

Exports to ASEAN - the SHEFEXIL perspective

SHEFEXIL

(Shellac & Forest Products Export Promotion Council)

July, 2017



SHEFEXIL since April 2005....

To promote Non Timber Forest Produces, SHEFEXIL has been designated as the **nodal EPC** for Non Timber Forest Produces (NTFPs)



- **Major Product Groups – *Non Timber Forest Produces (NTFPs) & their value added variants, Medicinal Plants & Extracts, Shellac & Lac based products & Guar Gum.***
- **650 Individual Products.**
- **US\$ 1575.92 million of Exports during 2016-17**
- **Membership base of 500 Active Exporters.**
- **A direct contributor to economically challenged sections of Society – *Tribal women, marginal cultivators, economically challenged population from the North East, arid areas, etc.***

Since Oct. 2007....

Also Nodal EPC for the North East Region (NER)



SHEFEXIL 's Export Performance

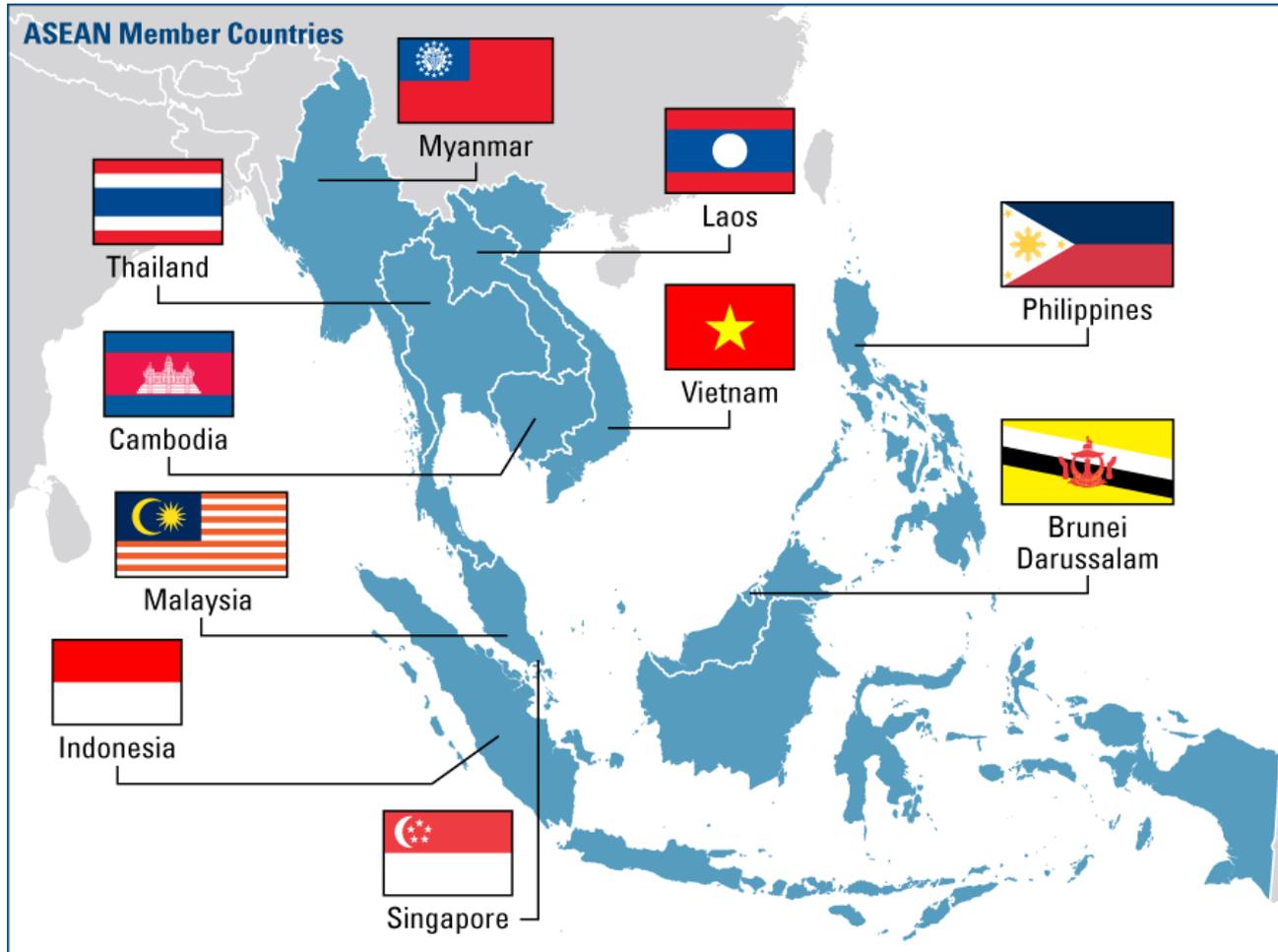


PERFORMANCE OF EXPORT SHEFEXIL PRODUCT FOR THE PERIOD APRIL TO MARCH 2014-15, 2015-16 & 2016-17

PANEL	Apr-14 to March 2015	Apr-14 to March 2015	Apr-15 to March 2016	Apr-15 to March 2016	Apr-16 to March 2017	Apr-16 to March 2017	2015- 16/2014- 15	2015- 16/2014- 15	2016- 17/2015- 16	2016- 17/2015- 16
	Qty (MT)	Value US\$ Million	Qty (MT)	Value US\$ Million	Qty (MT)	Value US\$ Million	% GROWTH QTY.	% GROWTH VAL..	% GROWTH QTY.	% GROWTH VAL..
Vegetable Saps & Extracts	135967.04	734.18	112190.38	673.89	123712.54	661.24	-17.49	-8.21	10.27	-1.88
Guar Gum	665097.72	1551.86	325250.71	496.57	423285.66	467.10	-51.10	-68.00	30.14	-5.93
Plant and Plant Portions	116382.69	261.84	117761.86	274.14	98710.24	290.66	1.19	4.70	-16.18	6.03
