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Ref.No.MAIT/PY/2388

September 03, 2021

Shri Amit Yadav
Director General
Directorate General of Foreign Trade

Subject: Amendment in Para 2.07 of Foreign Trade Policy (FTP), 2015-20 on Principles of Restrictions and Prohibitions for Imports / Exports

Reference: Directorate General of Foreign Trade (DGFT) Notification No. 17/2015-20 dated 10 August 2021

Respected Sir,

Greetings from MAIT!

This has reference to above referred DGFT notification wherein the Para 2.07 of FTP (2015-20) is suo motu amended in order to include more provisions for imposing restrictions or prohibitions on free trade activities. The relevant sub-clauses added in said Amendment are as follows:

- d. "On imports to safeguard country's external financial position and to ensure a level of reserves".*
- e. on imports to promote establishment of a particular industry;*
- f. for preventing sudden increases in imports from causing serious injury to domestic producers or to relieve producers who have suffered such injury;*

In this regard, we respectfully write to express our concern on above-mentioned sub-clauses and the process adopted to amend clause 2.07.

1. The captioned amendment has been affected without a formal industry consultation. This is at variance with the general practice.
2. The existing FTP is valid upto 30 September 2021. A new FTP (2021-2026) is expected to be announced soon. Industry consultation has been rightfully sought to frame the new FTP. Therefore, the rationale for amending clause 2.07 of the old policy in the interim is unclear. More so, when this clause in the current form may or may not be incorporated in the new FTP.
3. Perhaps a formal industry consultation would have helped provide opportunity to understand the rationale and provide constructive feedback. This would have addressed the concerns.
4. The specific sub-clauses stated below are open ended and are prone to multiple interpretation including being uniformly applied which could possibly result in restriction and prohibition of seamless trade activities.

The sudden inclusion of the sub-clauses is cause for creating serious uncertainty amongst Global and Domestic investing manufacturers including those under the PLI Scheme for Large Scale Electronics Manufacturing. The open-ended clauses may lead to broad based actions / interpretations leading to challenges in import of raw materials, components and sub-parts of mobile phones for manufacturers already heavily invested under the said schemes. There is high reliance on import of inputs/components for production. Sudden changes in the policy reflects unpredictability and uncertainty impacting investor confidence.

We wish to draw your attention to the Hon'ble Prime Minister's (PM) address on 06 August 2021 during his interaction with heads of Indian missions abroad and stakeholders of the trade and commerce sector wherein the Hon'ble PM has highlighted the importance of encouraging competition and excellence in exports, in order to grow India's share in the global value chain. The relevant part of the address is as follows:

"...At a time when the country is on the AatmaNirbhar Bharat mission, one of its goals is also to increase India's share in the global supply chain in exports manifold. Today we have to ensure that we get access according to the international demand so that our business can scale up and grow. Our industry will also have to embrace the best technology, focus on innovation and increase its share in R&D. This can only result in the growth of our share in the global value chain. While encouraging competition and excellence, we have to prepare global champions in every sector."

In pursuit of Hon'ble PM's vision of AatmaNirbhar Bharat, on 1st April, 2020 the Government notified the PLI scheme for large scale electronics manufacturing, which have been announced in order to boost the scale of Mobile phones manufacturing, attract large-scale investments in the mobile phones, IT H/w, Telecom and specified electronic components value chain and create job opportunities. The said PLI scheme is greatly beneficial in attracting global and domestic champions to manufacture in India by offering financial incentives over a five-year period. It is important to note that exports of Total Electronic Goods have grown from USD 6,060 Mn (in 2017-18) to USD 10,641 Mn (in 2020-21). Subsequently, new PLI schemes have been launched to take forward the "Make in India for the World" initiative. Electronics sector as a whole has a lot of potential in becoming Number one export of our country.

It is also important to note that manufacturers in India have to import several critical raw materials which may include components from international markets in order to manufacture in India and to meet the targets set about in the PLI Scheme. Therefore, in order to ensure the success of the PLI scheme, it becomes mission critical to protect the supply chain of the companies ramping up their manufacturing to meet with the objectives of the PLI scheme. This can be ensured by providing early clearances at the ports, keeping customs tariffs stable and not introducing more regulations or import restrictions on any of the raw materials and inputs.

Global & Indian companies have made/making capital investments towards 180 Bn \$ of electronics production planned over next 5 years. These have been made on the foundation of free flow of raw material and finished products to achieve this. Any form of restrictions or sudden hiccups will undermine global confidence on India as a manufacturing destination.

In view of the above, we would like to respectfully propose that DGFT may not impose import related restrictions on PLI companies directly affecting their ability to meet PLI targets and in turn, rendering the PLI scheme ineffective. The PLI scheme is a specialized and a distinct

policy approach which has immense potential to make our country “Aatmanirbhar” in the Electronics System Design & Manufacturing (ESDM) space. We request the revised clause 2.07 incorporate this concern received from industry consultations. It would be appropriate if status quo to clause 2.07 be maintained till the said clause in the new FTP can be incorporated basis the comments received from industry consultation.

Therefore, we request for a flexible approach aimed at the end result and supporting the country in gaining bigger share in the global value chain.

We look forward to your early intervention for suitable resolution of this matter.

With regards,

A handwritten signature in black ink, appearing to read "George Paul". The signature is stylized with a large, sweeping initial 'G' and a horizontal line extending to the right.

George Paul
Chief Executive Officer