

Strategic Plan
Department of Commerce

1. Vision, Mission, Objectives and Functions.

1.1 The basic role of the Department of Commerce is to facilitate creation of an enabling environment and infrastructure for accelerated growth of exports and trade. The core functions of the Department are regulation, development and promotion of India's international trade and commerce through formulation and implementation of appropriate international trade and commercial policies. The long-term vision of the Department is to make India a major player in the world trade by 2020 and assume a role of leadership in the international trade organizations commensurate with India's growing importance. Our goal in the medium-term as outlined in the Foreign Trade Policy (FTP 2009-14) is to double India's exports of goods and services by 2014 with a long term objective of doubling India's share in global trade by the end of 2020 through appropriate policy support.

1.2 The period 2003-07 witnessed unprecedented growth of world output and trade; world GDP growing at 3.8% per annum and world trade growing at an average annual rate of 16.6%. The growth of India's GDP and foreign trade has been even more impressive. In spite of an average annual increase of about 25% in exports in value terms, the trade deficit has also been growing due to higher growth in imports necessitated by increased requirements of growing economy. During the last five years current account deficit has been less than 2.5% of the GDP but based on recent trends is expected to move higher in the years ahead. For ensuring stable macroeconomic environment for accelerated growth of economy, the trade and current account deficits needs to be kept within sustainable limits. The only option available with the Department of Commerce towards attainment of this objective is to achieve further acceleration in exports growth.

Keeping in line with the cherished goal of the economy to grow at a double digit rate over the next decade, ***the aspiration of the Department is to achieve an average annual growth of exports of 25% over the next six years.*** Working on this aspiration, the Department aims to double its merchandise exports from US \$225 billion in 2010-11 (expected level) to US \$450 billion in 2013-14 and then to US \$750 billion in 2016-17.

2. Assessment of the situation

2.1 The realization of the aspirations of the exports growing at the targeted rate would depend to a great extent on the early recovery of the world economy and its sustained high growth thereafter. The strategies being adopted by other major exporting countries including currency valuation, conducive multilateral and regional trading arrangements, effective handling of the non-tariff barriers, depth of trade facilitating reforms etc. would also be strong factors relevant for the attainment of the above goal. Even the largest importer of goods like USA has launched a major initiative in the form of National Export Initiative (NEI) to double its exports from US \$1.57 trillion in 2009 to US\$ 3.14 trillion in 2015.

SWOT Analysis

<u>Strengths</u>	<u>Weaknesses</u>
• Availability of most natural resources and long coastline • Diversified Industrial base • Skilled manpower, including entrepreneurial ability	• Major infrastructural deficit in terms of power, ports, roads, railways • Lack of state of the art technology in many manufacturing

ability • English language skills • Growing middle class and disposable incomes represent a robustly growing domestic market • Low wages compared to all developed and emerging developing countries like China and Brazil • Younger population as compared to all developed countries and China	sectors • Low investments in R & D • Low literacy levels and generally poor quality of technical education (except in a few colleges) • Low productivity and high morbidity burden on labour • High transaction costs and cost of Lending • Red tape and procedural delays (including in the judicial proceedings) • Corruption
<u>Opportunities</u> • Good combination of skilled manpower and	<u>Threats</u> • Higher labour productivity, world

comparatively lower wage costs could act as a catalyst to attract FDI for a wide range of manufacturing activities, provided we bridge the infrastructural deficit • Improvement in farm productivity and establishment of cold chain could transform into an agro-products exporting power, specially in fruits and vegetables • Large graying population among wealthier countries would compel	class infrastructure and large manufacturing base of China could make it difficult for India to gain a larger share of global exports. India's bilateral trade with China is also currently running an annual trade deficit of \$ 17 billion. • Lower cost competitors like Bangladesh (in textiles and clothing) and Vietnam (for textiles, clothing, tea, coffee and some spices) could erode India's share in global trade.
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them to outsource many of their activities to lower cost suppliers like India • The availability of large numbers of skilled IT professionals could be leveraged to turn India into the global back-office	
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3. Outline of the Strategy

