DEPARTMENT OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE
UDYOG BHAVAN, NEW DELHI
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Topic: Stakeholders Consultation on discontinuation of the Export Promotion Capital Goods (EPCG) Scheme in the new Foreign Trade Policy (2022-27)-reg

Record of discussion (RoD) of the Meeting held with select Industry Associations/Export Promotion Councils at 11.00 a.m. on 20th January, 2022 (Virtual Mode) under the Chairmanship of Shri Amit Yadav, Director General of Foreign Trade

At the outset, DGFT welcomed all the participants to the meeting. The DG informed the objectives of convening the meeting and sought suggestions of the Industry associations EPCs on various issues like

- Relevance of the EPCG Scheme for promotion of Capital Goods sector in the present scenario particularly when the basic customs duty is in the order of 7.5%.
- Examination of the adverse impact of the EPCG Scheme on domestic manufacturers of Capital Goods.
- What kind of technological upgradation has taken place due to EPCG scheme?
- Whether competitiveness of industry has increased due to EPCG scheme ?

The DGFT requested all the representatives to give their suggestions in brief and macro level details to be sent in writing so that they can have much more useful discussion by not repeating the same points and also a large gamut of issues can be discussed.

The suggestions given by the various Industry Associations/Export Promotion Councils are given below :-

S. No.	Industry Association/ EPCs
1	**Apparel Export Promotion Council :** i. The textile and apparel industry has been one of the largest users of the EPCG scheme with 26% of the scheme being utilised by this segment. This is because the apparel export industry is completely dependent on even basic sewing machines for imports. The domestic machines are not of the quality needed for exports. The machines currently available are suited for small scale productions. ii. Presently basic garmenting machines like single/multi needle power operated lockstitch machines are completely imported by the exporting units, due to the poor technology in country like low RPM and productivity. iii. The industry has been importing machines, inspite of the high freight cost and delivery timelines. This is because it is not a matter of choice, but compulsion. iv. Many times the machines are imported because of brand specification for such machines.

	v. The scheme has been very beneficial for a large number of service providers feeding the garment industry like embroidery. Most of them are in the small-scale sector and removal of EPCG scheme will affect their cost effectiveness as suppliers to the export sector. vi. At present, the industry is largely dependent on imported machinery like Sewing machines, Embroidery machines, Knitting machines, Weaving machines, Spinning machines, fabric processing machines etc. Upto 45% of textile machinery is being imported from China, Japan and Singapore. The range of the tariff, based on machine type and country imported from these countries, varies around 7.5%. In addition, IGST exemptions are also available for these imports. Apparel is a very labour intensive industry with high employment elasticity of investment. For each USD 500 of machine imported, two jobs are created. With average applicable tariff on the imported machines being between 5% to 7.5%, this means that for USD 25, i.e. Rs 1,800 of revenue forgone towards USD 500 worth machine imported under this scheme, two jobs can be created. vii. India is presently losing competitiveness due to high cost of capital, low scales and low FDI flows and domestic investment into this sector. There is an urgent need for scaling up as average machine capacity in India is 400 machines with few vertically integrated units. But the investment level in the apparel sector has been low due to the low rate of return on investment. The removal of the EPCG scheme will further increase the cost of investment and impact the rate of return on iv-investment to that extent. viii. Though India is the largest global producer of cotton and 2nd largest producer of Polyester and viscose, the technology gap in the processing segment has been hampering value added exports. With the demand picking up and new policy support coming for encouraging investment, this scheme can help in addressing the technology gaps and supplement the other initiatives for better capacity building. ix. Hence it is requested that the scheme should be continued, till the time viable indigenous alternatives at matching quality and cost are available to the industry. x. The apparel sector welcomes the suggestion for indigenisation of the apparel machinery. Enhancing domestic production of machines will save the 2-3 months needed in importing, and offer better after sales services for the machines and technologies, real time updation of the technologies (specially software driven systems) and create an eco-system for R&D and innovation in this sector, which has been largely missing. xi. However, given the present gap in the industry needs and domestic availability of the machines required for the export sector, there is a need to continue the EPCG scheme till viable options are available domestically. xii. At present there are no domestic machines that meet the requirements of the apparel export industry. Hence, there is no suggestion for machines to be included in the Negative List under the EPCG scheme.
2	**FIEO:** i. EPCG Scheme has been in operation for over 28 years and has helped in building the export base of the country. ii. Since the export obligation under the EPCG Scheme is for a longer period of 6 years

