector in this region, a Project Development Fund will be launched for facilitating setting up of Indian manufacturing hubs in the CLMV countries. PDF has been made operational from 2017. Exim Bank is designated as the implementing agency for this fund. An Inter-Ministerial Committee headed by Commerce Secretary is overseeing and monitoring the functions of the PDF.

Connecting India’s North-East Region with ASEAN: A Trilateral Highway

102. Connectivity with ASEAN is one of the strategic priorities of India, one of the two Dialogue Partners that share land and maritime boundaries with ASEAN. Four North-Eastern States of India, namely, Arunachal Pradesh, Nagaland, Mizoram and Manipur share borders with Myanmar. We have recently started a shipping service to Myanmar for boosting sea connectivity.

103. The single biggest effort under the ASEAN-India Connectivity initiative is the India-Myanmar-Thailand Trilateral Highway, which also constitutes part of the proposed Asian Highway network AH-1. It starts from Moreh (Manipur) in India and ends at Mae Sot in Thailand, passing through Mandalay and Yangon in Myanmar.

104. On completion, the project will provide complete land connectivity between India and the ASEAN region through Myanmar and Thailand. The relevant governments are also considering extending the highway further to Cambodia,
Laos and Vietnam. This connectivity will augment trade by reducing travel distance and time thus enabling the economies of ASEAN and India to integrate further and collectively emerge as a globally competitive economic region. Intensive implementation of ongoing connectivity projects in the region is strongly required.

105. In addition a task force is also discussing the text of the Agreement for Facilitation of Cross Border Transport of Goods and People between the countries so that the soft connectivity component is also in place by the time the hard connectivity gets established in the region.

**North East Asia**

106. Accounting for over 19 percent of India’s total trade, North East Asia is important for India and includes China, a major trading partner. India’s trade with the North East Asia region, comprising China, Japan, Hong Kong, Taiwan, The Republic of Korea, the Democratic People’s Republic of Korea, Macao and Mongolia, stood at USD 129.7 billion in 2016-17. Trade with China (USD 71.4 billion), Hong Kong (USD 22.3 billion), Japan (USD 13.6 billion) and Korea (USD 16.8 billion) constitute the major chunk of India’s trade volumes with this region. India has Comprehensive Economic Partnership Agreements with the Republic of Korea and Japan.

107. China accounts for over a quarter of our trade deficit. India’s imports include manufactured items in both ‘non-essential’ categories and capital goods in sectors such as power and telecom. Market access and non-tariff barriers block India’s exports of pharmaceuticals, IT & ITES\(^9\), agro commodities etc. India’s IT Services are unable to make a breakthrough in China’s highly controlled and, at times, opaque SOE (State Owned Enterprises) business.

108. In the last year i.e. 2016-17, merchandise imports from China exceeded USD 61 billion while India’s exports were around USD 10.1 billion leaving an unsustainable trade deficit of USD 50 billion. Despite hope offered by Chinese agencies, real market access has not yet materialized.

109. As far as India’s economic relations with the Republic of Korea and Japan are concerned, analysis indicates that the projected gains for India from the CEPAs with these two countries are yet to be realised fully.

**Future Focus**

110. Engagement with China requires a comprehensive approach on trade, investment and economic cooperation issues. India recognises China’s position as a competitive supplier in many product areas and its exporting interest in many areas of industrial manufacturing in India. Specifically, India will:

(i) Continue to pursue market access issues and removal of Non-tariff Barriers to augment exports of pharmaceuticals, agro commodities, including bovine meat, oil meals and cake, tobacco, rice, fruits & vegetables etc and seek tariff concessions in specific product lines of interest to India. through forums such as APTA and RCEP;

\(^9\)Information Technology and Information Technology Enabled Services
(ii) Seek access to China’s SOE Services sector for Indian IT Services and encourage other service sectors such as tourism, film and entertainment to reach their full potential;

(iii) Seek Chinese investment in boosting India’s manufacturing capacities – Industrial Parks, SEZs, and NIMZs\(^\text{10}\) etc. An MOU for Industrial Parks has been signed with China;

(iv) Operationalise the Five-Year Development Program for Economic and Trade Cooperation that lays out a roadmap for comprehensively deepening and balancing bilateral economic engagement; and

(v) Remain vigilant and take action to safeguard against unfair trade practices to protect the legitimate trade interests of Indian industry.

111. While on the one hand, the Japanese market has not seen growth in the product areas of India’s interest, Indian business entities are facing market access problems. These problems can be partly attributed to language constraints faced by Indian companies in Japan, highly demanding product and service standards, regulations which require business modalities that make market access a costly venture, and a relative lack of intensive effort on the part of Indian business. India’s trade and investment relationship with Japan is unique in nature. Japan is India’s largest investment partner. Several ongoing initiatives in this direction are likely to increase Japanese investment in India. Indian business would therefore have the option of taking part in this process of investment generated trade. India’s export strategy to Japan would need to include acquiring language proficiency, negotiating a simplified framework for market access and continuous trade promotion efforts on the part of businesses and the Government. The Government will, therefore, run special programmes for trade promotion in Japan in identified sectors such as textiles, garments, information technology services, pharmaceuticals, leather products and agro processed products.

112. On the India-Korea CEPA, both trading partners have yet to significantly utilize the agreement, though the utilization rates are growing steadily. Nevertheless, Korea has taken significant advantage of the CEPA in specific sectors, especially steel and chemicals. Therefore one of the major efforts will be to intensify outreach work for effectively utilising the bilateral trade agreements with Japan and Korea.

Africa

113. There is enormous untapped potential for enhancing India’s economic relations with the African continent, encompassing not just trade and investment but also capacity development, technical assistance and provision of services such as healthcare and education. India shares several commonalities with the countries in this region in terms of high economic growth rates, large domestic markets, a young demographic profile and abundant natural resources.

114. Agro-processing, manufacturing, mining, textiles, FMCG\(^\text{11}\), infrastructure development and construction, to name a few, can offer huge potential to Indian companies.

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10 National Investment and Manufacturing Zones

11 FMCG: Fast Moving Consumer Goods
115. Against the backdrop of an uncertain global economic recovery, Africa’s macroeconomic prospects remain favourable. According to the African Economic Outlook 2017\textsuperscript{12}, Africa maintained an average growth rate of 2.2 percent in 2016, while the global economy grew at 3.1 percent underscoring again the continent’s resilience to global and regional headwinds. The outlook projects that growth for the continent as a whole could return to 4-5 percent in 2018.

116. The India-Africa trade and investment relationship has been increasingly vibrant in recent years. The share of Africa in India’s total exports was 9.8 percent in 2015-16.

117. The government lays great emphasis on institution building in Africa in order to promote the sustainability of the relationship. India has already stepped up its assistance in Africa and intends to further increase aid-for-trade assistance in the coming years. The private sector both in Africa and in India see India’s development assistance as having a comparative advantage in many services sectors, including ICT\textsuperscript{13}, education, vocational skills development, health and financial services.

118. Facilitating private Indian investments, in Africa, especially in agriculture, is another means to building productive capacity and generating local employment which will help to integrate Africa and India. Greater cooperation in agriculture and agro-processing would also contribute to food security in both Africa and India.

119. A small but significant step taken by India is a 3-year technical assistance programme for the cotton sector which is underway for 6 African countries and is in the final year of implementation. The response to this programme has been extremely positive and the government is looking to expanding this programme both in terms of its scope and coverage. Further, there is vast scope for India to help African countries especially LDCs to augment their capacity in international trade policy and law as well as provide sector-specific training for expanding their trade.

120. 21 LDCs from Africa have signed on to India’s Duty Free Tariff Preference (DFTP) Scheme for LDCs. This can make a significant contribution in boosting exports from these countries to India subject to developing adequate productive capacities. This facility can help to develop symbiotic trade and economic relationship between India and Africa.

121. In the WTO, India has been working closely with the Africa Group of countries on development issues, through platforms such as the Friends of Development Group and the G-33 coalition of developing countries. The strong support provided by the ACP (African-Caribbean-Pacific) Group and the Africa Group has helped in bringing to the fore issues such as special and differential treatment for developing countries and the need to correct anomalies in rules such as those relating to public stockholding for food security purposes.

\textsuperscript{11} Fast-moving Consumer Goods


\textsuperscript{13} Information and Communications Technology
122. Given the synergies between India and Africa it should be possible to work together to establish regional value chains and production networks.

Ongoing Initiatives/Future Focus

123. India is engaging actively with countries and regional groupings in Africa although presently, India does not have any trade agreements with countries in the region.

(i) Negotiations need to be pursued to finalise a PTA with the South African Customs Union (SACU)

(ii) Feasibility studies are underway to explore the possibility of trade agreements with the Common Market for Eastern and South Africa (COMESA) and the Economic Community of West African States (ECOWAS).

(iii) A product-based export plan for Africa is under preparation, covering institutional mechanisms to be set up for greater interaction with these countries for trade expansion.

(iv) Africa is an emerging market of the future with high infrastructure needs, which provides opportunities for Indian project exports. There is also considerable potential for India to provide many skill based services in Africa, including healthcare, educational, professional, R&D, and consultancy services. Many of these services can be exported in different modes. India can provide distance education for students abroad and establish off-shore campuses of Indian universities. We also have advantages in various services and R&D which can enhance the efficiency of manufacturing.

(v) Capacity building is another area in which India can contribute significantly to Africa. Ongoing activities which are to be completed or extended include the India Africa Institute of Foreign Trade in Kampala, Uganda on which work is in progress, the India Africa Diamond Institute to be established in Botswana and the India Technical and Economic Cooperation (ITEC) Programme for Capacity Development. They will continue to receive attention.

124. India’s engagement with the region in areas relating to trade policy evolution has been significant. India has contributed to the institutional process in Africa, in specific sectors dealing with laws and policies (for example, in the area of Intellectual Property laws). Through its training programmes and through the mechanism of WTO promoted institutional processes, India has engaged with African partners in a wide area of policies. The India-Africa Forum Summit and the Trade Ministers Conclave have provided a major institutional platform for this regular engagement which will help to build a long term sustainable bilateral trade relationship.
The West Asia & North Africa Region

125. India’s total trade with the 19 countries in the West Asia and North Africa (WANA) region\(^\text{14}\) stood at USD 124 billion during 2015-16 (about 19.26 percent of India’s total trade with the world). India’s total exports to the WANA countries in 2015-16 stood at USD 51.3 billion (19.59 percent of India’s total exports to the world). At USD 72.54 billion, imports from the WANA region accounted for 19.04 percent of India’s total imports from the world in 2015-16.

126. The United Arab Emirates (UAE) ranked first among the destinations for India’s exports in the WANA region and among the GCC countries (and second overall, after the US in 2013-14). The other major destinations in the WANA region include Saudi Arabia, Israel, Oman and Egypt. The UAE is a major entry point for Indian products transiting to other markets in the region. The growth has been impressive clearly indicating the demand for Indian products in this region. The mechanisms of Joint Commissions have offered institutional frameworks for pursuing bilateral interests.