3.1 The key strategic initiatives to achieve the aspirations have been formulated on the basis of the critical assessment of our strengths, weaknesses, opportunities and challenges facing the Indian economy and the export sector. These are based on a series of discussions within the Department and consultation with stake holders i.e. premier industry organizations and Export Promotion Councils and expected trends of growth in world economy and trade. The important initiatives include -

- (i) Traditional sectors like textiles, gems & jewellery and handicrafts have been the strong areas of our exports. These sectors individually account for only a small segment in the world trade. On the other hand, India's share in the most dominant segment

of world exports i.e. machinery and transport equipment (accounting for 37% of world exports during 2003-07) was only 0.3% during this period. Similarly, our share in other important sectors like chemicals, pharmaceuticals and agri-products is not significant. The strategy to boost our capabilities of exports in these sectors would receive high priority in any future strategy for export promotion and diversification.

- (ii) The Department aims to formulate and implement a detailed strategy for doubling our exports from US \$225 billion to US \$ 450 billion over the next three years. The exercise in this regard is already underway in the Department and the strategy paper is expected to be finalized by March, 2011.
- (iii) Along with product diversification, diversification of markets based on the changing dynamics of growth in the world economy is equally important to ensure sustained and accelerated growth of exports. The demand for Indian exports in the traditional markets of developed west i.e. North America and Europe is projected to slow down as a result of slowing output expansion in these economies. According to the '*World Economic Outlook*' of IMF (October 2010), the Advanced Economies are expected to grow at a rate of 4.2 % in 2011 and 4.6% in 2015. As compared to this, the momentum of future growth would lie with Developing and Emerging Economies which are expected to register growth rates of 6.4 % in 2011 and 6.7 % in 2015 . The markets in Asia including ASEAN, Africa and Latin America would be important in the future. These markets would be the focus areas in Department's strategy for market diversification.

- (iv) Working out conducive trading arrangements with trading partners holds a crucial place in the entire strategy of export promotion. The Department would continue to work towards successful conclusion of negotiations under the ongoing Doha Round. The efforts towards successful conclusion of free trade agreements (FTAs) with our important partners would receive utmost attention. India has recently concluded Comprehensive Economic Partnership Agreement (CEPA)/ Comprehensive Economic Cooperation Agreement (CECA) with ASEAN, Japan and Malaysia. Negotiations for similar agreements with EU is progressing well and is expected to be concluded soon. FTAs with Canada, New Zealand and Australia have been initiated for early finalization.
- (v) Over the last two decades, the world has witnessed a rapid expansion of global trade and reduction in tariff rates both through the multilateral arrangement under the WTO as well as the Free Trade Agreements (FTAs). At the same time, developed countries are increasingly resorting to the use of Non-Tariff Measures (NTMs) to protect their domestic industries. NTMs include trade related procedures, technical regulations, standards, import or export licensing systems etc.

India has adopted a multi-pronged strategy to deal with issues relating to NTMs and to increase India's market access abroad and will play a proactive role in addressing the concerns of India's trading community on these measures. On the import side, efforts will be strengthened to create suitable Sanitary and Phytosanitary (SPS) measures/ technical regulations on Indian imports in a phased manner over a period of time depending on the capability of the domestic sector to comply with the same. Such an arrangement would not only check flood of imports in sensitive sectors but also help safeguard consumers from sub-standard/ spurious goods. Also, such a regulatory environment would encourage a regime of quality production and thereby indirectly promote exports. On the export side, an online database has been set-up on the SPS/TBT notification (which may result into NTMs) notified to the WTO by the Members of the WTO. This is to provide information to our exporters about the

regulatory regime of other countries. Besides, the concerned Department/Ministries/Organizations have been requested to upgrade their infrastructure and surveillance system at the major ports and airports to ensure due compliance of India's standards and technical regulations. In addition wherever our export interest is affected, the Department of Commerce will continue its efforts for raising three or four issues in every Regular SPS and TBT Committee Meetings of the WTO to get suitable redressal of our export concerns.

