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Ref.No.MAIT/PY/2460

March 30, 2022

Shri Santosh Kumar Sarangi, IAS
Director General
Directorate General of Foreign Trade

Subject: Representation to provide for advance and bulk SCOMET licenses to repair centers in India engaged in import and re-export of defective goods for repair and return

Respected Sir,

Greetings from MAIT!

We, **MAIT** (“**the Association**”) would like to take this opportunity to thank DGFT for its continued support to the industry in its policy related issues.

The present representation is being filed by the Association on behalf of its various members in the electronic repair industry (**‘Members’**). Such members are *inter-alia* engaged in import of various defective networking and electronic goods for repair from various countries acting as Importer on Record (**‘IOR’**), undertaking such repair activities in India and export of repaired goods to the same or any other country as authorized by its client, by acting as Exporter on Record (**‘EOR’**). The repair services provided by the Members earn valuable foreign exchange for the country. It is pertinent to note that the Members are involved in the activity of only repairing the goods and there would not be any value addition in terms of features, etc. of the imported goods.

The Members in this industry operate amidst stiff competition from global players from various countries including China, Malaysia, etc. and must function on a very quick turnaround time to attract and maintain business. The nature of goods being repaired are also extremely time sensitive and hence the Members are required to plan the entire repair process and logistics in minutest details to adhere to pre-agreed timelines. In some cases, the time gap between import of defective goods and export of repaired goods can be as low as one day. Some of the technology related goods handled by the Members would also be SCOMET controlled goods (covered under Category 8 of the SCOMET list).

The present policy and procedures for granting SCOMET licenses for goods covered under Category 8 of the SCOMET list does not envisage issuance of a SCOMET license prior to when the goods are imported into India and where the exact serial numbers of goods sought to be exported is unknown. That is to say that the present policy and procedures do not provide for issuance of a SCOMET license in advance (*prior to imports*) and for bulk quantity. Due to this, the Members may be required to apply for SCOMET licenses after the imports are made and each time, there is a shipment of repaired goods ready for export, and considerable amount of waiting period for issuance of such license before exports can be made. This process increases

the turnaround time for export of repaired goods and also creates uncertainty viz. the time within which the repaired goods will be re-exported.

In context of the issue described above, the present representation is being filed for issuance of suitable amendments in the policy so as to facilitate issuance of advance bulk SCOMET licenses to the Members engaged in import of defective goods for repair and return under the arrangement as described above.

The Association's Representation in this regard is attached as **Annexure A** hereto.

It is humbly requested to consider this Representation by the Association and grant the necessary reliefs as requested.

We would be happy to provide you with any further information or clarification that your goodself may require in this regard.

With regards,

A handwritten signature in black ink, appearing to read "George Paul". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

George Paul
Chief Executive Officer

CC: Shri Nitish Suri, Deputy DGFT, Export Cell (SCOMET)

Representation on issuance of advance SCOMET license to Indian companies engaged in import and re-export of defective goods for repair and return**A. Background and difficulty faced**