127. This is a dynamically growing region with concomitantly high absorptive capacity for our exports. Our ability to diversify exports to the region has been a significant factor in keeping India’s foreign trade growing even during the most severe phase of the global economic downturn. This region deserves greater focus in our trade policy, factoring in, of course, the effect of lower oil prices of the oil exporting countries of this region. India is negotiating two FTAs in the region, with Israel and with the six countries comprising the Gulf Cooperation Council.

Latin American and Caribbean region

128. India’s relations with the Latin American and Caribbean (LAC) region are underpinned by strong trade and investment links which have strengthened and deepened in a short span of time. This region, comprising 33 sovereign countries and 7 overseas territories, is rich in natural resources and also has vast tracts of fertile land.

129. India’s total merchandise trade with the region stood at USD 24.51 billion in 2016-17, accounting for 3.72 percent of India’s total global trade. The growing importance of the LAC region in India’s global trade is evidenced by the increase in the region’s share in India’s global exports from 1.72 percent in 2001-02 to 2.62 percent in 2016-17 and increase in imports from 1.84 percent in 2001-02 to 4.5 percent in 2016-17.

130. Brazil is India’s major trading partner in the region. Brazil and India are both members of BRICS, IBSA and the G20. \(^\text{15}\) India’s other important trading partners in the region are Venezuela, Argentina, Chile, Columbia, Peru and Ecuador. India’s export basket is largely dominated by commodities such as

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\(^{14}\) (i) Six Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates);
(ii) Six West Asian countries (Iraq, Israel, Jordan, Lebanon, Yemen and Syria); and
(iii) Seven North African countries (Algeria, Egypt, Libya, Morocco, Sudan, Tunisia and South Sudan).

\(^{15}\) BRICS: the acronym for an association of five major emerging national economies, namely, Brazil, Russia, India, China and South Africa.
IBSA: acronym for a grouping of India, Brazil and South Africa
agro chemicals, manmade yarn, fabrics, drug formulations, motor vehicles / cars, auto components, bulk drugs, residual chemicals, dyes, organic chemicals and industrial machinery etc.

131. India has a Preferential Trade Agreement with MERCOSUR (a trading block of Argentina, Brazil, Paraguay and Uruguay) which was signed on 25 January 2004 and came into operation from 1 June 2009. In 2006 it was agreed to expand this agreement by enhancing both the number of products covered and tariff concessions offered. The MERCOSUR region itself has been going through some churning. The fact that it has some of the most significant markets of Latin America, makes this region quite important. Deepening and widening of the India-MERCOSUR PTA is an important part of the agenda for this region. The modalities for fast-tracking the process of expansion of the PTA have been finalized with the initiation of the process for exchanging first offer lists.

132. The India-Chile PTA which was signed on March 8, 2006 has been expanded. The expanded India-Chile PTA came into force with effect on 16th May 2017 in both the countries. Under the expanded PTA, Chile has offered concessions to India on 1,798 tariff lines with Margin of Preference ranging from 30-100 percent and India has offered concessions to Chile on 1,031 tariff lines with MoP ranging between 10-100 percent at 8-digit level as per HS 2012. Chile is a promising market and expansion of this agreement will help in broadening India’s export basket.

133. Peru and Colombia form part of a regional economic group known as the ‘Pacific Alliance’ which comprises, in addition, Mexico and Chile. India is an ‘Observer member’ of the Pacific Alliance since February 2014. A Joint Study Group (JSG) between India and Peru was constituted to explore the possibility of entering into a free trade agreement was concluded on 20th October 2016, following which negotiations on trade in goods, services and investment chapters have commenced. During the first meeting of India-Ecuador JETCO and the third Meeting of India-Colombia Joint Business Development Cooperation Committee held on 17-19 May, 2017, the possibility of entering into Trade Agreements with Ecuador and Colombia through a Joint Study was discussed. Columbia has expressed keen interest to enter into limited Preferential Trade Agreements with India.

134. From the energy security point of view, the region is amongst the major suppliers of crude oil to India at over 8 million metric tons annually. With the discovery of new oil fields in Brazil, Venezuela, Columbia and shale gas in Argentina, India’s public and private sector companies are looking for new investment opportunities in this part of the world. From the food security point of view, the region offers excellent opportunities for large-scale farming and most of the produce grown there could be exported to India. Further, the LAC region can be an excellent source of minerals for India’s growing industry. Airline and shipping connectivity issues with the region as well as logistics network, especially warehousing facilities also need to be addressed in order to reap the full benefit of this growing trade relationship. Innovative credit mechanisms would need to be worked out for providing easy access to credit for Indian entrepreneurs to encourage project exports and trading with the region.
Future Focus

135. The plan for greater engagement with this region envisages:

(i) Efforts to diversify India’s exports to the region in the future;
(ii) Expansion of India-MERCOSUR PTA;
(iii) Strengthening trade and investment linkages with the Pacific Alliance;
(iv) Trade Agreement with Peru in goods, services & investment;
(v) Pursue a limited PTA with Colombia;
(vi) Exploring the potential for large-scale farming by Indian companies/individuals with a view to augmenting India’s food security programme as well as playing a greater role in global agriculture trade.
(vii) Encouraging project exports in the LAC region through easy access to credit facilities;
(viii) Intensifying trade promotion programme to encourage and support Indian exports to Latin American countries;
(ix) Extending help in setting up warehousing facilities in Latin America to make our exports more competitive to overcome distance and time constraints; and
(x) Continuing to explore possibility of new regional trading arrangements in Central America and Caribbean Region.

The CIS Region

136. Trade between India and the CIS (Commonwealth of Independent States) region - which includes 12 countries, namely, Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan, Russia, Georgia, Azerbaijan, Armenia, Ukraine, Belarus and Moldova - has increased by about 4.8 percent in the last five years. Russia and Ukraine are India’s major trading partners in this region, accounting for approximately 84 percent of India’s total bilateral trade with the CIS region.

137. The CIS region offers enormous market potential given its strong GDP, high per capita incomes and economic growth rates, the size of the region’s population, and the abundance of natural resources such as petroleum, coal, natural gas, potash, fertilizers, metals and minerals. The CIS region has strong complementarities with India’s manufacturing sector.

138. Invigorating trade and investment ties with Russia is a focus area of the government. India’s trade with Russia at USD 7.48 billion in 2016-17 is below potential. There are several complementarities between the two sides and scope to increase cooperation in areas such as hydrocarbons, nuclear energy, pharmaceuticals, fertilizers, diamonds, coking coal, agro products, textiles, leather, engineering, information technology services and infrastructure development. Indian exporters face various non-tariff barriers in Russia such as stringent sanitary and phyto-sanitary standards on bovine meat, egg products, oilseeds and non-basmati rice. The Indian pharmaceutical industry also faces similar barriers in exporting to Russia. The Joint Statement issued at the occasion of the visit of the President of the Russian Federation to India in
December 2014 set a target of USD 30 billion for bilateral trade in goods and services to be achieved by 2025.

139. Diamond trading is an important constituent of trade relations with Russia. During the World Diamond Conference in December 2014, ALROSA, the largest diamond supplying company of Russia signed agreements for direct sale of rough diamonds with twelve Indian companies according to which Russia would supply over the next three years USD 2.1 billion worth of rough diamonds. Further, the Gem & Jewellery Export Promotion Council (GJEPC), India’s apex body representing the gems and jewellery export trade and ALROSA, Russia’s largest Diamond Mining company signed a Memorandum of Co-operation (MoC) on 1st June, 2017 on the sidelines of the St. Petersburg International Economic Forum (SPIEF) in Russia to cooperate in the areas of Generic Marketing of Diamonds, Trade Development, Synthetic Diamond Detection etc.

Connecting India with the CIS: The International North South Transport Corridor

140. India’s exports to the CIS countries have traditionally been routed through Nhava Sheva port in Mumbai to St Petersburg via Mediterranean and Baltic sea. On an average, a shipment from Mumbai to Moscow on this route takes about 40 to 60 days. This route is long and time consuming. Major exports from India to the CIS are perishables such as onions, potatoes, garlic etc which can even be transported in dry containers if transit time is reduced and packing technology is improved. The International North South Transport Corridor (INSTC) was envisaged to cut down timelines. This first corridor runs from Nhava Sheva in Mumbai to Bandar Abbas (Iran) and through Baku to Moscow and second corridor runs from Bandar Abbas to Amirabad (Iran) and on to Astrakhan in Russia for onward shipment to Moscow. It has been calculated that on the INSTC the distance for sending the shipment would be 40 percent shorter and 30 percent cheaper than the traditional route.

141. The Federation of Freight Forwarders Association of India (FFFAI) has conducted a dry-run to study in 2014 with a dispatch of cargo along the corridor and to identify problems and bottlenecks. A number of roadblocks and the remedial measures required have been identified. This route once popularized, will unlock the true potential of international trade between India and the CIS, particularly India and Russia.

142. In order to enhance trade relations between India and the Eurasian Economic Union (EaEU) which consist of Belarus, Kazakhstan, Kyrgyzstan, Armenia and the Russian Federation, both sides agreed to enter into a Free Trade Agreement for trade in goods and services following the favourable Joint Study Report. The first round of talks is likely to take place early 2018. Institutional mechanisms to deal with outstanding bilateral trade issues are in place in the form of IGC/JWG/JCM.

16 GJEPC’s press release dated 01.06.2017 (https://gjepc.org/admin/PressRelease/310488214_Indo-Russian%20Ties%20in%20the%20Diamond%20Sector%20Take%20a%20Giant%20Leap.pdf)
143. In order to expand India-Russia bilateral trade, there have been demands in some quarters for trade in local currency. A Sub group on Banking and Financial matters was set up under the Reserve Bank of India and with the counterpart of Russian federation to discuss the issue.

**Impact and Utilisation of FTAs**

144. FTAs and similar trading agreements are rapidly becoming the predominant way in which global trade is conducted. The importance of FTAs is underscored by the fact that there are 274 FTAs (as of May 2017), currently in force in the world which are notified to the WTO. Moreover, every WTO member has at least one FTA. One of the main reasons in the spurt of FTAs is that they are viewed favourably in comparison to multilateral negotiations both from the viewpoint of addressing specific trade interests as well as flexibility to factor in geo-political considerations. There are divergent views, however, about their utility and effect on the domestic economy. An Impact Analysis of FTAs has, therefore, been instituted in order to assess whether the concessions under these agreements are being gainfully utilised.

145. Analysis of data for the period 2009-10 to 2016-17 indicates that preferential imports, while increasing steadily are still not a significant proportion of total imports. In 2016-17, it ranged from 6.4 percent of total imports under the India-Malaysia CECA to 42.9 percent of total imports under the India-Korea CEPA.