- (vi) Sound economic analysis has to be the basis for concluding country specific trade agreements and determining potential markets and products in the export basket. The Department would engage specialized research agencies and also encourage the export promotion councils for undertaking detailed analysis on the potential export markets and products. National Centre for Trade Information (NCTI) would be more actively involved in the work pertaining to market search and formulation of sector specific and product specific strategies for export promotion.
- (vii) Trade related transaction cost is one of the major determinants of export competitiveness of an economy. Trade-related transaction costs refer to a large number of regulatory requirements; compliance measures; procedures and infrastructure related costs, including, communication costs with clients; domestic transport costs to bring goods from the production site to the border; time and money spent in ports on border procedures or to make products ready for shipment; international transport costs and inspection and certification costs. The latest 'Doing Business' report of the World Bank has placed India at 134th position. According to the report, the cost of exporting/importing a container from / to India is US\$1055/1025 whereas in Singapore the similar cost is US \$ 456/439 .

It is estimated that the transaction cost in India are in the range of US \$13-18 billion. Of this, about 50% is addressable. Addressing this issue in a satisfactory manner and bringing these costs in line with the levels available in most competitive countries would require sustained efforts over a long period of time. But the important issue is that some concrete measures need to be initiated on urgent basis to improve competitiveness of Indian exports in the immediate future. The Department aims to work out a short-term strategy for addressing this issue. The Department would accordingly coordinate with the Ministries/Departments concerned, i.e. Revenue, Banking, Railways, Shipping, Agriculture, Environment and Forest and Civil aviation to smoothen the procedures and regulations, for addressing in the short-term, the trade related transactions cost estimated at US \$1.5 billion.

- (viii) Infrastructure bottlenecks remain the single most important constraint for achieving accelerated growth of Indian exports. As per the 11th Plan Mid Term Appraisal (MTA), major shortfalls in investment and capacity creation are expected in respect of power generation, roads, railways and ports. Ports may impose a major constraint for future growth of exports as the actual achievement in creation of additional capacity is expected to be only 55% of the target envisaged in the 11th Plan. Another important issue of cost competitiveness with regards to the port sector has been the inability to take large size vessels in these ports and inefficiency due to large dwell time. There has not been much improvement in turn-around time during the 11th Plan. In 2009-10, it was about 4.4 days as against about 6 hours in efficient ports like Singapore and Hong Kong. About 65% of the delay in turn-around time is accounted for by the ports. These logistics constraints especially the port facilities may be the stumbling block in our efforts to achieve the envisaged

target of average annual growth of exports of 25% over the next six years i.e. till 2016-17.

Improving logistics support services is a coordinated inter-sectoral activity. The Department aims to use the existing institutional mechanism in the form of Export Promotion Board (headed by Cabinet Secretary) more effectively to address the bottlenecks in a time bound manner. The efforts would be to convene the meetings of the Board regularly and bring before the Board for consideration the various issues requiring inter-sectoral coordination and cooperation and adoption of concrete action plans for solving various problems.

- (ix) Adequate flow of credit and at reasonable costs is a crucial requirement for the growth of export sector. In 2008-09 and 2009-10, export credit as a proportion of exports has been in the range of slightly above 70% and this needs substantial enhancement. The Department in consultation with the Ministry of Finance would aim to address the financing requirement of the exports sector including the feasibility of utilizing for this purpose a part of the foreign exchange reserves.

- (x) Availability of reliable, disaggregated and timely data on trade of goods and services is an important input for policy making. One of the major constraints being faced by policy makers for trade negotiations and policy interventions in respect of services trade is that disaggregated data at the level required is not available. At present, RBI is the only source of data available on BOP basis.

The Department plans to coordinate with the concerned agencies like CSO towards putting in place a system for generating disaggregated data on trade in services (mode-wise and country-wise) through surveys on the lines of best international practices being followed by other countries. A pilot project for firming up the methodology for generating the required data in respect of two sectors i.e. health and tourism has been planned by the Director General of Commercial Intelligence and Services (DGCI&S). The pilot project is expected to be completed in the next two years.

In respect of data on merchandise trade, the Department aims to substantially reduce the time lag for release of disaggregated data, to less than 60 days. The reduction in time lag would depend to a large extent on the progress of coverage of ports under the EDI. The infrastructure support facilities at DGCI&S, Kolkata would need to be accordingly strengthened to take care of the increased number of transactions resulting from the targeted high growth rate of exports envisaged in the future.