(earlier it was upto 12 years also), the EPCG license holders continue in the field of exports for a longer time and sustain their exports even during difficult global conditions. In many cases, to meet their export obligation, companies continued exports at a wafer-thin margins or even at a loss. Had there been no export obligation under EPCG, such companies may have opted out of exports. The continuation during the difficult time helped such companies to reap rich dividends when the global conditions improve through increasing exports.

iii. EPCG Scheme encourages new entrepreneurs to enter into the field of exports as their cost of Capital goods get reduced and they are not saddled with obligations of average exports.

iv. The unavailability of technology in the country as well as long delivery period have also encouraged exporters to avail EPCG license.

v. The domestic procurement of Capital goods under EPCG remained low for the reasons stated at (iv) above as well as the fact that refund of duties to EPCG supplier s remained complicated and time consuming. In many cases, domestic suppliers refused to supply capital goods under EPCG due to the long time taken in getting refunds under the deemed export category.

vi. The objection of Department of Revenue is difficult to understand as they have Manufacturing and Other Operations in Warehouse Regulations (MOOWR) Scheme which allows duty free imports of capital goods even for domestic productions till unit remain in operation. In EPCG Scheme, at least the scheme is generating committed exports.

vii. If the EPCG Scheme is withdrawn, tomorrow objections may be raised for the duty free import of capital goods by EOU/EHTP and SEZ as well.

viii. FIEO favours encouragement of domestic sourcing under EPCG and would like the same should be more to ensure a level playing field. The domestic supply of Capital goods against EPCG may be given the same benefit as available to physical exports so as to incentivise both supplier and received of Capital goods. These may include :-

a. To reduce the cost of capital for domestic suppliers of capital goods, interest subvention benefits may be given to the supplier.
b. The export obligation of EPCG license holders may be reduced by 50-75% (as against 25% currently) to encourage him to procure domestically instead of imports.
c. The accelerated depreciation may be provided on the domestically procured capital goods by distinguishing between imported capital goods and domestic capital goods.

ix. The concern of the domestic industry, for the capital goods produced in sufficient quantities should be addressed by expanding the negative list but the EPCG Scheme should continue in view of its immense support to exports.

3 **ASSOCHAM**

i. Government of India has lost the case in WTO in respect of EPCG authorisation but has filed an appeal which is pending.

ii. There is no denying the fact that Indian exporters need to be protected in the international market. When exporters go to the international market there is no