Fixed Vegetable Oil, Cake & Others	49990.57	63.92	53989.30	70.10	39049.36	57.68	8.00	9.67	-27.67	-17.72
Shellac & Lac based Products	6569.18	53.06	7668.42	38.50	7240.78	30.86	16.73	-27.44	-5.58	-19.85
Other Vegetable Materials	109345.28	59.86	107390.97	66.08	95582.81	68.38	-1.79	10.39	-11.00	3.48
Total	1083352.48	2724.72	724251.64	1619.28	787581.39	1575.92	-33.15	-40.57	8.74	-2.68

Revenue Growth has been on a decline over the last 3 years, mainly on account of reduction of Guar Gum exports... and removal of Sesame & Niger seeds

ASEAN Region : 10 countries



SHEFEXIL products (at six digit level) Exports to ASEAN is low



Name of Country	India's Export of SHEFEXIL Products to ASEAN (in US million)			India's Total Export of All Products to ASEAN (in US million)			% Share of Export of SHEFEXIL items to ASEAN in India's Total Exports to ASEAN	
	2015-2016	2016-2017	% Growth in 2016-17	2015-2016	2016-2017	% Growth in 2016-17	2015-2016	2016-2017
BRUNEI	0.16	0.13	-18.75	28.45	42.89	50.79	0.56	0.30
CAMBODIA	3.99	1.70	-57.39	143.01	105.30	-26.36	2.79	1.61
INDONESIA	33.55	32.62	-2.77	2819.54	3501.46	24.19	1.19	0.93
LAO	0.00	0.00	0.00	37.94	25.72	-32.20	0.00	0.00
MALAYSIA	39.38	35.55	-9.73	3706.86	5234.17	41.20	1.06	0.68
MYANMAR	3.45	4.09	18.55	1070.65	1111.19	3.79	0.32	0.37
PHILIPPINES	10.39	8.56	-17.61	1374.23	1487.20	8.22	0.76	0.58
SINGAPORE	29.36	34.70	18.19	7719.81	9568.95	23.95	0.38	0.36
THAILAND	15.96	18.14	13.66	2987.86	3174.49	6.25	0.53	0.57
VIETNAM	99.04	70.98	-28.33	5266.15	6815.43	29.42	1.88	1.04
	235.28	206.47	-12.24	25154.50	31066.80	23.50	0.94	0.66

