

Standing Committee Report Summary

Strategy to Maximise Exports and Minimise Imports

- The Standing Committee on Commerce (Chair: Dr. Abhishek Manu Singhvi) submitted its report on ‘Comprehensive Strategy to Map Major Products and Countries to Maximise Exports and Minimise Imports’ on February 8, 2024. Key observations and recommendations of the Committee include:
 - **Import of petroleum products:** One-third of India’s total imports comprise of crude petroleum, coal, coke, and other petroleum products. The Committee noted the need to enhance their domestic production by incentivising exploration and extraction of hydrocarbons from fossil fuels. Shift from traditional fuel-based vehicles to electric vehicles is also essential to reduce imports of petroleum products.
 - **Engineering exports:** India’s engineering exports account for over 25% of total merchandise exports. In 2022-23, India exported engineering goods worth USD 107 billion. The Committee noted that tariff and non-tariff barriers imposed by the USA and the European Union (EU) can hinder the growth of India’s engineering exports. This includes the Carbon Border Adjustment Mechanism (CBAM) imposed by the EU which can lead to additional import duties on various products such as fertiliser, aluminium, and cement. The Committee noted that Indian manufacturers in the MSME sector may not have the financial resources needed to make changes to counter the CBAM. The Committee recommended the government to seek an extension on the application of CBAM on the MSME sector by at least three years.
 - **Apparel exports:** India’s ready-made garment exports have ranged between USD 15-17 billion over last few years. This is due to competition from other countries in the sector such as China, Bangladesh, and Vietnam. The Committee observed that India’s apparel exports are concentrated in a limited number of markets. It recommended diversifying to explore new markets through free trade agreements. India’s export basket in apparel products is also very small. The Committee recommended diversifying the export basket by shifting from cotton-based exports to man-made fibres. It recommended reintroducing a scheme for technology upgradation in the sector to replace outdated machinery and improve efficiency.
 - **Remission of Duties or Taxes on Export Products (RoDTEP) Scheme:** The RoDTEP scheme is being implemented from January 2021 for duty remission on exports. It reimburses taxes, duties, and levies which are not covered by any other refund mechanism. The Committee noted that the low rate of remission provided under the scheme makes Indian exports uncompetitive. It recommended that the RoDTEP Committee examining the rates for various sectors should give its report expeditiously. The Committee also recommended increasing the number of products covered by the scheme.
 - **Interest Equalisation Scheme:** The scheme aims to reduce the interest rate charged by banks on credit for pre and post shipment activities. The Committee noted that while the repo rate has increased from 4% in October 2021 to 6.5% in February 2023, the interest equalisation benefit under the scheme has not been adjusted. The Committee recommended increasing the rate under the scheme from 3% to 5% for MSME exporters and from 2% to 3% for manufacturers and exporters of certain identified goods.
 - **Inverted duty structure on imports:** Indian exporters face challenges in exporting to free trade agreement (FTA) partners due to inverted duty structure. This is present in various products where raw material imports attract several duties. The Committee noted that inverted duty structure hampers export competitiveness and deters domestic manufacturing of value-added products. It recommended implementing matching tariff reductions for inputs where finished products benefit from lower import duty under FTAs.
 - **Cross border e-commerce:** The Committee noted that e-commerce exports stand out as a significant avenue for growth. However, it faces challenges such as lack of pre and post shipment export credit and delay in implementing the e-commerce policy. The Committee recommended provision of pre and post shipment export credit for e-commerce exporters. It also recommended expediting the introduction of the e-commerce policy for the sector’s growth.
 - **Exports by MSMEs:** The contribution of the MSME sector to India’s exports reduced from 49.8% in 2019-20 to 45% in 2021-22. Issues faced by MSME exporters include: (i) limited information about product demand, (ii) unfamiliarity with foreign market operations, and (iii) difficulties in accessing export distribution channels. The Committee recommended strengthening MSME exports through increased MSME participation in trade shows and exhibitions. MSMEs should also be trained on important aspects of export procedures, documentation, and standards.

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