146. Other broad inferences from the impact analysis are:

- India’s FTA partner countries have not significantly displaced India’s global market share, indicating that trade diversion has been limited.
- Under each of these FTAs, there has been a significant increase in overall trade, in both exports and imports, although imports have increased at a faster pace. This is only to be expected given the tariff asymmetry between India and its FTA partners with India having much higher applied tariffs compared to all its FTA partners and consequently tariff concessions given by India being much deeper.
- India has not become a major supplier of raw materials to any of these countries.
- An increase in the share of intermediate goods and capital goods in India’s export basket in some of these FTAs could be indicative of a rise in value addition of India’s exports.
- Preferential imports of intermediate goods into India through these FTAs such as organic chemicals, plastics and iron & steel may have facilitated an increase in manufacturing activity within India by making these available at competitive prices and facilitating value addition, as also import of capital goods like mechanical and electrical machinery.

147. The statistics clearly show that we have not been able to derive full advantage out of our trade agreements such as with Korea, Japan and ASEAN. The Industry would need to be competitive to take advantage of FTAs.
Some Issues being addressed

Rules of Origin

148. Rules of origin (ROOs) are used to determine the country of origin of products and, accordingly, their eligibility for preferential treatment. They set out specific and detailed conditions on the level of processing that an imported item from a non-FTA partner country must undergo in the FTA partner country (or other eligible countries in the region) before being eligible to be called an originating product of a FTA partner country. The Rules of Origin criteria has to be technically appropriate and ensure substantive transformation. They are an effective means of both preventing trade diversion and addressing sensitivities of the domestic industry if applied judiciously. India has negotiated general rules of origin with limited PSR in most of her existing FTAs. However, in most of the modern FTAs the trend is to have product specific rules (PSR) of origin that prescribe rules for each tariff lines and considered to be more trade facilitative. Therefore, for most of the FTAs which are under negotiation, India has also shifted to product specific rules of origin approach. India is also exploring self-certification of the rules of origin for specified category of exporters in some of the new agreements that are being negotiated.

Inversion in Duty Structure

149. Another criticism of FTAs is that they have led to some cases of inversion in duty structures i.e. finished products can be imported into the country at zero or reduced import duties whereas duties on raw materials or intermediates are higher, thereby making raw materials and intermediates costlier than finished products. An analysis indicates that most of the inversions reported were the outcomes of the MFN duty structure due to the sourcing of raw materials and intermediates from non-FTA partners. However, the interpretation of inversion depends on the position of the product concerned in the value chain and, therefore, the complete value chain needs to be examined. Some instances of inversion due to FTAs were rectified in the last few Budgets. The emergence of such inversions will continue to be examined both at the time of negotiating an agreement as well as subsequently to ensure that industry is not put to any undue disadvantage.

Preferential Export Data

150. The present export documentation does not separately capture preferential trade data. Despite best efforts, it has not been possible to quantify India’s preferential trade under various FTAs. It is necessary to capture preferential export data in the normal course and this is possible either by making certain amendments in the shipping bill itself or in the application format. In view of the importance of this matter, a system for capturing preferential data is being put in place.
FTA Outreach and Information Dissemination

151. The impact analysis mentioned above revealed a relative lack of awareness on the part of industry and business about the benefits which can be drawn from an FTA, indicating the need for a strong outreach programme. It also showed that industry is not adequately oriented towards using such FTAs to find new markets and new products for business except when they adversely affect their business. To fill this gap, Department of Commerce has instituted an intensive FTA outreach programme covering tier 1 and tier 2 cities. In addition, FAQs on FTAs have been compiled and can be accessed on the website of the Department of Commerce. A sector-specific FAQs on engineering sector has also been uplinked on the website. Further, work would be undertaken on preparing other sector-specific FAQs.

Trade Portal

152. A web portal on FTAs has been developed which can be accessed at http://indiantradeportal.in/. The portal provides both MFN and preferential tariff rates, rules of origin, sanitary and phytosanitary (SPS) standards and technical barriers to trade (TBT) under various FTAs signed by India. It also captures the trade flows from major trading partners. The data is provided at the 8-digit level of the Harmonized System of classification. The portal is being maintained and regularly updated by the Federation of Indian Exporters Organisation (FIEO).

India’s Initiatives for LDCs

153. In keeping with its commitments in the WTO, India became the first developing country to extend Duty Free Quota Free (DFQF) access to Least Developed Countries (LDCs). India announced the Duty Free Tariff Preference (DFTP) Scheme for LDCs in 2008. Effective from 1 April 2014, the DFTP scheme provides duty free market access on 96 percent of India’s tariff lines and preferential duties on 2.2 percent of the lines. Only 1.8 percent of tariff lines have been retained in the Exclusion List, i.e. with no duty concessions. The new expanded Scheme has brought in several procedural simplifications with reference to the Rules of Origin under DFTP.

154. At present, 32 LDCs (out of 48 LDCs) have become beneficiaries of the scheme. This can make a significant contribution in boosting exports from these countries to India provided that they have adequate productive capacities.

155. A Technical Assistance Programme is underway for the cotton sector in 6 countries of Africa, namely, Benin, Burkina Faso, Chad, Uganda, Nigeria and Malawi. The initiative has been conceptualised and designed under the auspices of the 2nd India-Africa Forum Summit in fulfilment of the commitment made by India in the WTO to provide development assistance for the cotton sector to the Cotton-4 countries. The project has been very well received and several other African countries have requested India to replicate the programme for them and, accordingly, a project is being prepared for appropriate approval.

17 Frequently Asked Questions
India’s Preferential Offer in Trade in Services to LDC Members of the WTO

156. An LDC Services Waiver was adopted at the Eighth Ministerial Conference of the WTO in 2011, which allows non-LDC members to grant preferences providing greater market access to LDCs. In other words, this decision allows WTO members to deviate from the Most Favoured Nation obligation under the WTO Services Agreement. At the Tenth Ministerial Conference in Nairobi, Kenya, in December 2015, Ministers decided to take further steps towards the operationalization of the waiver. Accordingly, India operationalised the following waiver and offers to LDCs:

- **Visa Related Issues:** India waived off visa fees for LDC applicants applying for Indian business or employment visas.

- **Offers in respect of Technical Assistance and Capacity Building:** India earmarked a share of at least 25 percent out of all technical assistance and capacity building opportunities currently offered by the Ministry of External Affairs, Government of India, exclusively for the LDC members of the WTO.

- **Offers in Mode 4 (Movement of Natural Persons):** India undertook liberal commitments in 15 sub-sectors, which were not scheduled in India’s GATS commitments. These include key sub-sectors such as integrated engineering services, management consulting services, entertainment and sporting services, cultural and sporting services, maritime transport and maritime auxiliary services, etc.

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18 General Agreement on Trade in Services
SECTION III: PRODUCT STRATEGY

157. In order to raise India’s share in world exports, it is essential to focus efforts on those sectors where India already has strengths as well as those which have untapped potential. A Strategy Paper prepared by the Department of Commerce in 2010[^19] identified such sectors, based on various considerations which continue to be relevant today.

158. Promoting the growth of exports from high value creating and employment generating sectors with a strong domestic manufacturing base, would be the lynchpin of India’s overall export growth strategy.

159. Further, based on domestic manufacturing capabilities and potential demand, exports of drugs and pharmaceuticals, chemicals and electronics (all high value products reliant on our manufacturing base) would need to grow significantly to realize the overall growth targets, and these sectors would be prioritized accordingly. Some of the promising product areas are discussed below.

Engineering Exports

160. In order to increase the share of manufacturing in the country’s GDP and absorb the increasing numbers being added to the labour force, the engineering industry is critical. Within engineering, it is important to move up the value chain both in terms of domestic production and exports. A Strategy Paper commissioned by EEPC India for the growth of Indian engineering exports in 2014-19[^20], estimated that India’s engineering exports will be in the range of USD 86 - 125 billion by the end of 2018-19. Engineering exports from India stood at USD 71 billion in FY 2014-15. Thereafter, in the face of global headwinds and a series of unfavourable factors, engineering exports growth slowed down in 2015-16 to USD 58 billion. A series of promotional measures taken by the Government revived engineering exports and it bounced back on the growth path to reach USD 65 billion in the last fiscal 2016-17. The strong growth has continued in the period April-October 2017.

161. A significant point that the Strategy Paper observed is that the share of engineering exports in India’s total exports has remained at around 20 percent over the last decade. India’s share in global engineering trade is around 1.2 percent whereas China’s share is around 12.3 percent. India does not hold a dominant position in any of the 34 product categories in the engineering sector. India primarily exports low and medium technology intensive engineering goods. The share of high tech goods is less than 6 percent of the overall engineering export basket. According to the Strategy Paper, this is because almost all exporters from India rely on the labour cost arbitrage and this has resulted in limited exports in the high end segment. The report concludes that India cannot indefinitely continue to rely on labour cost arbitrage because of emerging trends like near shoring, automation and robotic technologies. Further, the bulk of the Indian engineering export basket is accounted for by

SMEs who have constraints on their financial capacities to invest in technology and research and development.

162. In order to address these lacunae, the Government along with EEPC and allied industry bodies has embarked on a three pronged strategy: (i) promote Technology initiatives for the SMEs by creating awareness in specific engineering goods clusters of the need to move up the value chain and upgrade with relevant technologies; open Technology Centres and develop different modules of access of SMEs to National Scientific and Industrial Research institutes (ii) stress on quality and standardisation of engineering products with the help of Quality Council of India (QCI) and the National Accreditation Board for Certification Bodies (NABCB); an active campaign has been launched for the Zed Certification (Zero Defect Zero Effect scheme) and (iii) promote the Brand “India Engineering” globally through IBEF and engineering export and allied industry bodies.

Issues to be addressed

163. The EEPC India Strategy Paper identified impediments such as high energy costs, high interest rates, un-refunded tax benefits, lack of adequate physical infrastructure, outdated manufacturing processes and lack of best practices. These increase the cost of manufacturing, rendering Indian manufacturers uncompetitive in international markets. With the implementation of GST, some of the transactional costs on the indirect taxes sides are expected to come down. The report suggests that rather than subsidies and incentives, measures to remove structural deficiencies through institutional reforms would result in more durable benefits. Innovation and increased R&D, attracting FDI, a skilled workforce and easier funding have been identified as other requirements to boost engineering manufacturing and exports.

Electronics

164. The huge domestic demand for electronics is met largely by imports supplemented by some locally manufactured products. Companies are not actively looking for export opportunities because of the large and rising domestic demand fuelled by the growing middle class.

165. Indian electronic hardware manufacturers also experience a higher level of taxation, higher cost of power, finance and freight and poorer infrastructure compared to their competitors from China, Taiwan, Korea and Japan. The cost of production of most electronic goods in India is at least 8 to 10 percent higher than in other countries of South East Asia. China, with its superior infrastructure and manufacturing competitiveness, *inter alia*, on account of lower factor costs, is India’s main competitor in this sector. Indian exports of electronics hardware can increase faster if we are able to increase exports of high value added items, products embedded with IPRs and diversify our export basket. The strengths of the Indian electronics industry in design, systems integration and diagnostic skills need to be leveraged for catering to niche markets.