Source : Department of Commerce

- SHEFEXIL products constitute 0.66 % of total Indian Exports to ASEAN
- Of SHEFEXIL's total exports, ASEAN constitutes 13.1%
- Of the countries in ASEAN, the destinations with some significant exports are Vietnam Soc Rep, Malaysia, Singapore, and Indonesia (SHEFEXIL products)

Panel-wise SHEFEXIL Exports to ASEAN



SHELLAC & LAC BASED PRODUCTS

ASEAN COUNTRIES	QUANTITY(MT)	VALUE US \$ (MILLION)	% Contribution
Brunei			0.00
Cambodia			0.00
Indonesia	241.13	0.81	48.21
Lao PDR			0.00
Malaysia	9.50	0.10	5.95
Myanmar	1.00	0.00	0.00
Philippines	0.15	0.01	0.60
Singapore	5.88	0.02	1.19
Thailand	248.50	0.73	43.45
Vietnam Soc Rep	0.60	0.01	0.60
TOTAL	506.76	1.68	100.00

- Of the countries in ASEAN, the destinations with significant exports in this Panel are Indonesia and Thailand.

Panel-wise SHEFEXIL Exports to ASEAN



GUARGUM

ASEAN COUNTRIES	QUANTITY(MT)	VALUE US \$ (MILLION)	% Contribution
Brunei			0.00
Cambodia			0.00
Indonesia	2366.48	2.31	35.48
Lao PDR			0.00
Malaysia	998.04	1.26	19.35
Myanmar	2.00	0.00	0.00
Phillippines	408.50	0.58	8.91
Singapore	10.03	0.02	0.31
Thailand	2025.27	1.98	30.41
Vietnam Soc Rep	273.90	0.36	5.53
TOTAL	6084.22	6.51	100.00

- Of the countries in ASEAN, the destinations with significant exports in this Panel are Indonesia, Thailand and Malaysia.

Panel-wise SHEFEXIL Exports to ASEAN



PLANT AND PLANT PORTION

ASEAN COUNTRIES	QUANTITY(MT)	VALUE US \$ (MILLION)	% Contribution
Brunei	10.03	0.02	0.06
Cambodia	0.03	0.00	0.00
Indonesia	743.78	1.64	5.26
Lao PDR			0.00
Malaysia	1580.22	6.20	19.88
Myanmar	255.26	0.41	1.31
Phillippines	2165.38	2.26	7.25
Singapore	95.46	0.44	1.41
Thailand	1149.26	2.44	7.82
Vietnam Soc Rep	10822.22	17.78	57.01
TOTAL	16821.64	31.19	100.00

- Of the countries in ASEAN, the destinations with significant exports in this Panel are Vietnam Soc Rep and Malaysia

Panel-wise SHEFEXIL Exports to ASEAN



VEGETABLE SAPS & EXTRACT

ASEAN COUNTRIES	QUANTITY(MT)	VALUE US \$ (MILLION)	% Contribution
Brunei	1.86	0.01	0.02
Cambodia	0.07	0.01	0.02
Indonesia	3385.54	5.86	12.54
Lao PDR			0.00
Malaysia	1658.50	3.60	7.71
Myanmar	407.99	0.68	1.46
Phillippines	277.79	3.19	6.83
Singapore	1567.96	23.51	50.32
Thailand	623.62	3.90	8.35
Vietnam Soc Rep	9997.14	5.96	12.76
TOTAL	17920.47	46.72	100.00

- Of the countries in ASEAN, the destinations with significant exports in this Panel are Singapore, Vietnam Soc Rep and Indonesia.

Panel-wise SHEFEXIL Exports to ASEAN



OTHER VEGETABLE MATERIALS

ASEAN COUNTRIES	QUANTITY(MT)	VALUE US \$ (MILLION)	% Contribution
Brunei	50.34	0.02	1.36
Cambodia	19.00	0.03	2.04
Indonesia	83.10	0.15	10.20
Lao PDR			0.00
Malaysia	379.13	0.78	53.06
Myanmar	1.03	0.00	0.00
Phillippines	0.02	0.00	0.00
Singapore	100.44	0.18	12.24
Thailand	75.55	0.11	7.48
Vietnam Soc Rep	183.48	0.20	13.61
TOTAL	892.09	1.47	100.00

- Of the countries in ASEAN, the destinations with significant exports in this Panel are Malaysia, Vietnam Soc Rep, Singapore and Indonesia.