	Customs duty protection available to them. iii. If Exports are required to grow, then a way needs to be found out to support exporters an account of making capital goods available to them. iv. There is also a need to find ways to make domestic suppliers attractive to supply quality capital goods to exporters and until such time EPCG scheme should continue.
4	**CII** India is currently targeting USD 400 billion exports for this financial year and also aims to reach USD 1 trillion Merchandise Exports. With this kind of targets, it is extremely important that schemes like EPCG scheme should continue unless there is an assurance that domestic manufacturers would be able to meet the needs of exporter to produce world-class quality Capital goods and supply at a competitive price and time lines. At present the capital goods industry in India is not ready to meet the needs of exporters and until such time Indian capital goods industry is able to supply quality goods at competitive prices to exporters, EPCG scheme must continue. Even though, India has lost a case in WTO, at this point of time it makes a lot of sense to continue EPCG scheme for exporters in view of the thrust being made on increasing exports from the country.
5	**FICCI** i. During 2021-22, Government has targeted exports of USD 400 billion. The duty saved amount under EPCG is about Rs. 13,000 crore on account of EPCG scheme and it includes GST portion which is otherwise available to importers as input tax credit. The net out go to the Government an account of Customs duties excluding IGST through EPCG scheme is less than Rs. 4,000 crore which is about half a billion USD. It comes to about 0.125% of total Exports. Government should be able to spend this amount in view of export promotion. ii. In case of production of goods by for domestic sector, industry gets about 5-10% of customs duty protection and for export sector no such production is available. Therefore, it is very essential that government should invest about 2 billion USD to protect the competitiveness of Indian exporters. iii. Our experience is that the large domestic capital goods manufacturers are eager to supply capital goods to EPCG authorisation holder under Deemed Exports scheme and it helps the domestic manufacturing activity. EPCG authorisation holder are invalidating the EPCG authorisations in favour of domestic manufacturers, wherever it is feasible to take supply from domestic industry. This is also helping domestic capital goods manufacturing industry and it is not correct to say that EPCG scheme is hampering the growth of domestic capital goods manufacturing industry.
6	**ACMA (Auto Component Manufacturer Association)** i. EPCG scheme is directly responsible for exports of about Rs. 18,000 crore from the auto component manufacturing sector. It is because machines imported to manufacture precision auto components from countries like Germany, Japan are not made in India. Domestic capital goods manufacturers have tried to manufacture such capital Goods in India but have not succeeded. Therefore it is a fact that exports are directly related to the EPCG benefits received by the auto component manufacturing

	sector. For auto component industry exports are a major game plan and any tinkering of EPCG scheme would be a death knell for this industry. ii. EPCG Scheme is responsible for 25-30% of export of auto components. Most machines imported from Germany, Japan and other developed countries. Technology has not been indigenised till date. Some equipment is not available in country. The import under Scheme is necessary otherwise export products will not meet the end products usage. Export obligation from domestic manufacturers can be lowered and efforts can be made to make the domestic Capital Goods competitive. Some machines made in country can meet their requirements. iii. Two things are to be looked into before the EPCG scheme is discontinued. One is competitiveness and other is capability of the Indian Industry. Most of the time, industry is forced to import capital goods from international markets to manufacture the goods for export market, otherwise the manufactured goods would not meet the exact International standards. Many of the precision components require imported capital goods. iv. There is a big challenge in respect of freight during Covid time and businesses would not import capital goods from international markets unless it is absolutely needed. There is a need to look at quality, technology and speed as a combination while taking decision to import capital goods. There is an absolute need for continuation of EPCG scheme for import of capital goods. v. There is a need to find ways and means to help domestic capital goods manufacturer to adopt to the international standards by manufacturing capital goods. There is a need to think in a holistic manner and find a win-win situation where the needs of exporters are also met and domestic manufacturers are also promoted.
7	**EEPC India:** i. Views of MSME sector: The basic custom duty on capital goods is 7.5% and due to increasing freight rates, the freight itself would be more than 7.5% and no MSME unit would import capital goods if the same are available in India. ii. In the post pandemic times, MSME sector is already facing financial problems and should be allowed to import second hand capital goods. Government should incentivize domestic capital goods manufacturers instead of stopping EPCG scheme. iii. The impact of EPCG scheme is very minimal on domestic capital goods manufacturing sector. During setting up a manufacturing plant, Technology plays a very important role. It is the technology that decides whether capital goods should be imported or should be procured domestically? Industry also gets process advancement when installing new capital goods. iv. If there is no EPCG scheme, the competitive edge of the manufacturer would be affected and export pricing would determine the competitiveness and will have an adverse impact on growth of Exports. v. Government should actively promote post-export EPCG scheme which may be WTO complaint. vi. EPCG scheme can also be used to promote domestic manufacturing with scheme like 50% relief in export obligation while procuring capital goods domestically. vii. Huge funds are required for setting up a big manufacturing plant and in such cases even small duty like 7.5% also matters for the manufacturer.