Pharmaceuticals

166. India’s pharmaceutical industry has established a global reputation for quality and affordability. Pharmaceutical exports account for 10 percent of the global market by volume (ranked 3rd globally) and 1.4 percent by value (ranked 10th
globally). The industry is expected to expand at a compound annual growth rate (CAGR) of 14.5 percent over 2009-2020 to reach USD 55 billion.

167. Our pharmaceutical exports have been dominated by generics. With many drugs having gone off-patent in recent years and a shift in developed markets from drugs to generics, the prospects for this segment for India are very good21.

**Issues to be addressed**

168. Access to many advanced markets remain constrained by NTBs. In some countries, Indian pharmaceutical companies face regulatory hurdles in the form of prolonged and unpredictable timelines for registering Indian drugs, which has adversely impacted expansion plans of Indian pharmaceutical companies. For example on an average, registrations in these countries take about 3 to 4 years, compared to less than 10 months in India.

169. The pharmaceutical sector is beset with several challenges. Most of these challenges arise out of the enviable reputation of India as a reliable supplier of generic medicines. These challenges include the following:

(i) Campaigns to malign generic products as being in violation of India’s IPR commitments;

(ii) Alleged lack of compliance of generic medicines coming out of India, with quality standards;

(iii) India’s over dependence on some sources for its active pharmaceutical ingredients (APIs);

(iv) India not being party to the PIC/S22 Convention and Indian Pharmacopeia being not recognized yet in major markets; and

(v) The practice by some countries to link the domestic pricing policies to export prices forcing Indian exporters to price their products with extremely low margins.

170. All these challenges have been met frontally by the government over the past few years. In the area of IPRs the challenges have been addressed in international and multilateral forums by filing disputes and challenging any unjust treatment meted out to Indian medicines. Quality related compliance issues have been addressed by promoting self-discipline on the one hand and dealing with ill-intentioned campaigns against Indian medicines in some geographies or the other. India adopted a trace and track policy for all medicinal products exported by it globally from 5 January 2016 to necessarily follow the trace and track compliance mechanism with authentication facility. As regards pricing, while the challenge is daunting, it is also recognized that this is the factor that makes Indian medicines affordable. It is important for India to work towards membership of PIC/S. It is also necessary that India sources a large part of its APIs from within or distributed sources. The brand promotion for India’s pharmaceuticals has shown excellent results. So much so, that the India Brand Equity Foundation (IBEF) and the Indian private sector have agreed to form a Trust to run a branding campaign for Indian pharmaceuticals. Recognizing the value India can offer in a variety of healthcare products and

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21 DOC Strategy Paper
22 The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme
services, a composite healthcare products and services promotion programme is being run in selected geographies. This will include promoting pharmaceuticals, medical devices, healthcare services, traditional medicines and yoga. India has unique strengths in all these areas and a composite marketing exercise will help in projecting India not as a “pharmacy of the world” alone but also as a source of healthcare and fitness.

Medical Devices/Equipment

171. Medical devices and equipment constitute a new area of focus. The 100 percent opening up of the sector for FDI recognizes the potential of the sector for new investments. India’s unique position as a major market for healthcare services, makes this sector highly significant with potential for exports.

172. The Government has taken multiple steps to boost the medical device manufacturing in the country. Apart from permitting 100 per cent automatic FDI in the sector, import duty concessions for 67 medical devices were rolled back while strict monitoring of prices on certain critical implants like stents has been undertaken to curb oligopolistic tendencies and competitive pricing in the country. In addition, a Med Tech Park is being constructed in Vishakhapatnam, Andhra Pradesh while two other such parks are in the process of being set up in Maharashtra and Gujarat to reduce the cost of manufacturing due to availability of in-house common labs/ testing facilities. Further, many skill development and training programmes are being carried out by the government and private sector to teach design and development of medical devices of international quality and standards, and also to meet the medical device directive regulatory requirements. These measures are being supplemented by promotion of domestic industry’s capability abroad through catalogues and participation in tailor-made exhibitions abroad by Indian SMEs.

Leather products and textiles

173. Another important category that needs support is leather products and textiles. These are important because they generate employment, have high domestic value addition, and have historically been areas of strength in our export markets.

174. India already has a significant name in the footwear sector. Keeping in view the potential of leather sector for employment generation and exports, the Government has announced a special package for this sector on the lines similar to the textiles package. The sector also needs financial resources to augment its environmental compliance. It has also been included as a focus sector under ‘Make in India’ programme. Therefore, attention will be paid to the following:

(i) Development of standards for footwear and accessories
(ii) Enhancement of skills of designers
(iii) Encourage production of accessories and components for reducing dependency on imports
(iv) Supporting skill development leading to job creation and focussed marketing efforts
Greater focus on finished and composite products and additional attention to garments, non-leather products

Improving competitiveness through supporting environmental compliance expenses and other capital expenses.

175. In textiles, we need to realize more effectively the scope for growth made possible since the dismantling of the quota regime. The labour intensity of the apparel industry is one of the highest. With over 4.5 million people employed directly, the apparel industry is one of the largest sources of employment in India.\textsuperscript{23} As a net exporter of cotton yarn, India has an advantage over competitors such as China and Bangladesh and can benefit from moving up the value chain. Product diversification in garments is essential; into women’s garments, value added cotton products, and synthetic textiles. In these sectors, the aim will be to scale up operations and increase export growth rates. The textiles and garments sector has traditionally been a leader of India’s exports in global markets particularly to the traditional markets of the US and EU. While it continues to be an important sector, it faces several challenges. The textiles policy should address most of the concerns of this sector. India is positioned along the entire value chain of cotton and synthetic textiles and garments. It needs to reorient itself in view of increasing global challenges and emerging opportunities. Several developing countries are becoming major competitors of India in the garments sector. India must therefore leverage its capacity in the pre-garment stages of the value chain in a manner that a continuum is established within the region. This approach should shape economic ties with neighbouring countries including South East Asia.

Gems & Jewellery Sector

176. Another important labour intensive export sector that must continue to be encouraged is that of gems and jewellery. This sector has relatively low value addition, but contributes a high volume of exports and employment. The gems and jewellery manufacturing sector largely consists of SME units and is a major source of revenue generation as well as a source of employment for skilled and semi-skilled workforce of 4.64 million\textsuperscript{24}.

177. Gems and jewellery exports have increased from USD 29.1 billion in 2009-10 to USD 43.5 billion in 2016-17; its share in India’s total merchandise exports was 15.7 percent in 2016-17\textsuperscript{25}. The top five export destinations for Indian gem and jewellery products are the UAE, Hong Kong, the US, Belgium and Israel. The sector has been included under the ‘Make in India’ initiative. During 2016-17, exports of all important segments of the sector, viz. cut and polished diamonds, gold jewellery, silver jewellery, coloured gemstones, pearls and synthetic stones have shown a positive growth and the sector now aspires to move towards higher value addition jewellery segments like fashion, silver and studded jewellery.

178. The gems and jewellery sector is an import intensive sector with export orientation. It also requires high working capital. The decision to create a

\textsuperscript{23} Study by JM Financial Institutional Securities Limited on ‘Make in India’
\textsuperscript{24} KPMG’s Human Resources and Skill Requirements in the Gem & Jewellery Sector Report (\url{http://www.gjsci.org/reports/Gems-Jewellery\%20-%20KPMG.pdf})
\textsuperscript{25} DGCIS export data
Special Notified Zone has helped to give access to rough diamonds to more than 500 domestic companies (mostly SMEs). Earlier only 90-100 companies had access to rough diamonds for which they had to travel to trading centres in Belgium, UAE, Israel. The scheme to set up Common Facility Centres in manufacturing clusters provides an opportunity to small and medium manufacturers to use state-of-art technology/equipment at common facilities at optimum cost, to improve their quality and productivity.

Natural Resource Based Exports

179. Another focus area is that of natural resource based exports. This category includes agriculture, plantation and marine products, and iron-ore exports. Revitalizing plantations, enabling a more stable and conducive regime for agriculture, and aiming at greater value addition through processed products would help increase the value of exports.

180. There is a steadily growing market for processed foods and vegetables, organic agricultural produce, and fresh agricultural produce for retail in supermarkets. According to one study\(^\text{26}\), the availability of abundant raw material, low-cost labour and the large domestic market provides an opportunity to move up the value chain. There is tremendous potential for exports from this sector. The Government is focusing on this sector with mega food processing parks and cold chain projects to address infrastructure issues.

181. A few years ago, iron ore exports used to comprise a large part of India’s exports to China and several other markets. Today, for several reasons, iron ore exports have dwindled to a trickle. The recent lifting of the ban on iron ore mining in some States will unshackle iron ore mining activity. At the same time India is embarking upon a programme of manufacturing for which iron ore would be required at home. In the last few years, pelletisation facilities have also come up in a major way in the country. All this will mean that iron ore exports may not reach the same levels a couple of years ago. Nevertheless, as global markets pick up, it is expected that iron ore exports, particularly as pellets, will increase.

Agricultural Products

182. Exports of agricultural and allied products (including plantation and marine products) have more than doubled over a period of 5 years. Exports have grown from USD 17.79 Billion in 2008-09 to USD 42.51 Billion in 2013-14 with a CAGR of 19 percent. Exports, however, on account of decline in global commodity prices, fell during 2014-15 and 2015-16 with total exports of USD 38.66 Billion and USD 32.09 Billion respectively. During 2016-17, some recovery was visible with exports amounting to USD 33.38 Billion.

183. Framing policies for the export of agricultural products involves consultations and consensus building with several stakeholders including various Central Ministries / Departments, State Governments and other organizations. Important considerations while framing a trade policy for agricultural products are: the stocks available in the country, food security concerns, the domestic price situation, ensuring remunerative prices for growers and price competitiveness in the international market. Production, marketing and pricing

\(^{26}\) Conducted by JM Financial Institutional Securities Limited
policies adopted by major producers of like products or substitutes also influence the export potential of agricultural products. Climatic factors have also become increasingly relevant in this regard.

184. The salient features of a plan of action to promote exports of agricultural products are as under:

(i) **A stable policy regime:** maintaining a long term, stable, consistent and by-default ‘open’ export policy as against an ‘on-off’ policy;

(ii) **SPS/TBT issues:** effective handling of such issues, which includes:

- Upgrading quality to avoid disruption in trade on account of SPS issues with major trading partners;
- Effectively challenging unfair SPS measures of trading partners and
- Creating physical infrastructure and institutional capacities within India, responsive to the needs of importing country regulations.

(iii) **Post-harvest facilities:** While India is now a significant supplier of agro products to the world, these remain largely confined to commodities such as cereals, groundnut, castor oil, oil meals, guar gum etc. of which surpluses are limited. It is recognised that while supply side issues need to be actively addressed, there should be a shift in focus towards processed and value added exports and niche products such as organic, culinary herbs and herbal products. We need a range of facilities and infrastructure on the post-harvest front, such as:

- cold chain facilities and transport logistics from the farm to the ports and airports;
- silos with temperature control mechanisms to preserve the quality of produce;
- state-of-the-art pack houses with complete cold chain arrangements; and
- integrated post harvest facilities and centres for perishable cargo with uninterrupted power supply and connection to National Highways.