Panel-wise SHEFEXIL Exports to ASEAN



FIXED VEGETABLE OIL, CAKE & OTHERS

ASEAN COUNTRIES	QUANTITY(MT)	VALUE US \$ (MILLION)	% Contribution
Brunei	4.84	0.01	0.20
Cambodia	10.25	0.00	0.00
Indonesia	481.42	0.69	14.02
Lao PDR	0.01	0.00	0.00
Malaysia	1178.79	1.80	36.59
Myanmar	2.51	0.00	0.00
Phillippines	95.60	0.14	2.85
Singapore	354.85	1.00	20.33
Thailand	561.13	0.71	14.43
Vietnam Soc Rep	363.95	0.57	11.59
TOTAL	3053.35	4.92	100.00

- Of the countries in ASEAN, the destinations with significant exports in this Panel are Malaysia, Singapore, Thailand, Indonesia and Vietnam Soc Rep

Leading Products of SHEFEXIL Exports to ASEAN Countries

- India exports many products (tariff lines) of SHEFEXIL to ASEAN countries
- Analysis of Top Ten Export Destinations for all SHEFEXIL products revealed that of them, ASEAN countries are in the top ten Export Destinations for **60 export products** of SHEFEXIL.



Focus Products of SHEFEXIL Exports to ASEAN Countries

ASEAN is in top 10 destinations for 60 products :

Dehydrated garlic powder, Coriander of Seed quality, Dill Seed, Cassia Torea Seed, Gum Arabic, Asian Gum, Asafoetida, Karaya Gum, Other gum resins, Agarose, Extracts neem, Gymnema extract, Cnsl (cardanol) purified & distilled, Other sap/extracts derived from Vegetable products, Pectic substances Pectints & Pectats, Agar agar w/n modified, other mucilageous thickeners derived from Locust Beans or Locust Bean seeds, other mucilageous thickeners w/n modified derived from Vegetable Products, Menthol crystals, others, Sunflower seeds w/n broken of seed Quality, other Sunflower seeds w/n broken, Ginseng roots fresh dried w/n Cut crushed powdered, other seeds fresh dried w/n cut crushed powdered Used in perfumery, **Senna leaves & pads**, Neem leaves/powder, Gymnema Powder, Cubeb powder, Other leaves powder, **Psyllium husk**, Cambodge Fruit rind, Galangal rhizomes, Zedovary roots, Sarsaparilla, Sweet flag Rhizome, other roots & rhizomes, Mint incl leaves, Agarwood, Tukmaria, Usab, Basil etc, Other parts of plants used in perfumery etc, Pepper long Fixed veg oils, Fixed veg oils of edible grade, Palmyra jaggery, Oil cake & oil cake meal of Sesamum seeds expeller variety, Oil cake and Oil cake Meal of need seed solvent extratcted variety, other Alum, Bamboos, Soap nut Powder, Other soap nuts, Betel Leaves, Indian Katha, Rudraksha seed



Analyzing import of SHEFEXIL products by ASEAN countries

Analysis based on the following :

- Whether import demand in ASEAN countries was significant or not.
- Whether India is one of the top supplying countries for ASEAN countries or not.

Results of Analysis :

- Of the total 47 sub-headings (Six digit HS Code) of SHEFEXIL, only in the case of 26 sub-headings, ASEAN Country's / Countries' name is registered in top 10 Importers' List (means there is significant demand)



Out of 26 such sub-headings

India's rank as Supplying Country	Tariff lines	Suitable Strategy
Between 1 to 5	0909 21, 0910 12, 0910 99, 1302 31, 3301 24, 3301 25, 0904 11, 1515 50, 2306 90, 2914 29 (10 in all)	Improve Market share as Indian products are already accepted
Between 6 to 10	0807 20, 1211 90, 0508 00, 0907 10, 3302 90, 1404 90 (6 in all)	Efforts to make products price competitive
Beyond rank 11	0902 20, 1108 19, 1702 90, 2833 25 (4 in all)	Aggressive Marketing required as competition is very high
No Import from India	1302 13, 1302 20, 1211 20, 2833 30, 4403 99, 1401 20 (6 in all)	Penetration tactics to promote products and Establish " Make in India" products

Market Access To SHEFEXIL's products in ASEAN Countries under India-ASEAN Free Trade Agreement (IAFTA)

- India has Free Trade Agreement with ASEAN since 01.01.2010.
- However, India has not received better market access in Indonesia, Laos, Myanmar and Philippines. Even Thailand has provided limited market access.
- Determined after studying number of SHEFEXIL's tariff lines kept under Sensitive Track, Highly Sensitive List and Exclusion List.



