



EXPORT PROMOTION COUNCIL FOR EOUs AND SEZs

(Setup by Ministry of Commerce and Industry, Govt. of India)

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Badiga Srikanth
Chairman

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To

**The Chairperson,
Department-related Parliamentary Standing Committee on Commerce,
Rajya Sabha Secretariat,
Parliament House Annexe,
New Delhi – 110001**

Respected Madam,

At the outset, on behalf of the Export Promotion Council for EOUs and SEZs (SEZEPC), I take this opportunity to place on record our sincere appreciation for the Committee's continued engagement with matters concerning India's Special Economic Zones. Set up under the aegis of the Ministry of Commerce and Industry, the Council represents SEZ Developers, SEZ Units and Export Oriented Units across the country, and works closely with them on the operational and policy challenges they encounter. Drawing upon this continuous interaction with our members, we respectfully submit the following observations and suggestions for the kind consideration of the Committee, in the belief that addressing these issues will enable Indian SEZs to realise their full potential as engines of exports, investment and employment.

SEZs: Doing Away with the Present Bottlenecks

- SEZs should have policies and framework as per global best practices. Government should test with industry friendly policies in SEZs like a policy laboratory.
- Indian SEZs should be able to provide world-class infrastructure for foreign investors - in China, in Vietnam, Indonesia and other countries have taken this approach for attracting heavy domestic investments.
- When SEZ units supply goods to domestic market in India, full Custom duty is levied, discouraging value addition in Indian SEZs. Government should just levy the customs duty on inputs rather than on finished goods. This practice is not followed in China, Indonesia, Europe, US or UK. For instance, high quality shoes and clothes for big international brands are manufactured in Indian SEZs, such as Cheyyar SEZ in Tamil Nadu and Brandix India Apparel SEZ, Visakhapatnam, but they are brought from China or Vietnam or Bangladesh to serve domestic market because Indian SEZ have to pay high full customs duties on their finished goods while they are imported from Vietnam or Bangladesh at zero duty under Free Trade Agreements. Foreign Investors do not understand these contradictions that they have to serve Indian domestic markets from their factories in Vietnam and not from their factories in Indian SEZs. It discourages foreign and domestic investment in Indian SEZs. In fact, even Indian

investors are investing in Bangladesh, Vietnam and other countries. The ask from the industry is already available in Govt schemes of MOOWR and EOUs which should be implemented for SEZs too. This year, Government has notified a scheme for SEZ to DTA on concessional duties. However, it is only for one year and there is no concession for most of the products and only for 1% of the products where concession is given. There are not many takers for this scheme. The scheme should be on a permanent basis as per global best practice.

- When SEZ units supply services to domestic clients, domestic clients have to buy Dollars to pay for these services as INR payment is currently not allowed, which is not a standard practice in China or elsewhere. This is because of the definition of services in SEZ Act and is against GoI policy that we should have all transactions within India in INR. It is increasing transaction costs as they need to pay commission for currency conversions. SEZ Units are not able to provide services to Indian Defence PSUs/ Indian Armed Forces even though they have the technology. LnT has the missile technology in SEZ Units, but they cannot provide to IAF. IAF has to import. GMR Aerospace SEZs Hyderabad can maintain aircraft of Indian Airlines but Indian airlines have to pay in Dollars. It becomes cheaper to do the same in Singapore. In fact, in countries like Vietnam, the preferred mode of currency for all transactions is their local currency i.e. Vietnamese Dong. We can emulate similar practice for encouraging the use of INR as a default currency. Hence, INR payment should be allowed.

Development of Enterprise and Services Hubs - DESH BILL

- In 2022, Mrs. Nirmla Sitaram, the Hon' Finance Minister has announced in her budgetary speech on the introduction of new SEZ policy, SEZ 2.0. Though the draft DESH Bill was prepared, it was not enacted into an Act. Above SEZ reforms were tried through amendment in the existing SEZ Act. However, the same has also not yet been approved. This has put the entire SEZ industry in a dilemma forcing several SEZ units to exit the scheme, as there is no clarity with regard to the implementation of the proposed policy framework.

SEZs: Attracting investments

- Due to issues related to tariffs and global geopolitical tensions, a large number of GCCs are showing interest in setting up operations in India. They are preferring to operate from SEZs instead of DTAs. This is a great opportunity for India given its huge talent pool. Providing enabling policies to attract GCCs to operate from the already existing available SEZs will solve the dual problem of vacant space utilization and evade the need to create capital intensive infrastructure development, thus saving time for establishment.
- Due to issues related to immigration restrictions, a number of FHEIs are showing interest in setting up their campuses in India opening up great potential for Indian SEZs. FHEIs operating from vacant constructed SEZ spaces will help attract FDIs. Creating conducive policies for education GCCs that could serve FHEIs will also create large scale employment opportunities apart from investments inflows.
- Policies enabling direct connection between Indian talent to the GCCs through deep campus co-creation, faculty sabbaticals in corporate set ups., intellectual property protection, expanding high-tier talent pipelines will encourage FDIs.

Others

- There are multiple schemes that are sometimes contradictory to each causing lack of clarity. To serve every purpose one single comprehensive, enabling scheme incorporating global best practices needs to be developed in a simple to understand terms and should be marketed well.
- Adhering strictly to single window clearances, expedited approvals, modernized SEZs and industrial parks, policy commitments to longer tenures (policy stability), deeper collaboration with state etc. will further boost foreign inflows.

With kind regards,

Yours sincerely,

Badiga Srikanth

Chairman

Export Promotion Council for EOUs and SEZs (SEZEPC)