- (xi) Department of Commerce is the administrative Ministry responsible for production, distribution and development of the plantation crops i.e. rubber, tea, coffee, spices and tobacco. Plantation crops have been the traditional exports of India providing employment to millions of workers. Aging plants resulting in low productivity, low value addition and volatility of international prices and demand are the major constraints facing the sector. Increasing production, productivity and profits would continue to be the cornerstone of the Department's developmental efforts in the sector. Structural reforms would be another major area of action.

The Department would aim to achieve the production target of 1400 million Kgs. and exports target of 350 million Kgs. of tea by 2020. The major initiatives in tea would include –

- (a) Devising appropriate strategy for encouraging value addition in orthodox tea, exploiting potential in flavoured teas and promoting Indian brands in international market.
- (b) The programme under the Special Purpose Tea Fund aimed at replantation and rejuvenation of bushes would be further strengthened.
- (c) Giving more attention to increasing acreage under non-traditional areas.

Restructuring the existing programme of rejuvenation of coffee plantations, value addition instead of exporting coffee beans and increase in productivity through focused R&D efforts would be the three major thrust areas in the Coffee sector.

The strategy in the Spices sector aims at making India the premier supply of quality spices, spice products and herbs in the global market. The Department aims to achieve an export target of US \$3 billion by 2017. Increasing productivity, backward integration of production units with the farms and quality improvement would be given special attention under the programme of production and exports of spices.

In respect of rubber, focused R&D for increasing productivity and initiating measures to boost production would be the cornerstone of development strategy.

- (xii) Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) is the flagship scheme of the Department for making up critical gaps pertaining to export related infrastructure by providing financial assistance to States and Central agencies. Due to inadequate availability of resources under the scheme, it is not possible to take up large projects which by themselves could make a substantial improvement in the overall infrastructure available for promoting exports. Getting more funds allocated for the scheme, improving the quality of output and effective monitoring of the scheme would be the major cornerstone of the strategy pertaining to the scheme.
- (xiii) Directorate General of Foreign Trade (DGFT) is responsible for implementation of various provisions and schemes under the Foreign Trade Policy and is the main interface between the Government and the trading community i.e. the importers and exporters. The main thrust of the organization in future would be to make it user friendly and digital friendly by undertaking business process engineering. A comprehensive review of the various export promotion schemes would be undertaken and the schemes restructured accordingly to make them more effective.

3.2 Major Stakeholders

The major stakeholders for the Department of Commerce are: Trade and Industry, Ministry of Labour, Govt. Departments in the infrastructure sector (Civil Aviation, Ports, Roads, Shipping, Power, Railways, Petroleum), Departments related to SPS and TBT measures (Department of Agriculture and Cooperation, Ministry of Health, Department of Animal Husbandry and Dairying and Department of Consumer Affairs), Dept. of Revenue, Dept. of Industrial Policy & Promotion, Ministry of Textiles and the Planning Commission and States and Union Territories.

3.2.1 Trade and Industry

Industry and Trade are generally organised into Associations and are well placed to formulate and articulate ways of promoting international trade. However, in some subsectors they do not have representative Associations. They can also provide guidance to the Department regarding prospective markets and prospective products for export from India.

3.2.2 Labour

The more rigid and rigorous the labour laws in place the more difficult it would be for industry and trade to remain internationally competitive in the face of relatively more flexible labour legislations in major competing economies. On the other hand, international trade can have positive influence on labour welfare as it tends to promote better labour standards, and through it, labour welfare. The Department of Commerce intends to drive home to the stakeholders, including the Ministry of Labour and through the Ministry to various trade unions and the labour in general, this positive impact of international trade on labour welfare. This could result in changes in labour laws and the resultant higher productivity and reaping of scale economies. Constant dialogue is necessary to facilitate reforms in this area.

3.2.3 Infrastructure Departments

Infrastructure constitutes the single most important impediment to India's competitiveness in the international markets. Higher transportation cost, excessive delay during transit on land and at ports, can be addressed only with the support of the government departments in charge of infrastructure sectors. Infrastructure planning should keep in view the interests of export promotion. Coordination with government departments dealing with infrastructure is very relevant.

3.2.4 States and Union Territories (UTs)

States are at the cutting edge when it comes to facilitating production and transportation of products for export. Department of Commerce has been implementing the ASIDE scheme since 2002. The Scheme is aimed at creating infrastructure directly supporting exports. The Scheme has to be promoted vigorously and significantly scaled up to achieve the ambitious export growth targets.