8	**SIAM (Society of Indian Automobile Manufacturers)** i. SIAM has discussed with vehicle manufacturers and they have informed that will not import capital goods from abroad if such machines are available domestically. If the industry needs certain type of machines to manufacture quality vehicles to the consu mer preferences they need to import them, otherwise they would lose both the domes tic market as well as export market. ii. EPCG scheme has helped in last 20 years for the auto manufacturers to establish the mselves in the domestic as well as in export market. iii. SIAM has given following chart to establish that actual export obligation is about 20 times that of the duty saved. iv. Auto industry in last five years is undergoing a major technological change and now with the onset of EV industry, they may need new capital goods for upgrading their plants which are not available domestically. Therefore, it is very essential that EPCG scheme should continue to promote quality vehicle manufacturing in India which will help the auto manufacturers to compete domestically as well as in international market.
9	**GJEPC (Gem & Jewellery Export Promotion Council)** i. EPCG Scheme is relevant for promotion of Capital Goods sector in the present scenario particularly when the basic customs duty is in the order of 7.5%. a. Gem & Jewellery Sector is one of the major sectors relying upon imported technology and capital goods as there is no organized R&D facility available in the country to meet the expectation of trade and sustain them in global competition. b. The sector is working on thin margins and investment in capital goods as well as fund requirement for working capital is huge as raw material being us ed is costly. The sector is not getting banking finance smoothly to address their business needs. c. The industry is facing challenges of higher rate of interest on private finance, volatile dollar rates, uncertainty in supply of raw material (both rough diamonds and gold is imported), higher rate of taxation and compliance, 2% EL imposed on online procurement, huge accumulation of ITC due to inverted duty structure in diamond industry etc.. While facing all these challenges, 7.5% relief on import duty is playing vital role for the sector. d. EPCG is not only about relief in terms of import duty but GJEPC considers it as motivational factor to undertake exports to meet the obligation under the scheme. EPCG should be treated as Export booster instead of an import relief measure. ii. The imported technology is advanced version and AI driven which makes it more attractive and user friendly. There are technology which yet to be developed to the expectations of manufacturers like galaxy machine, CNC and 3D metal printing etc. India still needs to develop on these fronts and till such time industry has to rely upon imported machinery only. iii. GJEPC strongly supports ‘Make-in-India' and ‘Atmanirbhar Bharat' initiatives and

urges Government to support R&D activities of Indian Machinery Manufacturers and encourage them to produce machineries at par with imported goods. If EPCG is closed, industry will be forced to buy domestic goods to save on capital investments but there will be a compromise on quality and yield. This may lead to reduction in exports as well.

iv. Additionally, very important to note that EPCG scheme allows import of capital goods including spares for pre-production, production and post-production spares (including reconditioned/refurbished), fixtures, jigs, tool, moulds and dies. Second hand capital goods may also be imported. Industry is still dependent upon imported parts and components to compete their exports. For e.g. Good quality XRF for gold testing machine are being assembled in India with imported parts and components, LGD machines parts & components like magnetron, semi- conductors etc. are required to be imported. Some of the parts of laser cutting machines, Hydrogen generator filters etc. need to be imported even for the machines manufactured in India.

v. Further, it may be noted that for production of Lab-grown diamonds, required technology is available with Indian manufacturers but same is not available in open market. The units which succeeded in R&D for making such machines are using it for their own use and jointly with their investors but have not scaled it up for commercial usage. Hence, SMEs are unable to invest in R&D and have to rely upon the imported technology. Looking to the global scenario, lab-grown diamond industry needs support measures to develop huge production capacity and compete against China.