(iv) **Organic exports:** Promoting organic agri-exports through appropriate policy interventions and setting up credible and up-to-date organic export certification and accreditation programmes - the number of certifying bodies has to be expanded, especially in the North-East. Today, India’s export of organic products is miniscule. But recognising the value of organic agriculture for exports particularly in discerning markets such as EU, US and Japan, is necessary to promote organic agricultural exports to derive greater market realisation. This sector requires special attention with support of investment in technical capacities for organic certification, outreach and capacity development particularly in the North Eastern States where the potential for organic agriculture is encouraging. Support for packaging, branding and marketing organic products and simplification of procedures need to be prioritised. Sikkim has been chosen to be an “Organic State” and will be offered a package in consultation with the Government of Sikkim to facilitate organic exports. Similar such initiatives from amongst other North Eastern States will be encouraged.

185. The Government has decided to remove quantitative ceilings on export of organic wheat, rice and sugar. The quantitative ceiling in respect of organic
pulses has been enhanced from 10,000 MT to 50,000 MT per annum. It has also been decided to allow export of certified organic agricultural products even in the event of ban on the basic non-organic products (non-organic).

**Plantation Products**

186. The plantations sector directly supports livelihoods of about 18 lakh small growers and more than 33 lakh workers, majority of them resource poor, low income groups, inhabiting tribal and geographically challenging terrain, in a sustainable, eco-friendly manner that supports the tribal social structure. Plantation products, especially spices, coffee and tea, being closely and strongly associated with ‘Brand India’, help to promote Indian cuisine, lifestyle and exports, and establish a personal recall value amongst consumers in general.

187. Plantations today face a number of challenges including stagnation in productivity due to the ageing plant material, impact of climate change including pests, scarcity of labour and volatile international prices. Stringent food safety regulations in importing markets and the slow movement from commodity to product and brand exports are also squeezing margins and profitability.

188. To ensure that plantations remain commercially viable, attract investment and professional talent, it is critical that our tea, coffee and spices exports become more competitive in discerning international markets. In order to do so, the following issues assume importance:

189. Productivity enhancement is a major goal for all plantation products, particularly tea and coffee. Alongside productivity, expansion of the production area is another important challenge. This is particularly relevant for rubber. Through intensive efforts rubber plantations have expanded phenomenally in Tripura but there is still vast potential to expand rubber plantations in Assam and other states of the North East. Programmes for expansion of rubber will be initiated in Chhattisgarh, Jharkhand and parts of Orissa and Maharashtra where suitable areas for rubber cultivation have been identified.

190. Coffee plantations are adversely affected by pests particularly the stem borer. Effective means of neutralising the impact of this pest will be found through scientific and technological methods and collaborative research.

191. India occupies an important position in exports of the plantation crops. It is the leader in spices, and plays an important role in coffee and tea exports. While tea exports have remained stagnant, coffee exports have grown steadily. India has essentially remained a bulk supplier of these products thereby not realising the full value of niche products in global markets. Programmes for promoting value addition in tea, coffee and spices along with branding support for export are being taken up.

192. Quality compliance is most critical in the case of all these products. A sound technical regulatory infrastructure will be augmented with investment in human resources, infrastructure and equipment.

193. A critical review of all Commodity Boards is being carried out with objective to restructure them, whereever required, equip them for digital delivery of services and other measures to enable them remain abreast with the changing demands.
Box 3: National Offsets Mechanism

India is considering a national offsets mechanism. At present India has an offset mechanism for the defence sector under which foreign suppliers have to buy at least 30 per cent of the total value of the supplies locally.

The Department of Commerce was assigned the task of formulating the national offsets mechanism. Several rounds of consultations were held with stakeholders and various Ministries.

It will primarily cover Central Government procurement including procurement by PSUs, except defence procurement which is already covered by an offset policy. The provisions of the relevant WTO rules and the Public Procurement Bill have been kept in mind in drawing up the draft Policy.

The national offsets mechanism will have the following objectives:

a) technology transfer;
b) acquisition of assets in the importing country;
c) investments;
d) augmenting capacity for research, design and development;
e) long-term supply agreements;
f) enhancing exports (including project exports);
g) creation of employment opportunities, etc.

It would contain provisions for cross-sectoral linkages across organizations/departments in offset clauses. While the high-value import may be by one organization, the main contract may incorporate in it offset clauses (through cross-sectoral offsets) that would serve the demands of other organizations/departments.

The mechanism will have a threshold and only contracts above that would have to incorporate offsets. The minimum value of the offsets obligations would be 30 percent of the estimated cost of the acquisition.

The negative list for offsets would include export of services, agricultural products, minerals and ores, as India is competitive in these products/sectors and it would be difficult to isolate the incremental effect of the offsets contract.

Hi Tech Products

196. In the selection of winners and potential winners for export rewards special attention has been paid towards promoting products with higher technology content. There is no clear definition of a high-technology product. However,}

Defence Products

194. Government aims to encourage and promote exports in the defence sector. The Department of Defence Production has put in place a specific strategy for encouraging defence exports within the overall ambit of the FTP.27

195. Various initiatives already taken or to be taken to enhance export of items from the defence sector include modifications in the FDI policy, greater clarity as regards industrial licenses for this sector, fastracking of applications, listing of munitions, creation of HS codes for items in this sector and setting up promotional institutions for defence exports. To boost exports, the Ministry of Defence has relaxed export control laws that earlier required multiple end user certificates to export components and parts of larger systems. The guidelines for export of dual use items under SCOMET have been amended to align it with international norms and enable India to become members of international treaties. The updated list, which include 16 broad categories of products that can be exported after clearance, is likely to boost trade in defence products and make clearances easier for private sector companies to boost their exports.

various reports categorise products as high-technology products without actually defining them. Based on such reports and a broad assessment, certain products have been identified as high technology products for the duration of this policy. The list is dynamic and, will be regularly reviewed and updated.

Exports by micro, small and medium enterprises

197. Micro, Small and Medium Enterprises (MSMEs) contribute about 45 percent of the manufacturing output, over 40 per cent of the total exports of the country, and around 8 percent of the country’s GDP. They contribute significantly to employment generation and development of rural areas.

198. The MSME sector is one of the key drivers of India’s transition from an agrarian economy to an industrialized one, through its contribution to improving entrepreneurial skills and economic empowerment. MSMEs feed local consumer markets and international value chains. The sector currently produces more than 6,000 quality products, ranging from handloom sarees, carpets, soaps and pickles, to auto and machine parts targeting both domestic and international markets.

199. An inter-Ministerial Committee on boosting exports from the sector which submitted its report in 2013 examined the factors obstructing the growth of exports from the sector and recommended various measures. The potential of the sector, the problems it faces and its requirements have been kept in view in framing the FTP.

Interest Subvention

200. As stated earlier, a large segment of India’s exporting community belongs to the MSME sector, which is often constrained for financial resources. In foreign trade transactions, often there is a long period before export value realisation. Export credit plays a significant role in facilitating exports. A programme for providing interest equalisation on export credit for identified sectors and all exports of MSMEs has been implemented from FY2015-16 onwards.
SECTION IV: THE SERVICES SECTOR - AN AREA OF GREAT POTENTIAL

201. Services remain the key driver of India’s economic growth, contributing to almost 53 per cent of Gross Value Added in 2015-16 (61.5 per cent including construction). It is an important net foreign exchange earner and the most attractive sector for foreign direct investment inflows. The share of services sector in global services exports was 3.3 percent in 2015 compared to 3.1 percent in 2014.

202. Services exports have been a dynamic element of India’s trade and globalization in recent years. WTO data shows that India’s services exports grew from USD 16.8 billion in 2001 to USD 155.6 billion - which constitutes 7.5 per cent of the GDP - in 2014, making the country the eighth largest services exporter in the world. The share of India’s services exports in global services exports at 3.2 per cent in 2014, is nearly double its share of merchandise exports in global merchandise exports at 1.7 per cent. India’s services import at 81.1 billion grew by 3.3 per cent in 2014-15.

Chart 3: India’s Services Trade

203. India has maintained a steady surplus in export of services over the years, which in the recent years has bridged more than 50 percent of India’s merchandise trade deficit. If we include the contribution of net ‘remittances’ from overseas Indians, which is directly attributable to our overseas human resources, almost the entire merchandise trade deficit is covered.

204. The single most important contributor to India’s services exports is the IT/ITES sector. While the share of the IT/ITES sector in India’s export has been a little less than 50 percent, the share of IT/ITES in India’s net services export is around 90 percent. And, 80 percent of India’s IT/ITES exports is targeted towards the West (the share of the US is above 60 percent and the share of the EU is 20 percent). Hence, any slowdown in the US/EU and the protectionist measures that inevitably follow, are bound to impact India’s IT/ITES exports. This suggests the imperative need of diversification of markets and products in the area of information technology enabled services. Japan, China and Korea can be potentially promising markets but Indian businesses are hampered by language constraints and the unique features of these markets. It is important to promote India’s expertise in information technology services in these markets both in order to integrate with their manufacturing (thereby making their products more competitive) and to get greater market access for Indian businesses in the information technology sector. In order to do so, supporting
language learning and trade promotion activities and working towards special arrangements with their partners for facilitating market access for Indian businesses are important. Therefore, efforts will be made to materialize all these actions.

205. 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.

206. 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. The Services sectors have a critical role to play in the ‘Make in India’ initiative.

Challenges

207. Market and policy related issues that can impede the future growth of India’s services exports include:
   • Protectionist measures (or the threat of such measures) by our key trading partners;
   • Domestic regulatory weaknesses limiting the capacity of domestic service suppliers to provide services;
   • Supply side factors include a ‘talent gap’ and infrastructural constraints; and
   • Lack of Standards in Services.

208. Such obstacles can dilute any favourable outcomes that India may achieve in international services negotiations and prevent India from achieving the desired openings in foreign markets.

Impact of Technology on Services Delivery – India’s Preparedness

209. This is an evolving area with rapid changes in technology and extensive digitization. India must take full advantage of the major emerging business opportunities in areas such as E-Commerce, Cloud Computing, Mobile Applications and data security requirements. The Indian government has recognised the overwhelming importance of the mobile device in India’s growth and development agenda. The Digital India initiative pledges to deliver universal mobile access to all citizens by 2018.

210. At the same time, we are conscious of the need to preserve policy space in various negotiations and avoid undertaking commitments that would limit our options in such areas.
Promoting Quality in Services

211. There is a growing worldwide trend towards setting standards not only for the manufacturing industry, which chiefly initiated standardization activity, but also for organizations, services, processes and systems.

212. The first step would be to identify the Services sectors which are important for the Indian economy. The next step would be to decide which of the identified services need to be regulated in public interest - healthcare, education on grounds of the possibility of deceptive practices, private security services on grounds of national interest etc. In such sectors, regulation needs to be done through appropriate legislation by the government. There are other sectors where government may need to enforce certain minimum standards e.g. wellness centres claiming to be Ayurvedic centres. The rest of the services sectors would have a voluntary standards regime. A clearly stated policy is important.