3.2.5 Department of Revenue

Department of Revenue, especially the Central Board of Excise & Customs, plays a crucial role when it comes to trade facilitation. While in the recent past clearances for export consignments have become easier, still the time taken in India is much longer, compared to international standards. This acts as a clear disincentive for exporters and needs improvement.

3.2.6 Department of Industrial Policy & Promotion (DIPP)

DIPP is responsible for industrial policy and foreign investment policy. Facilitation of investment reduces transaction costs. Foreign investment facilitation results in better standards and quality of production, nearing international standards. Foreign direct investment is also seen to enhance international competitiveness of products. Constant interaction and dialogue with DIPP is, therefore, important to maximize the benefits of foreign investment for export promotion.

3.2.7 Planning Commission

Planning Commission plays a major role while deciding the outlay for the Department and in coordinating the efforts for infrastructure development. Export promotion measures also require support of the Planning Commission. Successive Plans influence the industrial structure and incentive system in the country which have implications for the quantum and composition of exports and imports.

3.2.8 Ministry of Science and Technology

R&D intensive exports have competitive advantage in international markets. Value addition is also higher. Any strategy for substantial increase in export expansion requires higher R&D efforts by industry. There is need for promotion of R&D in industry. Export oriented sectors need special attention.

3.2.9 Ministry of Textiles

Textiles is traditionally a major contributor to India's merchandise exports. Textiles is an area where China has a market share of about 16 per cent, but where it is also becoming less competitive due to higher labour costs and its increasing focus on higher value exports. This provides an opportunity for India.

3.2.10 Ministry of Health and Family Welfare; Department of Agriculture and Cooperation; and Department of Animal Husbandry and Dairying

Export of agricultural products face sanitary and phytosanitary (SPS) hurdles, especially in developed country markets. Sensitisation of the producers and exporters is the responsibility of these Departments/Ministries

3.2.11 Department of Financial Services and Reserve Bank of India

Department of Banking Services and the Reserve Bank of India have a role as regards the cost and the availability of credit in the economy in general, and particularly to the export sector.

3.2.12 Ministry of Railways

Cost of freight as well as the time taken for transport of goods play a major role in export competitiveness. Railways account for the lion's share of transportation of goods domestically and therefore, is a crucial

stakeholder. Container Corporation of India (CCI) is under the purview of Ministry of Railways.

3.3 Strategic Initiatives and Priorities

Strategic initiatives envisaged, along with the weights assigned to each initiative and the relevant stakeholders are indicated in Table 1.

Table 1
Strategic Initiatives and Priorities

Strategic Initiative No.	Description	Weights	Stake holders
1	Diversification of export product basket	30	Trade and Industry; Relevant Departments
2	Diversification into non-traditional markets and conclusion of ongoing FTA negotiations and initiating new FTAs	20	Trade and Industry; Relevant Departments
3	Strengthening export related infrastructure	10	States; Planning Commission; Infrastructure Departments
4	Enhancing credit flows for exports at lower cost	10	Department of Financial Services; RBI; Banks
5	Reducing Transaction Costs	10	Department of Revenue;

			Regulatory authorities
6	Diversification of Services exports	10	Trade and Industry; Relevant Government Departments
7	Building up a Brand Image of India	05	Ministry of External Affairs, Indian Missions Abroad; Trade and Industry; India Brand Equity Fund (IBEF)
8	Support to Plantation Sector	03	Different Commodity Boards
9	Protection to sensitive domestic industries	02	Department of Revenue; Sector Specific Departments

Some initiatives

Energising States/UTs

The Department of Commerce has been engaging in wide consultations with stake holders, including the States and the Union Territories (UTs), preceding any major engagement internationally. The Inter State Trade Council was constituted in 2005. Consultations with states are also organized as part of stake holder consultation meetings organized from time to time. The Centre for WTO Studies in the Indian Institute of Foreign Trade (IIFT) is now increasingly supporting the Department in this consultation process. It is proposed to energise these consultation mechanisms and also to engage in dialogue with the Planning Commission, Ministry of Finance and the Finance Commission regarding WTO consistent fiscal incentives for export promotion by States.