vi. Diamond planning, cutting and polishing technology, diamond detection technology, lab-grown diamond reactors, quality refineries and testing machines etc. have been developed on basis of imported technologies & machineries. Industry has achieved remarkable progress in this direction and SMEs dealing in domestic market are using these machines. Technology is continuously improvising on basis of trade feedback & new global developments. However, still there is a huge scope of improvement for these machines. Additionally, industry is yet to develop good options for technology like CNC, 3D metal printing, Galaxy machine, Waterjet laser cutting machine, Stereolithography 3D printer etc.

vii. Industry got exposure to state-of-art machinery available globally and encouraged them to exports the goods as part of scheme obligation. Industry could meet global requirements in terms of finishing, quality and timely deliverables which was quite difficult without usage of these technology. The industry could compete and sustain in global market since years. New technology and machinery attracted new generation to join the sector and segment fuelled with new ideas, energy, creative thinking, innovations in terms of design, processes, e-commerce etc..

viii. It is suggested as under :-

1. Remove EPCG scheme only on technology which are available in India.
2. Machine or Technology which are not available in India or has superior quality in imported machines must continue getting EPCG benefits.
3. Authorize GJEPC to maintain a list of such technologies or machines on which EPCG scheme will be applicable.
4. GJEPC will keep improving the list based on the technology penetration in India and would remove / add / edit the list at regular intervals. Therefore, GJEPC once again reiterate not to consider the EPCG scheme just as “Import duty relief

	measure" but in broader perspective it is uplifting the industry in many aspects as discussed above.
10	**PLEXCONCIL (The Plastics Export Promotion Council)** i. Indian plastic exports is less than 1% percent of World Trade and comparable to exports of small countries like Malaysia and Vietnam. China exports more than 10 times than that of India. The reason for lower exports from India is that industry is saddled with low Technology machines and needs upgradation. Plastic industry is dependent on modern machines and EPCG scheme is one such scheme to import modern machines to upgrade the industry. ii. In respect of FIBC exports. India is currently exporting USD 1 billion and expected to reach to USD 2 billion in near future. The industry is competing with most of the countries in the world and have intentions to export to South Korea and Japan with stiff competition from China. Industry imports machines from Germany, for example , sewing machine which require for manufacturing of FIBC bags need to be imported as there is no domestic manufacturer. Therefore, it is requested that EPCG scheme should be continued. iii. Indian domestic plastic manufacturing industry is 14 million tonnes and export is about 1 million tonnes therefore the domestic capital goods manufacturing industry has ample opportunity to grow and it should not be at the cost of exports. Therefore exporters need to be supported with EPCG scheme. To meet the stiff targets proposed by the Department of Commerce the industry needs international quality capital goods for meeting the export targets. iv. Representative from SRF Industries stated that there is not a single manufacturer in the country who manufactures the capital goods for their industry. As such they are only two manufacturers in the entire world who manufacture the capital goods for their industry. They are able to compete with Chinese manufacturers with these capital goods and maintain their export edge. They need such capital goods under the EPCG scheme. If the scheme is discontinued their cost of production will go up and they would be less competitive compared to China.
11	**CLE (Council for Leather Exports)** i. EPCG scheme has played a vital role in the capacity expansion, technological modernization and up-gradation of the leather and footwear sector. The continuation of the EPCG scheme is very essential for technological upgradation at the global level involving latest innovations/processes namely Industry 4.0, Augmented Reality (AR),AI, Improvements other than buildings (IOTB) etc, as it would be difficult to develop these technologies immediately in the country. ii. More than 90% of the machinery required by leather, leather products and footwear industry are now imported as such machines are not produced in India. Hence, domestic industry is not affected on account of usage of EPCG Scheme by leather, leather products and footwear industry. EPCG scheme only facilitates Make in India initiative by reducing the cost of import of machinery and helping manufacture of value added products in the country. iii. Import of machinery under HS Code 8453 used in leather and footwear sector during 2019-20 was Rs. 526.69 crore which shows the significant investments made by the i