213. Efforts will be made towards institutionalizing certification systems wherever required to ensure compliance of India’s services with the highest standards and also promote a rating system for services providers.

Ongoing/Future Initiatives

214. Group of Secretaries have identified Champion Services Sectors. Department of Commerce is working on developing strategies on these Champion Services Sectors as per guidance/consultation with line Ministries/departments concerned.

215. Services liberalization together with obtaining market access through free trade agreements will help remove barriers to export of services in other countries. Efforts will be made to gain effective market access abroad through comprehensive economic partnership agreements with important markets.

216. The third edition of the Global Exhibition on Services (GES) was organized from 17 – 20 April 2017 at India Expo Centre & Mart, Greater Noida. The objective of GES was to provide global platform for increasing trade in Services, enhancing strategic cooperation and strengthening multilateral relationships between all stakeholders to explore new business avenues. The spotlight was on the international services sector and how to increase India’s share in global services exports.

217. The focus sectors in the GES-2017 were Information Technology and Telecom, Tourism & Hospitality, Media and Entertainment, Healthcare, Logistics, Environmental Services, Facility Management, Exhibition & Event Services, Professional Services, Education, Banking & Financial Services, Skills, Next Gen Cities, Energy Services, Space, Start Ups / SME in Services & Wellness and in addition new areas like Retail & E-Commerce, Railways and Sports Services. About 73 countries & 24 Indian states participated in the event.

218. The second edition of Advantage Health Care India 2016, an international Summit on Medical Value Travel, was organized from 3-5 October, 2016 at India Expo Centre & Mart, Greater Noida. The objective of this international summit was to promote India as a Premier Global Healthcare Destination and to enable streamlined medical services exports from India. It brought together stakeholders from 67 countries.
219. Financial assistance for export of services was also expanded through a new, ambitious, user friendly ‘Service Exports from India Scheme’ launched as part of the FTP.

220. Efforts are also underway to improve the availability of data on services to facilitate better policy making, effective international engagement and targeted incentives.
SECTION V: TRADE PROMOTION & INFRASTRUCTURE Towards World Class Products

221. Government is committed to transforming India into a manufacturing and exporting hub. This is possible only if India’s products are world class and of a standard acceptable in the most discerning markets.

222. There is a synergistic relationship between standards and trade. Adherence to standards enhances the potential of trade because standards reduce information asymmetry, signal quality to consumers and create a common language for potential trading partners, thus reducing overall transaction costs. At the same time the concerns about standards acting as non-tariff barriers (NTBs) in global trade are also well-documented.

223. It is essential for India to develop a coordinated national response and strategy to meet the challenges of standards and conformity assessment and promote its presence in the international market. The way forward in this direction must address the following aspects:

(i) Legislative and institutional reforms:

a) To enable a range of options for regulators for conformity assessment procedures to provide for use of independent, third party Conformity Assessment Bodies (CABs) (inspection bodies, certification bodies and laboratories) for the purpose of administering the regulations.

b) For low risk items there should be provision for conformity assessment through Supplier’s Declaration of Conformity (SDoC) procedure.

c) SDoC works well in combination with a strong Product Liability Law and market surveillance both of which are weak in India. A new legal framework on Product Liability is required.

(ii) Each regulator/ line ministry should review its technical regulations/ standards for various products to identify the gaps vis-à-vis the international standards and lay down realistic time frames for bridging these gaps and evolving good regulatory practices.

(iii) The internationally accepted system is “Certified Once, Accepted Everywhere” through accreditation, which recognizes the competence of testing and calibration laboratories, product certification bodies, quality system certification bodies and inspection bodies. This minimizes re-testing and re-certification thereby reducing costs and market access delays and eliminating non-tariff barriers to trade. A policy must be evolved in this regard.

(iv) It is necessary to promote awareness about standards, regulations and conformity assessment procedures of India’s trading partners and gaps with reference to global benchmarks.

(v) Participation of agencies and industry in international standard setting processes can ensure that international standards reflect country-specific production and trade interests and this should be promoted by providing the requisite funding.
(vi) Funding will also be required for enhancing the competitiveness of Indian enterprises especially SMEs through quality and productivity improvements and supporting the development of mechanisms to assist them in accessing global subcontracting and supply chains and networks.

**Building the India Brand**

**Promotion of Brands from India**

224. In the initial FTP document, IBEF had proposed the launch of a Brand India campaign that would entail an umbrella brand positioning for India as a nation, which could subsequently be adapted to various sectors under India’s export basket. However, in light of the current global economic environment and increasingly protectionist policies being adopted by several governments, it was decided to take a different route.

225. IBEF has now taken a sector-specific approach towards branding of India’s exports rather than taking the umbrella branding route. Through this approach, IBEF has undertaken branding activities for a few key export sectors initially to highlight the strengths and achievements of these sectors across major target markets. Subsequently, IBEF plans to expand its branding activities to other export sectors. Focussed branding activities are being undertaken by IBEF for engineering, pharma, plantations (tea, coffee and spices), services, textiles and leather. IBEF is working with relevant stakeholders to highlight the presence of players from these sectors at leading global trade exhibitions. This is being done through a 360° branding approach including onsite branding, advertising in appropriate local media vehicles, digital marketing, PR and knowledge kits.

226. To establish an identity for the India brand across sectors and to ensure consistency in brand positioning, standardised logos and taglines and a uniform fascia design are being developed to be used across all trade exhibitions globally.

227. IBEF has provided a template for all the export promotion councils so that they can be revamped, redesign and orient their websites to export priorities. A number of export promotion councils have redesigned their websites in accordance with this template.

228. As an integral part of its branding strategy, IBEF has put a special focus on digital branding by using its website and social media channels to take Brand India to a wider range of audiences. Through digital branding the reach has been much wider and much more targeted compared to traditional methods of branding. This makes digital marketing a very viable and potent. Through its digital marketing strategy, IBEF has been able to reach millions of people in the last few years. Future plans are even more ambitious which include extensive use of social media channels and Google network to reach international audiences.

229. Engaging with missions: Indian missions abroad and foreign missions in India are excellent channels for disseminating information and providing perspectives on Brand India. IBEF is actively working with Indian missions abroad for its branding activities in overseas events and also regularly supports them with knowledge works and branding collaterals for their activities. In future, IBEF plans to further expand the scope of this collaboration.
230. Branding through knowledge dissemination: It has been established that overall branding of a nation has a significant impact on branding of export products. Research indicates that people are more likely to visit, recommend or do business with a country brand, giving it a tangible competitive advantage. IBEF maintains a knowledge centre which provides regularly updated information, insights and research on the overall business environment in India as well as the growth trends and opportunities in states and key sectors for the benefit of stakeholders. IBEF plans to further enhance the breadth and depth of its content offerings on India by engaging with thought leaders across policy, business, academia, key institutions, etc. for their perspectives and introducing more features, blogs and research reports highlighting various aspects of the Indian economy and business environment.

Geographical Indications

231. India has about 300 registered Geographical Indications (GIs), but only a few of them have been used for commercial value. A large number of these GIs are on man-made products from specific regions. Several of these manufactured products are in the area of textiles. Some of India’s well known GIs are Basmati Rice and Darjeeling Tea. A programme to promote the branding and commercialisation of GI products and to promote their exports is being initiated. This shall be done in conjunction with para Nos.5.6 & 5.13.2 of National Intellectual Rights Policy 2016.

Institutional Mechanisms for Trade Promotion

232. Various instruments and schemes are used for trade promotion such as schemes providing financial assistance for market access and development through buyer-seller meets, trade fairs, conventions and seminars. In addition there are a number of export promotion councils responsible for the promotion and development of the country’s exports.

The MAI & MDA Schemes

233. The Market Access Initiative (MAI) scheme is an umbrella instrument for supporting trade promotion initiatives. The scheme, which was launched in 2003, has been revised from time to time. The activities which are supported under the Scheme broadly include the organizing / participation in exhibitions, buyer seller meets, seminars / conferences / conventions; brochures / catalogues etc. Support for Sector specific requirements, like registration / regulatory needs of the pharmaceutical sector and other export facilitation measures are also provided for under the Scheme. The Scheme also provides support for market studies with the objective of facilitating better market access and WTO-driven requirements etc. The present allocation for the MAI scheme is inadequate for the enormous opportunities which exist and the promotional efforts that are required. Therefore, efforts to augment resources both within and outside the Government would be needed.

MICE

234. The meetings, incentives, conventions, exhibitions (MICE) space has emerged as a major opportunity for a fast emerging economy like India. In an estimated business of USD 300 billion in this area, India occupies only 1.2 percent of the global convention business and is ranked 25th in delegate attendance. While
there could be several reasons for such poor participation in MICE activities, the lack of convention infrastructure is one of the major bottlenecks. Convention tourism clearly aligns with India’s focus on improving its tourism footfalls. Efforts are being made to support convention infrastructure in all major tier 1 and tier 2 States in a graduated manner over a period of time. A major convention -cum-exhibition centre is being developed at the iconic Pragati Maidan in Delhi replacing the present infrastructure.

235. The India Trade Promotion Organisation (ITPO) is making a significant contribution both in terms of providing an exposure to Indian industry and business on new opportunities and offering a better ecosystem for international exhibitions and conferences. ITPO’s annual work plan will have to align with the priorities of this policy e.g. by devising new opportunities for priority sectors and markets through differentiated mechanisms, if required, and tailoring participation in external fairs in accordance with the new priorities.

Export Promotion Councils

236. Another important instrumentality for the promotion and development of the country's exports are Export Promotion Councils (EPCs). EPCs are either registered under Societies Registration Act or Companies’ Act. EPCs are organizations of exporters, set up with the objective to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products / projects / services as indicated in the Foreign Trade Policy (FTP).

237. EPCs have been shaped as industry bodies with an objective to promote and develop Indian exports in a particular range of Commodity / services sector. They are an integral part of the functioning of the Department of Commerce in relation to its mandate regarding:
   o International Trade and Commercial Policy
   o International Trade Negotiations and Commitments flowing out of them
   o Trade facilitation

The key role of EPCs include providing feedback on policy / process interventions for exports, identifying market specific strategies, capacity building for Indian entrepreneurs, as also address grievances of exporters.

238. EPCs continue to draw grants under the scheme of MAI for export facilitation and they are expected to be professionally managed in accordance with the AoA or the By-Laws of the Company / Society. EPCs are bound by the directions of Government of India as mandated under FTP, to be eligible to receive grants. There is a proposal for reviewing / restructuring the EPCs with a view to strengthening their functioning in relation to export promotion.

Project Exports

239. Project exports are broadly defined as exports of such goods and services where export receipts are allowed to be staggered (in conformity with RBI guidelines) over a period of more than twelve months. This is largely to reflect that the export transaction is not a one-off single transaction but represents certain goods, construction and service activities, where the payment receipts are staggered in line with the project components / execution.
240. The full value of project exports is not captured under any single aggregate classification. However, as per data maintained by the Project Export Promotion Council, its members’ project exports orders have nearly doubled from USD 4.4 billion in 2013-14 to USD 8.1 billion in 2016-17. This increase is indicative of the strong potential which exists for India to aggressively increase its world trade market share in project exports.