Goods and Services Tax (GST)

At present export of taxes to other countries is sought to be eliminated through the mechanism of duty draw back on the basis of estimated incidence of embedded taxes. This system is not geared to fully compensate the exporters. The system of GST proposed to be introduced may provide the solution. GST is also expected to help growth in India's international trade. The 13th Finance Commission appointed a Task Force on GST as well as commissioned a study by NCAER. The study came out with certain projections on likely growth in exports and GDP in case of introduction of GST in India. The proposal is for a dual GST, which may not provide the full benefits expected of GST. There is need to explore the possibility of an eventual single/unified GST where benefits to trade would be maximum.

Development of Indian Brands

Brand equity of a country influences its export performance. Brand image complements and enhances the efficiency of other export promotion efforts. Efforts at promotion of India's Brand Equity includes the launch of the India Brand Equity Foundation (IBEF) as a public-private partnership between the Ministry of Commerce and Industry, Government of India, and the Confederation of Indian Industry (CII).

To establish greater credibility and acceptance of India's critical export products and sectors in foreign markets, the Department plans to strengthen efforts to encourage the building up of a brand image for important Indian exports, and promote a thrust for quality upgradation. Domestic standards for export related products need to be raised, assurances put in place of quality enforcement through appropriate agencies, such as BIS, EIC, etc., and expanded certification of export products encouraged, where needed. To back up these efforts, a Brand India promotion campaign for key export products would be supported.

There is an ongoing Scheme called "Served From India Scheme" (SFIS). The objective is to accelerate growth in export of services so as to

create a powerful and unique 'Served from India' brand which is instantly recognised and respected world over.

Building up of brand images in specific sectors (like pharmaceuticals) would be pursued.

Transaction cost

The Department of Commerce constituted a Task Force on Transaction Cost with a mandate to identify and suggest ways to achieve significant improvement in efficiency of our export processes. The Task Force had a broad based composition with representatives of FICCI, FIEO & CII in addition to Government officials. As per World Bank 'Doing Business Report', the magnitude of Transaction Cost ranges between 7–10% of the total exports. This comprises of infrastructural as well as procedural inefficiencies. Accordingly, the addressable transaction cost is estimated to be around US\$ 6–7 billion.

The Task Force had identified 44 issues across seven line Ministries viz. Agriculture, Commerce, Finance, Civil Aviation, Railways, Shipping and Environment for action. Extensive consultations were taken up with concerned Ministries and after this 21 issues have been implemented and another 2 issues are going to be implemented in next couple of months. Implementation of these 23 issues is likely to mitigate transaction cost by approximately Rs.2100 crores in perpetuity. Each recommendation is specific and in respect of many recommendations necessary Government orders have already been issued on the day of release of the Report.

Suitable monitoring system would be put in place as a follow up of the recommendations of this Task Force.

3.4 Engaging the stakeholders

Stakeholder consultations are in place in the form of Board of Trade (BoT), Export Promotion Board and Inter-State Trade Council.

Consultations with industry Chambers like CII, FICCI, ASSOCHAM and FIEO, Commodity Boards and Export Promotion Councils as well as sub-sectoral trade bodies have taken place before preparing this strategy paper.

Broadly, their views can be summarized as follows:

- o Infrastructure poses a very important constraint
- o Transaction costs need to be substantially reduced
- o Implementation of robust contract labour policy needed
- o Substantial investment in R&D required in various sectors.
Fiscal incentives required for export oriented R&D investment
- o Technology upgradation important in various sectors
- o Shortage of skilled personnel/manpower is an emerging concern in many sectors. This in spite of the 'population dividend'
- o Import duty on certain inputs needs to be reduced

Structured mechanisms are already in place for engaging stakeholders on an ongoing basis.

4. Implementation Plan

- The Strategic Plan will be implemented with a time horizon of nine-ten years broken down into three year plans. A Strategic Paper on 'Doubling Exports in Three Years' has been drafted and is under finalization.
- The Strategic Plan would be circulated to all the stakeholders, including Indian Missions abroad, besides uploading it on the Department's website. Reforms necessary to achieve the objectives of the Plan would be pursued.