SHEFEXIL's tariff lines under various categories



Figures are in percentage of total tariff lines (SHEFEXIL's products only)

	NT-1	NT-2	ST	HSL	EL
BRUNEI	98.11	0.63	1.26	0.00	0.00
CAMBODIA	62.89	37.11	0.00	0.00	0.00
INDONESIA	34.38	2.50	35.63	0.00	27.50
LAO PDR	43.13	0.00	33.75	0.00	23.13
MALAYSIA	98.20	0.60	0.00	0.00	1.20
MYANMAR	25.97	18.18	6.49	0.00	49.35
PHILIPPINES	54.43	6.96	0.00	1.27	37.34
SINGAPORE	100.00	0.00	0.00	0.00	0.00
THAILAND	41.88	3.75	45.00	0.00	9.38
VIETNAM	96.18	1.91	0.64	1.27	0.00

Note :

Normal Track 1 (NT1):

BCD = 0%

Normal Track 2 (NT2) :

BCD = 0%

Sensitive Track : BCD =5%

Highly Sensitive List

Reduction of MFN 50%

Exclusive List : No

Concessions granted

[Source: As per each Country's Tariff Schedule under India-ASEAN FTA.

Note: Numbers given in the table indicate tariff line under each category as a percentage of total tariff lines under SHEFEXIL's purview. For example, out of total 160 tariff lines of SHEFEXIL, 98% of tariff lines are under NT-1 category in Brunei's tariff schedule under IAFTA.]

Competition for SHEFEXIL's tariff lines

- Taiwan
- Hong Kong - China
- China
- USA
- EU
- ASEAN Countries (Regional Trade amongst ASEAN countries)



Issues & Concerns regarding SHEFEXIL Exports to ASEAN

- Country specific lack of performance
- Product specific lack of performance
- Competition
- Tariff Scanning



Recommendations to enhance SHEFEXIL Exports to ASEAN

- **Country specific Strategies to be devised for :**

- Consolidate and greater market shares in Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
- Penetrate in Brunei, Cambodia and Laos

- **Product wise :**

- Mentioned earlier (slide 15)

- **Tariff specific :** Despite India having Free Trade Agreement with ASEAN since 2010, India has not received better market access in Indonesia, Lao, Myanmar, Philippines and to an extent, Thailand.

Instead of being in NT-1 (Normal Track 1), or NT – 2 (Normal Track 2) which enjoy zero duty, Tariff line are kept under ST(Sensitive Track) and HSL (Highly Sensitive Lists) which have limited preferential track. Worst case is EL (Exclusion list) which does not enjoy any tariff preference.

SHEFEXIL's tariff lines under ST, HSL and EL do not get good market access in ASEAN Countries.

NEEDS REVIEW in the following (Indonesia, Lao, Myanmar, Philippines and to an extent, Thailand.)



Suggestions to enhance SHEFEXIL Exports to ASEAN

- **Myanmar focus :**

- India shares border with Myanmar. If Economic Corridors are established along the **NER**, India's connectivity to ASEAN would improve.
- RIS (Research and Information System) for Developing Countries, in its report ASEAN-India Connectivity report recommended the following :
 - a) Improve overland connectivity through India's North East Region (NER)
 - b) Multi-modal connectivity through southern India, primarily the Chennai-Ennore area
 - c) Missing rail & roadways in Myanmar is hindering the overland connectivity between India and ASEAN
 - d) During his visit to Myanmar, Prime Minister Narendra Modi has signed an agreement to construct 71 bridges along the road for Indian buses to ply. The Myanmar govt has started construction of 2 bridges. The Union Cabinet has sanctioned Rs 371 cr for the remaining 69 brdges

Myanmar to be the gateway for the ASEAN member countries.