241. Since project export contract earnings range over a period of one to five years, such export orders also impart stability to the export earnings of the country. It is estimated that project exports from India can be boosted with the right policy environment. The main markets for India’s project exports are expected to be in Africa, SAARC and ASEAN countries, Central Asian Republics in CIS and Latin American and Caribbean countries. These are the emerging markets which have high infrastructure needs. There has been a slump in the Middle-East countries market with the drop in oil revenues.

242. Such projects, while helping the recipient countries to bridge their infrastructure gaps also help India’s exports of goods and services. They help to build a long term relationship of the target country with India and its project export entities. India’s entry into high value project exports will also impart high brand visibility in the target countries. Besides the specific brand visibility, India’s general branding is also promoted as a country which can export hi-tech and high value projects. Such branding and visibility facilitates easier acceptance of other products exported by India to such markets.

243. Project exports can be boosted through opening of special lines of credit and also provision of cheap lines of credit through buyer credit mechanism. Concessional lines of credit are generally extended through the Ministry of External Affairs, where diplomatic considerations also matter for offering such lines of credit. The Buyers’ Credit Scheme being offered by the Department of Commerce through Exim Bank of India aims at enhancing Indian exports to select countries.

244. Many Indian companies in both the private and public sectors have, over the years, developed considerable expertise in executing project export contracts in diverse areas such as railway sector, power sector, roads and bridges, drinking water supply schemes, irrigation projects, construction of oil and gas pipelines, construction of electricity grids, hydro power projects, airport construction etc.

245. For boosting project exports, the Department of Commerce has set up the National Export Insurance Account (NEIA). Essentially, the Account helps to cover project export risks which cannot be fully covered by the Export Credit Guarantee Corporation (ECGC).

246. In tandem with EXIM Bank of India and ECGC, the NEIA is also now being used to selectively offer a Buyers’ Credit Cover for project exports. This enables EXIM Bank to offer co-financing for project exports from India to target countries in South Asia, Africa, CIS and others.

247. While buyers credit cover has brought in major encouragement for project exports, the cost of capital remains very high in India. An effort was made towards setting up an interest equalisation scheme under the Market Access Initiative scheme of the Department of Commerce but it did not materialise due to financial resource constraints. Since project export is recognized as an
important element of this policy, renewed efforts will be made to seek allocation of resources for such a scheme.

Mainstreaming Trade

248. There is a compelling need to ensure that trade is fully assimilated in the relevant parts of the country’s governance architecture, hence the phrase ‘mainstreaming’. The trade/industry/business orientation of State Governments and even in many departments of the Central Government is to be strengthened. Even in the economic ministries/departments of the Central Government, there is relatively little emphasis on exposing various sectors to international competition for improving policies, efficiency and competitiveness. Similarly there is a need to rationalise imports not by restricting them but by optimising imports as an important tool for ensuring competitiveness and efficiency.

249. Efforts at mainstreaming foreign trade in the Central Government departments and State Governments have helped to sensitise them on the need to remain focussed on exports. Senior officials have been appointed as designated focal points for exports and imports in relevant Central Government Departments. Twenty eight State Governments have nominated Export Commissioners. States are being exhorted to prepare export strategies so that they may focus on sectors with great potential of export from the state. Seventeen States have already formulated export strategies. Government of India has provided access of the state wise export data compiled by DGCIS to the State Governments and is encouraging them to prepare strategies, work plans, incentive programmes, support capacity development initiatives including efforts to better understand international trade architecture and law. States will also be helped in building capacities of relevant officials in areas relating to international trade through various programmes.

250. A Council for Trade Development and Promotion has been constituted vide Notification dated 03.07.2015 under the Chairmanship of Union Commerce & Industry Minister with the objective to ensure a continuous dialogue with State Governments and Union Territories on measures for providing an international trade enabling environment in the States and to create a framework for making the States active partners in boosting India’s exports. The Ministers of Commerce & Industry in States, Secretaries of concerned central departments/ministries and heads of other export related organizations are members of the Council. Since the constitution of the Council, two meeting have been held in January, 2016 and January, 2017.

Export Infrastructure

251. The Government is making efforts to address infrastructure bottlenecks which are the most critical constraints to achieving accelerated export growth. There are two categories of infrastructure requirements related to exports:

252. Better multi modal transportation for improved road connectivity to ports, rail heads and airports, faster throughput at ports and shorter dwell time, faster movement of rakes by railways and quicker air cargo movement with all the concomitant trade facilitation measures in place.
253. Supportive infrastructure required for exports including more laboratories for testing, more tool rooms and plant quarantine facilities, larger trade facilitation centres and land customs stations and enhanced cold storage facilities for pharmaceutical and perishable goods.

254. Efforts are being made by the concerned Ministries to improve the logistics infrastructure. To help improve the logistic performance in the States the department has envisaged development of State-level Logistic Performance indicators on the lines of the Logistic Performance Index published by the World Bank.

255. Recognising the role of the ASIDE scheme in bridging infrastructure gaps and the incorporating the learning under ASIDE, the Department has formulated and launched a new scheme Trade Infrastructure for Export Scheme (TIES) for 3 years from 2017-18 to 2019-20. The objective of the TIES scheme is to enhance export competitiveness by bridging gaps in export infrastructure, creating focused export infrastructure, first mile and last mile connectivity for export-oriented projects and addressing quality and certification measures. The TIES scheme would provide assistance for setting up and up-gradation of infrastructure projects with overwhelming export linkages like the Border Haats, Land customs stations, quality testing and certification labs, cold chains, trade promotion centres, dry ports, export warehousing and packaging, SEZs and ports/airports cargo terminuses. Last and first mile connectivity projects related to export logistics will also be considered. There is also a negative list of projects that will not be eligible for funding under the scheme. The scheme implementing agencies are Central agencies and State owned agencies. The Central Government funding will be in the form of grant-in-aid, normally not more than the equity being put in by the implementing agency or 50 percent of the total equity in the project. (In case of projects located in North Eastern States and Himalayan States including J&K, this grant can be up to 80 percent of the total equity).

Special Economic Zones

256. India’s Export Processing Zone Scheme, launched in 1965, was the precursor to the present day SEZ (Special Economic Zones) Scheme. The SEZ Act was enacted in 2005 and made operational through SEZ Rules in February 2006.

257. The objectives of the SEZ Scheme, as laid out in Section 5 of the SEZ Act, are as under:
   a. Promotion of exports of goods and services;
   b. Promotion of investment from domestic and foreign sources;
   c. Creation of employment opportunities; and
   d. Development of infrastructure facilities.

258. Evaluating the performance of SEZs on these parameters, we find that SEZs have performed well. Exports from SEZs have gone up from Rs.4,63,770 crore in 2014-15 to Rs.5,23,637 crore in 2016-17; investment in SEZs have gone up from Rs.4035 crore in February 2006 to Rs.4,23,189 crore in March 2017; and direct employment in the SEZs has gone up from 1.34 lakh persons in February 2006 to 17.3 lakh in March 2017. Most importantly, SEZs have enabled the
development of world class infrastructure in some of the SEZs. A greater emphasis on creation of world class infrastructure for multi-product SEZs supported by the right incentives can provide a much needed fillip.

259. Underlying the enactment of the SEZ Act was the need to provide long term stability and continuity to the scheme. In order to achieve this objective, income-tax provisions were incorporated in the Act. However, in 2011, MAT\(^{28}\) & DDT\(^{29}\) were imposed on the SEZs, which has severely hampered the progress of the SEZ scheme.

260. The SEZ scheme, in terms of export promotion through tax incentives, is not unique to India. Such schemes continue to be in operation in some form or other in several countries. The need for strengthening of this scheme is felt for the following reasons:

a. The SEZ scheme provides an ecosystem conducive to exports, wherein all clearances, starting from setting up of the unit, allocation of space, approval of raw material, capital goods, issuance of letters of permission, monitoring of exports, permission for sale in DTA (Domestic Tariff Area) etc. are provided at one place.

b. It provides a mechanism enabling manufacturing units to repeatedly import raw materials and capital goods for export production and export, without having to separately seek Advance Authorization, EPCG Authorization etc each time.

c. The scheme is especially helpful for SME investors as they lack the resources available to bigger players for obtaining various kinds of approvals, finding space etc.

d. The Services sector is an extremely important component of our foreign trade. There are large inflows of investment into SEZs (specifically for software exports) and this trend is likely to continue over the next decade.

261. Utilisation of vacant land in the SEZs is critical. In this regard, information about land has been provided in the Industrial Information System developed by the Department of Industrial Policy and Promotion which is a GIS enabled database of industrial areas including clusters, parks, nodes, zones focal points etc. across the country. It is intended to serve as a Decision Support System for effective planning and industrial investment. Maximum utilisation of capacity already created in SEZs needs to be ensured. For this purpose, flexibility in rules and regulations will be provided to attract investment in SEZs.

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\(^{28}\) Minimum Alternate Tax
\(^{29}\) Dividend Distribution Tax
SECTION VI: TRADE ECOSYSTEM

Digitisation and E-governance

262. For export-import operations, the costs involved, as well as the complexity of the documents and the procedures, are a major burden for business. For small and medium-sized companies, especially, these costs act as a major disincentive to engage in international trade. Since goods cannot travel faster than the information that controls them, speeding up the information exchange makes trading more competitive and efficient.

263. All operations related to exports and imports should be automated and paperless. A firm should be able to submit all information required by government and related agencies through a Single Window. South Korea, Singapore and many other countries have implemented such systems. An integrated single window, through which smooth and speedy clearance can be enabled without compromising on compliance, is the need of the hour.

264. Government has already launched a very ambitious programme for digitization under its ‘Digital India’ initiative. Under the National e-governance programme, subsumed within the Digital India initiative, the e-Trade programme will continue to be a strong focus area with the objective of ensuring transparency, simplification and faster action. The initiatives taken for message exchange will be taken to their logical conclusion in order to make e-Trade effective. This would require close interaction between various departments involved in the process of trade.

Ongoing Initiatives

265. As far as digitization and e-Governance exercises in other relevant areas are concerned, the following initiatives are underway:

(i) IBEF has audited 35 websites of Government/Government supported relevant trade institutions and on the basis of the audit report, these institutions are now in the process of modifying their official websites. The objective is to bring into the public domain all information which can be shared, in a lucid, simple and substantive manner. It is expected that all these websites would be modified within 6 months.

(ii) All transactions in respect of delivery of services rendered by various institutions under the Department of Commerce such as Commodity Boards, product development authorities, SEZs, will be digitized. This process of digitization for services delivery will be completed in all the institutions within the period of this policy. In the case of SEZs, this has already been achieved to a large extent. SEZ services are available online and the integration of SEZ online with the Customs ICEGATE is in an active state of implementation.