1. As per the facts and background of the present case explained in the covering letter, the goods handled by Members are time sensitive in nature and Members are required to follow very quick turnaround time to sustain the competition with the global players and to support global supply chains of their customers. To meet these commitments w.r.t quick turnaround time, the entire process from import of defectives, undertaking repair and export of repaired goods needs to be planned very carefully in advance and along with precise estimates of time required at each leg of the process.
2. Any delay, even of a single day, in export of repaired goods would disrupt global supply chain of customers and would be unacceptable as a norm in the global repair industry. Any delay in exports, however minimal it may be, would be detrimental to the Member's business. Further, the volume of transactions in this business is generally high to be able to ensure optimum utilization of capital investment made and to be able to provide competitive pricing to sustain competition against players in China, Malaysia, etc.
3. The current policy and process for obtaining SCOMET licenses for such transactions requires an exporter to provide details of the goods sought to be exported, corresponding import documentation including but not limited to the Bill of Entry, etc. at the time of making an application for SCOMET license. Accordingly, a member exporter engaged in the electronic repair industry would be required to make such application for SCOMET license only after the goods are imported into India as and when a shipment is ready for export and make such applications over and again at the time of making shipments. The requirement to apply for license once shipment is ready for export is leading to delay in exports and uncertainties regarding the exact time when exports can be made. Further, multiple applications for SCOMET licenses (one application for each shipment or a batch of shipments to a particular location) require considerable investment of time and resources on part of the Members who already operate on wafer thin margins to sustain competition from global players in China, Malaysia, etc.
4. The above-described licensing mechanism thus becomes a roadblock to operate a large-scale global repair center in India in respect of goods covered under the SCOMET list and takes away the competitiveness of the Indian players in the repair industry.
5. It is also pertinent to note that MAIT fully understands and appreciates the need for export controls for goods covered under the SCOMET list as part of India's national security and as India's commitments being a member of Wassenaar Arrangement and various other global agreements. However, the Association humbly believes that alternative license issuance

mechanism such as advance bulk licensing and having in place a strong post-export reporting system could serve these purposes and facilitate business for growing industries like electronic repair industry in India. It may be worthwhile to note that a lot of these Members typically represent a well-established organizational set up either having global presence or a well-established domestic presence.

B. Relief sought

6. In the above-described background, MAIT seeks relief by way of providing advance bulk licenses to the Members for export of repaired electronic goods whereby the Members can obtain such licenses in advance (*prior to imports*) and make post-repair exports of imported goods as per the directions of their overseas customers. It is submitted that such exports would be made only to those locations and entities for which an advance bulk license would have been obtained, thus ensuring the regulatory requirements.

C. Rationale in support of the relief sought

7. An alternative SCOMET licensing mechanism coupled with a strong post-export reporting system can balance the interests of the Government of India as well as the industry. The same would go a long way in establishing India as the preferred destination for global repair center business, without diluting the export controls for the products covered under the SCOMET list.
8. The electronic repair industry is one of the largest and fastest growing industry in the world. As per a report¹ issued by the Manufacturers' Association for Information Technology (MAIT), the electronics repair industry has the potential of becoming an emerging sector for employment growth in India with the potential to generate over 5 million new direct jobs. The industry also has potential to create revenue of USD 20 billion per annum.
9. The Members of MAIT competing with global companies earn significant foreign exchange by virtue of these transactions, which would be severely impacted if they are unable to carry out this business with operational and commercial efficiency.
10. The purpose of the current licensing procedure applicable for such transactions is to ensure that correct and accurate details of the source of goods (imports), import documentation, nature of goods and destination of goods (exports) is made available to the DGFT. The Association humbly submits that providing an advance bulk licensing mechanism coupled with strong post-export reporting system would serve the same purpose. The essential information and documentation requirements of the current policy for issuance of license including a Bill of Entry would continue to be adhered to even under the advance bulk license mechanism, with the difference that some documents like the Bill of Entry and information of exact serial number exported would be part of the post-export documentation as opposed to it being submitted for issuance of a license.
11. MAIT wishes to highlight that various member countries of the Wassenaar Arrangement such as the Netherlands also provide alternative licensing mechanisms such as advance bulk licenses to balance the industry's interests along with the responsibility of export control.

¹ <https://cio.economictimes.indiatimes.com/news/corporate-news/indian-electronic-repair-market-can-create-over-5m-jobs-mait/82239431>

D. Prayer

12. In consideration of the above rationale, MAIT humbly requests your goodself to grant relief sought *vide* this Representation and prays that:

- a. Suitable amendments be made in the policy and procedures to permit issuance of advance bulk license to Indian companies engaged in post-repair exports of imported goods to the country of import or to any other country as per requirement of customers.
- b. A suitable post-export reporting system may be prescribed to control such exports and protect interests of the Government.
- c. Grant such other relief(s) in this background as your goodself may consider appropriate.