	ndustry. iv. The leather and footwear industry prepares products for overseas brands and the machinery requirements. v. The domestic machinery industry needs to be developed but this depends on various factors like technological knowhow, attracting FDI/JVs are involved which will take time. Hence, any sudden removal of EPCG scheme will only significantly enhance the cost of modernization of production units, thereby affecting fresh investments and start-ups in the sector. vi. Upto 98% of the leather and footwear industry is in MSME. Considering the shift of business from China, the industry aims at enhancing exports from USD 5.09 billion in 2019-20 to USD 10 billion in 2025-26. Removal of EPCG scheme will adversely affect the MSME units and also the envisaged export targets. vii. Hence, instead of removing the EPCG scheme, the scheme should be made more workable by considering the following. a. Export obligation may be changed from 6 times of duty saved in 6 years to six times of duty saved in 10 years, without levy of any additional fee. b. Exemption from maintaining annual average export obligation (i.e. average of previous three years of export) under EPCG Scheme is given to sectors like handicrafts, handlooms, carpets etc. Similar exemption needs to be given for l eather and footwear sector. c. Promotion domestic capital goods industry d. Tax Holiday: 5 Year Corporate Tax holiday may be granted to domestic/foreign/ Joint Venture companies who are investing in domestic manufacture of Capital Goods.
12	**TEXPROCIL** i. Textiles sector is the largest user of EPCG scheme. ii. In spinning industry India is world class manufacturer. Lakshmi Mills is one of the reputed manufactures for the spinning industry. India also exports one third of machinery abroad. iii. However, country does not have technology to offer advanced machinery in the areas of Knitting, garments, non woven textiles, technical textiles, embroidery, made ups, garment accessories. Therefore it is strongly requested that EPCG scheme should continue. iv. In some cases EPCG scheme was countervailed by certain countries. However the margin of the duty is very small and therefore for the larger good of the exporting community EPCG scheme should be continued. v. The industry has a low Technology base in many of the Machines. The industry never grew in terms of technological advancements in many sectors and also have low R&D base. vi. The industry is world class in spinning but we also need to be world-class in weaving. The shuttleless looms are not at all manufactured in the country. We have the advantage of taking benefits from the entire value chain of textile sector. Therefore, it is strongly requested for continuation of EPCG scheme.

13	**SRTEPC (Synthetic and Ryan Export Promotion Council)** SRTEPC strongly recommends for continuation of EPCG scheme. In Man made fibre (MMF) sector there is an inverted duty structure with duty on yarn is at 12% and on fabric it is 5%. Already, Industry is facing problems and discontinuation of the EPCG scheme would add an additional burden on the manufacturers to invest more funds. Therefore, it is strongly recommended that the EPCG scheme should be continued.
14	**PHARMEXCIL:** i. There is lot of compliance requirements for export of Pharmaceutical items and there fore this sector it is heavily dependent it on newer technologies. Such technologies are not present in India and industry is entirely dependent on imports. ii. As on today pharmaceutical sector is neither getting any support of RODTEP Scheme or support in terms of direct tax benefits for investment in R&D sector. iii. There is lot of pressure on the industry in respect of cost and development of new molecules. If EPCG scheme is removed it will add further to the cost of manufacturing which will make export items uncompetitive. iv. There is lot of technological upgradation going on very regularly in the pharmaceutical industry. Items like reactors etc can be sourced within India and most of the equipment like analytical equipment and R&D equipment have to be imported. v. Therefore it is strongly recommended that EPCG scheme should continue.
15	**The Agricultural and Processed Food Products Export Development Authority (APEDA)** Majority of the equipment like cold storage equipment for Dairy Sector and greenhouse equipment for floriculture are mostly imported as there is no cost effective solution which is available domestically. Therefore it is strongly recommended to continue the EPCG scheme.
16	**CHEMEXCIL (Basic Chemicals, Cosmetics & Dyes Export Promotion Council)** i. Any exporter would primarily look at EPCG scheme based on the following parameters: Availability of Machinery in India / abroad, contribution to process development or up gradation of quality and cost competitiveness. ii. If above requirements are not fulfilled by local suppliers, then only exporters would explore imported machineries as high logistics cost is also involved in imports. iii. Invalidation for the purpose of EPCG is permitted for local procurement, hence it may not impact the domestic manufacturer as long as they are competitive in terms of quantity and cost. This facility enables local suppliers to avail deemed exports benefits in case they supply Capital Goods to EPCG holders. iv. Chemical industry is facing regulatory compliance requirements/ TBTs in various major markets like EU, USA, China, Korea, Brazil etc. Few years back, Indian exporters were facing compliance of EU REACH. Now other markets like China, Korea, Turkey etc are also implementing their own regulations on the lines of EU REACH. v. Department of Commerce is supporting industry under MAI scheme to cope up with registration requirements. It maybe appreciated that these compliance are main ly aimed at importing high quality products in their countries. In such a scenario,