(iii) 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.

30 Indian Customs Electronic Commerce/Electronic Data interchange (EC/EDI) Gateway
(iv) Online Inter-ministerial consultations have been initiated for SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies) Items to reduce processing time of applications.

(v) DGFT has simplified various ‘Aayat Niryat’ Forms, bringing in clarity in different provisions, removing ambiguities and enhancing electronic governance.

(vi) 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.

(vii) Through the EXIM Dashboard it is possible to graphically understand India’s export and imports at the product, country and port level. It is popular with exporters on account of useful data depicted in an simple manner.

(viii) DGFT: Facilities for Complaint Resolution

   a. 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 is also available for exporters to register their complaints.

   b. DGFT maintains an active Twitter handle (#DGFTINDIA) with more than 17000 followers. Responses to tweets sent to CIM’s account and DGFT handle are managed through the Twitterseva service and more than 5600 tweets have been replied to w.e.f April 2016 with an average reply time of less than 4 hours.
**Box 4: Automation of Procedures & Use of Technology for Communication at DGFT**

| **Trade Facilitation through EDI and E-governance Initiatives** | a) DGFT endeavours to deliver its services in a transparent and efficient manner using tools such as Online Filing of Applications, Message Exchange with Community Partners, Digital Signatures and Electronic Fee Payments. The use of EDI at DGFT has enabled faster processing, speedier communication and on-line availability of application processing status.  
b) All the DGFT Regional Authorities are EDI-enabled and connected with the DGFT Central Server to provide online connectivity to the export-import community in a 24*7 environment. |
| **Facility of online filing of applications** | The facility of online filing of applications is presently available to all applicants for the following export promotion schemes:  
i. Importer Exporter Code Number (IEC)  
ii. Advance Authorization Scheme, Annual Advance Authorization scheme, DFIA  
iii. EPCG scheme, Annual EPCG scheme  
iv. MEIS and SEIS  
v. Registration Certificate for Cotton, Cotton Yarn etc.  
vi. Authorization for items falling under Restricted (imports / exports) or SCOMET (exports) list. |
| **Use of Digital Signatures** | DGFT allows filing of online applications (except IEC) with Class-II and Class III digital signatures with IEC number embedded in it. For making an application for IEC, Class-II and Class III digital signatures without any embedding are accepted. |
| **eBRC** | Electronic Bank Realization Certificate (eBRC) system allows electronic transmission of export-related Foreign Exchange Realization information from the respective Banks to the DGFT’s server. DGFT operationalized the eBRC project on 5 June 2012. eBRC was made mandatory with effect from 17 August, 2012. The project has created an integrated platform for receipt, processing and subsequent use of all bank realization-related information including information sharing with Government organizations. The eBRC data is being shared with 14 State governments and the Enforcement Directorate, Agricultural & Processed Food Products Export Development Authority and GSTN. |
Ease of Doing Business

266. One of the indicators of the ease of doing business in the annual publication brought out by the World Bank relates to trade across borders. Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods.

267. All these are under review. As a first initiative in this direction, Number of mandatory documents required 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. In addition, a number of measures have been introduced for reducing cost and time of export and imports related operations.

268. The New Foreign Trade Policy (2015-20) 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) and Agri. Infrastructure Incentive Scrip.

Trade Facilitation

269. The smooth flow of goods and services across borders is one of the most significant elements contributing to a country’s competitiveness at the global level. In India there are bottlenecks at two levels. Firstly, the movement of goods within the country, from one territory to another, is constrained by the laws, practices, regulations and taxation regimes of various States. The second bottleneck is caused by infrastructure constraints at the border, such as the lack of necessary equipment and testing facilities at the border ports, human resource inadequacies etc. resulting in port and road congestion.

270. Action in respect of many of these issues lies with several departments of the Government of India such as the Ministry of Shipping, Ministry of Agriculture, Ministry of Finance, Ministry of Road Transport and the State Governments. Concerted action is, therefore, the need of the hour.

271. The WTO’s Trade Facilitation Agreement represents an important milestone in this area by creating an international framework for reducing trade costs. The Trade Facilitation Agreement (TFA) contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective co-operation 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.

272. As part of Special & Differential Treatment, developing countries and least developed countries (LDCs) has to categorise all the provisions under Category
“A”, “B” or “C”. Category “A” commitments are those commitments which the notifying country has to fulfil at the time TFA comes into force. Category “B” are those commitments for which notifying Country can ask for a transition time and for the implementation of category “C” commitments Developing and LDCs are entitled to get Technical assistance.

273. After the approval from Cabinet in February 2016, India Notified its category “A” commitments to WTO under the (TFA) in March, 2016 and further ratified in April, 2016. Approximately 70 percent of the total provisions given under TFA has been notified as category “A”. India has not categorised any provisions under category “C”.

274. The TFA has come into force on 22nd February, 2017. However, the measures for trade facilitation have been underway since long as enhancing trade facilitation dovetails with the government’s policy objective of improving the ease of doing business climate.

275. The common underlining factor behind our policy initiatives and the TFA is to evolve a business climate which facilitates legitimate trade. Various ministries of the Government are engaged in programmes that focus towards this broad aim. An umbrella vision that encompasses the entire gamut of our trade facilitation measures will provide a unified approach and prevent redundancy.

Constitution of a National Committee on Trade Facilitation

276. A National Committee on Trade Facilitation (NCTF) for domestic coordination and implementation of the TFA under the Chair of Cabinet Secretary has been constituted with the objective of pursuing India’s trade facilitation agenda and removing obstacles in the way of its implementation. Representatives of various trade bodies are also members of the Committee. NCTF has a three tier structure, the apex body chaired by the Cabinet Secretary, the Steering Committee Jointly Chaired by Secretary, Revenue and Secretary, Commerce at the mid-level and various adhoc Working Groups at the lowest level. At present there are 4 Working Groups for Outreach and Capacity Building, Legislative amendments, conducting Time Release studies at various ports and examination of infrastructural requirements.

277. In order to optimize the gains of trade facilitation, a National Trade Facilitation Action Plan containing specific activities to further ease out the bottlenecks to trade has been prepared and circulated to all concerned Ministries for compliance. Steps being taken by various Ministries and Departments to implement the Action Plan are being closely monitored by the Committee.

Trade Remedial Measures

278. Trade remedies are a legitimate method of addressing unfair trade practices. While India is a strong votary of free trade and benefits from it, yet it has used trade remedial measures where required and will continue to do so if unfair practices are adopted by trading partners or their business entities.

279. A Directorate General of Trade Remedies was to be set up a couple of years ago but was not possible due to resource constraints. Such a Directorate will help both in securing trade remedies for Indian business as well as in taking defensive action when trade remedies are used against Indian businesses. The Directorate will be set up at the earliest.
Export Development and Outreach

280. India’s growing integration with the world economy makes the pursuit of foreign trade an attractive opportunity for young people. Recognising the need for a concerted and integrated efforts for capacity development, the Niryat Bandhu scheme was announced in October 2011. This scheme can be utilised to bring new entrepreneurs into trade, promote better technical understanding in the area of export related international architecture and law and for familiarising the exporting community about the opportunities and potential available for growth. The Niryat Bandhu scheme will be revamped to achieve these objectives and also further dovetailed with the ongoing outreach programmes. This will require augmentation of resources and redeployment and establishing links with academia and the research community.

Capacity Development

281. Capacity building of the relevant stakeholders and institutions is of utmost importance in order to fully realize the potential of various trade agreements and foreign trade policy measures. This is especially necessary for the State Governments and various institutions, namely export promotion councils, development authorities and industry associations. The focus of this capacity building will be on the following areas:

(i) Training of officers of the export promotion councils and export development authorities;
(ii) Establishment of a trade research/analysis cell in these institutions;
(iii) Creation of an internal team for soliciting value added inputs from stakeholders; and
(iv) Development and regular updation of the web portals of institutions.

282. A similar capacity building exercise would be carried out for the commercial missions with the focus being on

(i) Carrying out in-house trade research;
(ii) Branding India activities;
(iii) Monitoring of trade developments in the host country;
(iv) FTA monitoring (including 3rd parties); and
(v) Monitoring of unilateral schemes like the GSP.

Strengthening the Commercial Wings in Indian Missions Abroad

283. There are about 35 markets which are very important for India from the perspective of trade and investment. In order to be able to harness the opportunities for export to these markets, we need to strengthen Indian Missions in these countries by posting people with experience and a sound understanding of trade negotiations and commercial matters. This is a focussed effort aimed at giving a fillip to our trade promotion efforts. The Indian Missions
which are important from the trade point of view, have already been advised on a mechanism for reporting on events and the performance of trade in their territories. Through Digital Video Conferencing (DVCs) Department of Commerce has been regularly interacting with Indian Missions abroad to address trade issues from time to time. This mechanism and structure has been further strengthened in consultation with the Ministry of External Affairs.

**Centre for Research in International Trade**

284. Given the growing complexity of the process of globalization and its spillover effects on domestic policymaking, there is a need to significantly deepen existing research capabilities and widen them to encompass new and specialized areas. In this context, a new institution, namely, the Centre for Research in International Trade (CRIT) has been set up.

285. At present there are very few institutions at the global level which can provide a counter narrative on key trade and investment issues from the perspective of developing countries like India. This prevents the developing country perspective from appearing prominently in the global intellectual discourse.

286. CRIT is expected to fill this gap and will also help in forming enduring coalitions with a large number of developing countries which may have convergence of interests with India and could potentially become India’s allies on various trade issues at the global level. CRIT will have 5 centres namely Centre for Trade & Investment law, Centre for Regional Trade, Centre for Training, Centre for Trade Promotion and Centre for WTO Studies (already in existence). In 2017, two new centres have become functional.

**Institutional Mechanism for Communication**

287. Two mechanisms are in place for regular communication with stakeholders. The first of these is a Board of Trade which will have an advisory role and offer a platform for discussion and consultation. The second institutional mechanism is the Council for Trade Development and Promotion which is chaired by the Union Commerce & Industry Minister. The Ministers of Commerce & Industry in States, Secretaries of concerned central departments/ministries and heads of other export related organizations are members of the Council. The objective of the Council is to ensure a continuous dialogue with State Governments and Union Territories on measures for providing an international trade enabling environment in the States and to create a framework for making the States active partners in boosting India’s exports.’

288. Besides the above two institutional mechanisms, export promotion councils and various industry and business chambers will continue to be the specialised institutions available for consultation from time to time.

**Monitoring and Review**

289. A policy whose implementation is not regularly monitored and periodically reviewed can remain a piece of paper. Therefore, a concurrent mechanism for monitoring the implementation of the policy on a quarterly basis will be
institutionalised. This mechanism will be an internal process set up in the Department of Commerce. The policy will be reviewed mid-term with the objective of making a mid-course assessment and modification where required. A concurrent mechanism of evaluation will also be put in place.

Consultation

290. Extensive consultations have been carried out with a cross section of stakeholders while preparing the Mid Term review document of the policy and the FTP statement.

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