Press Release:

India's SEZ exports registers 24 times growth in just 15 years

- SEZ policy revamp need bold measures: TPCI
- SEZs has the potential of becoming very attractive for factories relocating from China

2nd July 2021, New Delhi: Trade Promotion Council of India organised a webinar on SEZs – the key to boost India's exports, which featured a SWOT analysis of India's SEZ policy, the relevance of SEZs in the current context and also the role SEZs could play in making India the epicentre of manufacturing in Asia post-COVID.

Speaking on the strategy, **Mohit SIngla, Founder Chairman TPCI said,** "We need bold measures to revive investment, promote manufacturing and exports from India, and boost job creation, for that TPCI is proposing announcing a simple policy reform which is also WTO compliant."

Further Singla stated, "There is one area within the SEZ policy that needs to be addressed. At present, an exporter in an SEZ and a foreign exporter are at par when it comes to selling goods to a domestic tariff area (DTA). Therefore, an exporter within the SEZ should be incentivized on the degree of value addition he brings to a product. He should be allowed to import raw material at zero duty and avail duty rebate proportionate to value addition. This will keep him at an advantageous position as opposed to importing finished products from another country. Also it will lead to automatic cauterization as the incentive will act as a pull factor."

Another panelist, **ARM Reddy,** Zonal Development Commissioner, Vishakhapatnam said, "SEZs are definitely doing well in India. In 2005-06, exports were Rs 0.23 lakh crores exports, and now it's Rs 5.53 lakh crores exports in 2020-21 despite pandemic. Otherwise, last year it was Rs 7.22 lakh crores you can see. Exports have grown 24 times in just 15 years in the country and contributed to nearly 1/3rd of exports from the country."

Further Reddy said, "There is a phenomenal growth of 220 times exports in just 16 years in Vishakhapatnam SEZ from 2003 to 2019. Cumulative growth rate of exports from India is only 1.49% from 2014 to 2018. And the growth rate of exports from SEZs in the country from 2014-15 to 2018-19 is 51.2%. I would like to say that you have to give an exception for this pandemic period of two years."

Sunil Rallan, Chairman and Managing Director, Chennai Free Trade Zone said, "India too has now been able to attract a few manufacturing units with our recent PLI scheme. These factories are primarily seeking to cater to the Indian domestic market. Manufacturing units find themselves in India setting up discrete factories for DTA and exports in order to comply with the duty exemptions claims and the tax refund mechanisms. SEZs has the potential of becoming very attractive for these relocating units, if only we could enable them to seamlessly supply both to the DTA and the global markets."

Rallan proposed, "The Manufacture and Other Operations Regulations, 2019 (MOOWR scheme), provides upfront remissions of duties and taxes and is de-linked from an export obligation. Products you know, which we have seen which are manufactured in the SEZ unit and supplied to DTA are subject to tariffs on the entire value of the finished product, including the local value addition. There have been several instances, where products were imported from ASEAN region countries with whom we have a FTA at much lower tariffs than what is supplied from the SEZ units." Therefore, SEZ units must be charged with tariff only on the duty for one principle as is the practice in the MOOWR scheme, he added.

Suvankar Sen, Executive Director, Senco Gold Ltd. Opined, "The various improvements, policy improvements that can happen, one is that from the various free trade warehouses zones that we have, when we import the raw materials, we have to pay the duty. If the government makes a policy that is against some bonds, the raw materials can be imported and then worked upon and then further exported without paying of duty that will enable the liquidity.

Prof. Parthapratim Pal, IIM Calcutta said, "India has a window of opportunity due to the planned relocations of manufacturing happening, and Special Economic Zones can definitely play a very important role. Should India be indiscriminating getting these companies or should India try to focus on getting companies where India has certain kind of comparative advantage or competitive advantage? If you just accept any company coming out of China then, is it sustainable, especially if you are getting companies at the lower end of the value chain, which basically operate on cheap labor costs? "

Another big problem is the sale to the domestic tariff area. We were thinking about it, why doesn't the government make the SEZs pay the minimum possible tariff that is applicable across all FTAs. Just make the FTAs pay a duty to make them at par, at a same platform with the other domestic manufacturers but pick out the least possible FTA duty for each product and make those applicable for the FTAs, who are selling in the domestic tariff area, he added.

Harsh Hiroo Gursahani, Counsel, International Trade Laws and Food Laws, PLR Chambers said, "It is important to note that SEZs per se are not in conflict with WTO laws. There are around 140 countries that have SEZs and in their various forms currently present as well. Services do not fall under the ambit of SCM Agreement, so the government can step in to give subsidies for services. When you delink or demerge the bundle of manufacturing SEZs into their manufacturing component and the services components, you know, the central government actually has the option to go in and subsidize at least the services parts of even a manufacturing SEZs."

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