	EPCG scheme can Contribute to process development or upgradation of quality in case exporters wish to import high quality capital goods duty free subject to EO ful fillment. vi. As mentioned above, chemicals are also being exported to regulated markets (like EU, USA, Korea, China etc) and face compliance requirements like pharma. To export high quality products, there might be need to import high quality capital goo ds. vii. If EPCG scheme is phased out, manufacturer exporters importing machinery will have to pay applicable Customs duty on import of capital goods used for manufacture of the export products. Currently the manufacturer can avoid payment of this duty by opting for EPCG scheme. viii. Therefore we request continuation of this scheme in forthcoming FTP as well to boost exports of high quality products. In case of withdrawal of EPCG scheme, Government can introduce an appropriate scheme to ensure that the Customs duty on capital goods does not become a burden and make our finished products less competitive specially when government is targeting a quantum jump in exports from India this year and also in future.
17	**SEPC (Services Export promotion Council)** Healthcare industry imports lot of capital goods like medical devices and other equipment which is necessary for the growth of such industry which are not available in India. Hotel industry also imports of capital goods for creating world class ambience. The continuation of EPCG Scheme is necessary.
18	**MPEDA (Marine Products Export Development Authority)** i. On the basis of feedback received from the seafood exporters, it is understood that pre-processing, processing and cold storage machinery imported under EPCG License helps seafood exporters to produce quality seafood such as Frozen, Canned , Dried and ready to eat value added products in order to compete in the international market and to meet the importers requirement. Further, it also be note d that most of machinery required for producing value added products such as Surimi analogue products are not available domestically. ii. Discontinuation of EPCG scheme could end up paying 30-35% custom duty which will have great impact on the seafood sector. Additional custom duty on import will result in restricted investment in expansion of the processing capacity or replacement of existing machinery which may ultimately affect the export. Due to the pandemic, freight cost has increased exorbitantly and thus discontinuation of EPCG scheme will have adverse impact on the exports. iii. Machinery is imported in order to meet the specification and quality requirement of importing nations. To compete in the global market and to keep up with the fast growing technology changes in real time, importing of capital goods are inevitable by the seafood exporters. iv. To promote the domestic industry in the manufacture of seafood processing machinery and seafood processing ingredients on par with the international standards, domestic manufacturing industry requires schemes to develop them as a global supplier. Promotional schemes on R&D linkages, technology transfer and

	also Joint Venture maybe envisaged. v. It is understood from the seafood exporters that most of the machinery imported are not domestically available in India. Hence, Negative list is negligible. vi. The machinery imported or intended for import under ITS- HS Chapter 84 and other suitable HS line by the seafood exporters under EPCG scheme may please be considered in order to promote the Seafood exports.