Suggestions to enhance SHEFEXIL Exports to ASEAN

- **Improve Integrated Connectivity**
 - Improve transportation connectivity through Rail, Road and Sea.
- **Trade Facilitation to be improved**
 - Harmonization & simplification in procedures and documentation
 - Establishment of transparent transit rules



Multi-pronged Strategy for enhancing Exports to ASEAN

Country specific focus

Established SHEFEXIL Exports

Indonesia, Malaysia,
Myanmar, Philippines,
Singapore, Thailand &
Vietnam

Negligible SHEFEXIL Exports

Brunei
Cambodia
Laos

Product specific strategy

Tariff Review

Myanmar Focus

Integrated Connectivity

Better Trade Facilitation



SHEFEXIL – an EPC beyond Just Statistics...

- SHEFEXIL is not a typical EPC or a trade body.
- At the bottom of the pyramid, there are marginal growers, tribal gatherers, women – basically the most disadvantaged and needy people living around forests and semi-arid zones, with extremely low employability and mobility across geographies and occupations.
- Even the trade of Forest produces is disorganized and dispersed all over remote parts of the country, and is dominated by MSME's, Women tribals.
- In this backdrop, the Government of India will have to study the situation and give relief and appropriate measures based on their desire to drive Exports of Forest produce while simultaneously economically helping the tribals and the disadvantaged, and not base it only on figures and statistics.



A fillip is required for SHEFEXIL and its Panels

We seek a Grant-in-aid (*as received by Cashew EPC, which like SHEFEXIL, despite not being a board, deals with Commodities*) for the following :

- *R&D and Product Development in most of our Product Panels*
- *For conducting Crop Surveys for our Products*
- *For enhancing Cultivation for sustaining Exports, and*
- *Specifically for the North East Region*

We look forward to your support in this matter



Current Trade Barriers

1. Analyzing SHEFEXIL's top product – Guar Gum

India is top most supplier of “Guargum treated and pulverized”. Not only this, Indian Guargum is exported globally however, the preferential treatment given to India under its existing FTAs with RCEP and other region is limited. This distracts Indian Exports as under other FTAs, importing countries are providing zero duty market access. Therefore, SHEFEXIL must represent to have zero duty market access under RCEP for this product.

China

- China is India's largest buyer amongst all the countries.
- India is top most source for China to import products covered by 1302320000.
- Second top most source is Pakistan.
- China is having FTA with Pakistan and China and India are member countries of Asia Pacific Trade Agreement (APTA).
- China has provided zero duty to Pakistan under China-Pakistan FTA but for India, concessional tariff rate of 10% is provided under APTA.
- Though India is a top most source for China, Indian product is getting limited market access under APTA.



Current Trade Barriers.....

Notification of 7.4.2016

As many as 587 Non Timber Forest Produces items exported by members of SHEFEXIL are outside the purview of the list of Biological Resources covered under Sec 40 of The Biological Diversity Act 2002 as per Notification No. SO 1352 (E) Dated 07.04.2016 of the Ministry of Environment, Forest and Climate Change, as a result of which collection use and export of these items may be subject to regulations under The Biological Diversity Act.



Administrative impediments that lead to increase in Transaction cost.

Amendment of the Notification No. 3/2009-14 dated 27th August, 2009 at Sl. No. 60(d) w.r.t. exports of Plant & plant portions

- Table B of Schedule 2 of ITC(HS) Classifications of Export and Import items, Para III (a) in Chapter 12, existing entries in the column titled “ Nature of Restriction”, at Sl No. 60 (d).
- The Items covered under Srl. no. 60 (a), (b), (c) are items which are already covered under the Schedules of Wild Life(Protection)Act, 1972 and also under different Appendixes of CITES as well as Export Licensing note 1 with different "Nature of Restrictions".
- On the other hand, items covered under Srl. no. 60 (d) are items freely available /trade able in the Domestic Market all over India and hence no "Nature of Restrictions" should be imposed for Export as well.
- Instead of present Restriction of obtaining Certificate of Cultivation of District Authorities, following can be considered, which is a document towards legal ownership of the goods : “Subject to production of Purchase Invoice by exporter clearly indicating the name of Seller and name of items being exported” to facilitate exports of Plants and plant portions.

Thank you for your kind attention

SHEFEXIL

(Shellac & Forest Products Export Promotion Council)