- Indian Missions abroad would be kept updated about the Strategic Plan and the three year Strategy and their implementation.
- The Department will draw up a plan to nominate its officers for training at (i) WTO courses on trade policy and negotiations, dispute settlement TRIPS etc. and (ii) a bi-annual Induction Programme at Indian Institute of Foreign Trade (IIFT). It will also encourage its officers to attend higher level specialized training programmes at the WTO.
- Stakeholders would be sensitized on WTO Rules and case laws on anti-dumping and non-tariff barriers through seminars and courses to be conducted by the EPC's.
- Relevant Departments in the GOI would be sensitized about the requirement for investments in setting up infrastructure for certification of our exports and imports to meet the world level benchmarks in sanitary, phyto-sanitary and health standards so as to overcome trade barriers .
- The existing stakeholder consultations mechanisms like the Inter-State Trade Council, Board of Trade, Export Promotion Board etc. would be used to effectively implement the Strategic Plan and sort out inter-Stakeholder issues on a timely manner and to facilitate their efforts towards export promotion.
- A Division and an Officer would be designated to coordinate the implementation of this Strategic Plan.

5. Linkage between Strategic Plan and RFD

5.1 Department of Commerce interacts with a variety of stakeholders including Departments and Ministries in the GoI; State Governments;

Export Promotion Councils; premier industry associations e.g. CII, FICCI, ASSOCHAM, FIEO; financial institutions and importers & exporters. Consultations with the stakeholders are regularly held through meetings, seminars, discussion papers etc. The core agendas of the stakeholders are in consonance with the aspirations of the DoC and consultations are held with the stakeholders on need basis. The Department aims to engage the stakeholders regularly and effectively for the purpose of devising appropriate strategies and policy interventions for promoting exports and foreign trade. In these exercises, the Strategic Plan and the targets in the RFD are kept in mind, so that outcomes are congruent with both.

6. Cross departmental and cross functional issues

6.1 The only sustainable way of keeping balance of payments position comfortable in the coming days would be through substantial expansion of exports. Dependence on foreign investment and remittances has limitations. There are also limits to growth in traditional exports, which are labour and natural resource intensive. The dependence on 'low value addition' export items like petroleum products and gems & jewellery may not also be sustainable in the medium to long-term. Therefore, diversification into non-traditional areas like engineering, chemicals, petrochemicals, plastics, etc. and to services sectors is essential.

6.1.2 This requires substantial investment in infrastructure and R&D. Substantial efforts are required for developing export related infrastructure. There is need for manifold increase in plan allocation for export promotion schemes in the Department including ASIDE, MDA and MAI. There is also need for R&D efforts aimed at efficient production, where the Department of Revenue will have to look at better incentivisation of R&D.

6.2 A system of releasing a five year Foreign Trade Policy (FTP) and an Annual Supplement to the policy is in vogue. The basic strategy and

vision of the Department of Commerce is closely related to Trade Policy. The purpose of the annual supplement to the Policy is to undertake mid-course modifications and add new thrusts identified in light of the emerging situation. The exercise related to the formulation of the annual supplement will be used as a tool for tracking and measurement of effectiveness of the strategy in the Strategic Plan.

7. Monitoring and Reviewing arrangements

7.1 The goal of the Department of Commerce is to attain a 25% annual average rate of growth of exports during the period 2011-12 to 2016-17. The Strategic initiatives outlined in the Plan flow from this overarching aim. The purpose of these initiatives is to achieve annual export targets which are the key milestones. Besides promoting exports of the plantation crops viz. tea, coffee, rubber, spices and tobacco, the Department is also responsible for encouraging production of these crops. As part of the strategy for encouraging productivity and production, long range targets are fixed for these crops. Specific targets in respect of Tea and Spices have been indicated as part of the above initiatives under the Strategic Plan. Annual milestones for the Plantation sector would flow from the specified targets.

7.2 Multi-lateral and bi-lateral Trade negotiations is an important domain of the department where it is impractical to specify milestones, targets and success indicators.

7.3 All Divisional Heads of the department undertake a quarterly review of the Department's Outcome Budget and this institutional arrangement would be made use of for evaluating the strategy.

7.4 An institutional mechanism under the Commerce Secretary, expected to be convened bi-annually, would be established to track the progress in the strategy. The proposed mechanism would also review the output and outcomes of the plan schemes.