In his concluding remarks, DGFT stated that :-

(i) We heard across large number of stakeholders from EPCs and industry Associations. It is an eternal dilemma whether we should keep on importing or start manufacturing within the country.

(ii) We have an issue of whether the scheme is WTO complaint or not. Another issue raised is the kind of technological requirement for Capital Goods whether such goods are domestically available or not, to what extent they are available etc.

(iii) At the same time we have to find ways and means to ensure that domestics manufacturing happens in the country. It may not be in all sectors that domestic manufacturing can happen immediately. The needs of domestic manufacturing should be a part of whatever solution we are going to arrive at.

(iv) We have a very wide and broad definition of what are Capital Goods and we need to revisit what should be the coverage of EPCG scheme for Capital Goods.

(v) We also need to look at what the domestic manufacturing can do in this broad spectrum of Capital Goods that are being imported and which can be supplemented under the Scheme.

(vi) We should also need look at HS-code wise list of Capital Goods which are required to be imported and which are the items that are domestically manufactured. We can also look at what are the HS codes in which domestic manufacturing can move up over a period of time which needs to be supported with whatever matters that government can come up with.

(vii) We need to look at it in a strategic point of view to broadbase domestic manufacturing and bringing new technologies into the country in this sector.

(viii) However, in order to find ways and means to address the concerns of the domestic capital goods industry, all the industry associations/EPCs are encouraged to furnish the following :-

a. Suggestions on promoting the domestic Capital Goods industry.
b. List of items/Capital Goods which are being produced domestically and can be considered for inclusion in the Negative List under the EPCG Scheme. The ITCHS codes and names of such items may also be kindly sent.

The meeting ended with a vote of thanks to the Chair.

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LIST OF ATTENDEES

1. Shri Ajay Sahai, DG, FIEO.
2. Shri Narender Kumar Goenka, Vice-Chairman, AEPC and Dr. L.B. Singhal, DG, AEPC.
3. Shri Pranav Kumar, Principal, International Trade Policy, CII.
4. Shri O.P. Hisaria, Senior Vice President, Reliance Industries and Shri Manab Majumdar, Deputy Secretary General, FIICI.
5. Shri Suhail Nathani, Member National Council on WTO trade and investment, ASSOCHAM.
6. Shri Sunil Arora, MD, Abilities India Piston & Rings Ltd., Ms. Shuba Kumar, Natesan Synchrocones Pvt Ltd, Shri Gautam Maini, MD, Maini Precision Products Ltd and Shri Rakesh SB, Associate VP, Sansera and Shri Sushil Rajput, Director-Government Affairs and Public Policy, ACMA.
7. Shri Biswajit Mitra, Tata Steel, Shri Sanjeet Kumar, Tata Steel, Shri Pankaj Chadha, Jyoti Steel Industries and Shri Suranjan Gupta, Executive Director, EEPC India.
8. Shri Kaushik Basu, CGM, Skoda Volkswagon and Shri Atanu Ganguli, SIAM.
9. Shri Sabyasachi Ray, Executive Director, GJEPC.
10. Shri Arvind Goenka, Chairman, Plexconcil, Shri Ravish Kamath, ex-Chairman, Plexconcil, Shri Alok and Shri Jaideep Chatterjee, SRF Industries, Plexconcil.
11. Shri Abhay Sinha, DG, SEPC.
12. Shri Sanjay Leekha, Chairman and Shri R. Selvam, Executive Director, CLE.
13. Dr. Siddhartha Rajgopal, Executive Director, Texprocil.
14. Shri Bhadresh M. Dodhia, Vice-Chairman, SRTEPC.
15. Shri Sahil Munjal, Chairman, Pharmexil and Shri Satyanarayana, Dr. Reddy Laboratories Ltd.
16. Shri Deepak Munjal, Acting Executive Director, Chemexcil.
17. Shri S.S. Nayyar, GM, APEDA.
18. Dr. Rakesh Thomas Kurian, Deputy Director, MPEDA.