

## **Minutes on Negotiation on Garments concessions**

### **Annexure-III**

#### **MINUTES OF THE MEETING HELD ON 18/19-4-2000 BETWEEN THE GOVT. OF THE REPUBLIC OF INDIA AND THE GOVT. OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA REGARDING THE PROCEDURAL ARRANGEMENTS FOR THE IMPORT OF APPAREL ARTICLES FROM SRI LANKA TO INDIA ON PREFERENTIAL TARIFF RATE UNDER THE FREE TRADE AGREEMENT DATED 28.12. 1998**

- The Government of the Republic of India and the Government of the Democratic Socialist Republic of Sri Lanka had signed a Free Trade Agreement (FTA) on the 28 th of December, 1998 , inter-alia, to promote mutually beneficial bilateral trade.
- Pursuant to the FTA, a meeting between the two sides (India and Sri Lanka) was held on the 2 nd of February, 2000, to operationalise the Agreement, wherein, amongst other things, it was decided that Sri Lanka could export into India in any one calendar year 8 million pieces (pcs.) of apparel articles falling under chapters 61 and 62 of the Harmonized System of Nomenclature (HSN), on the payment of preferential import duty. It was also agreed that for the manufacture in Sri Lanka of 6 million pcs. out of these 8 million pcs. of apparel articles, the sourcing of fabrics will be done from India . It was further agreed that not more than 1.5 million pcs. will be of any one product category.
- The above preferential tariff quota for the calendar year 2000 is capped at a total of 6.67 million pcs, of which a minimum of 5 million pcs. will be manufactured in Sri Lanka out of the fabrics of Indian origin. The other condition to the effect that the quantum of export of such apparel articles by Sri Lanka into India shall not exceed 1.5 million pcs. in respect of a single product category stands.
- In order to finalize the procedural arrangements for the operationalisation of the Tariff Rate Quota Arrangement in respect of apparels, the Sub-Groups of the delegations of the Government of the Republic of India and the Government of the Democratic Socialistic Republic of Sri Lanka met in New Delhi and held discussions on the 18 th and 19 th April, 2000. While the Sub-Group from the Indian side was led by Shri Atul Chaturvedi, Joint Secretary (Exports), Ministry of Textiles, Government of India, the Sub-Group from the Sri Lankan side was headed by Shri Roy Jayasinghe, Additional Secretary, Ministry of Industrial Development, Government of Sri Lanka. A list of the participants in these meetings is enclosed as Annexure-A.
- While in respect of Sri Lanka, the Director (Exports), Textile Division, Ministry of Industrial Development and the Director General of Commerce, Ministry of Internal, International Commerce and Food, have been designated as the authorities for the issue of the quota and the Country of Origin Certificate respectively, for the export of apparel articles from Sri Lanka to India, in the case of India its Textiles Committee has been duly nominated to monitor the tariff rate quota parameters.
- For the purpose of these arrangements, the term 'fabric' shall mean wet processed (involving bleaching/dyeing/printing/comboination thereof/dyed yarn) fabric which can be directly used for garment manufacture.
- The apparel articles which can be exported by Sri Lanka into India under these arrangements will fall in the product categories covered by chapters 61 and 62 of the HSN. A list of the product description (drawn from the European Union categorisation) is enclosed as Annexure-B. In the event of any dispute regarding the classification of any apparel article(s) in regard to a product category, the decision of the jurisdictional Customs authorities in India will be final.
- With regard to the 6 million pcs. of apparel articles where the said conditionality of sourcing of fabrics from India (for the manufacture of such apparel articles in Sri Lanka) has been stipulated, the import of such fabrics from India to Sri Lanka and the resultant export of apparel articles from Sri Lanka to India will be confined to manufacturer-exporters in Sri Lanka. However, while ordinarily this will relate to direct manufacturer-exporters, in exceptional cases one change of hand (transfer) may be provided subject to the transferee also being a manufacturer-exporter. The designated authority in Sri Lanka will ensure that there is a one-to-

one co-relation between the apparel articles exported from Sri Lanka by a manufacturer-exporter and the fabrics imported from India for the manufacture of such apparel articles. For this purpose, the conversion factors (adopted from the European Union/United States of America models) in respect of the ratio, in unit terms, of the fabrics exported from India to the garments manufactured thereof in Sri Lanka and exported consequently to India, as also indicated in Annexure-B, will be taken into account by the designated authority of Sri Lanka while certifying that the apparel articles exported from Sri Lanka into India correspond thus with the quantity of fabrics imported from India. For instance, a manufacturer-exporter of apparel articles in Sri Lanka will have to import from India and use 100 kgs. of fabrics for the manufacture and export resultantly to India of 648 pcs. of category 1 apparel articles mentioned in Annexure-B.

- For the apparel articles exported by Sri Lanka into India on concessional import duty, the concerned designated authority of Sri Lanka will issue the revised Certificate of Origin as per the enclosed Annexure-C. Annexure-1 of this format is, however, required to be filled only if the Certificate of Origin is to be issued in respect of the export of apparel articles from Sri Lanka to India which are linked to the rider of sourcing of fabrics from India for the manufacture of such apparel articles in Sri Lanka .

- In terms of the FTA, the import of apparel articles from Sri Lanka into India is allowed through the designated ports of Chennai and Mumbai. The latter will also include the Jawahar Lal Nehru Port (JNP) in Nhava Sheva. For the purpose of these arrangements, such imports will include imports through the sea and air modes in Chennai and Mumbai. The clearance of the consignments of the apparel articles will be done by the jurisdictional Commissionerates of Customs in-charge of the seaports /aircargo complexes in these locations.

- The Director (Exports), Textile Division, Ministry of Industrial Development, Government of Sri Lanka (designated authority) will also issue a Tariff Rate Quota Certificate (TRQC) covering every consignment of apparel article(s) exported to India. The format of the TRQC will be as per Annexure-D. A copy of the TRQC issued at the Sri Lankan end in advance, in duplicate (two copies), will be sent by the exporter of apparel articles to its importer in India. The importer will present the TRQC (in duplicate) to the jurisdictional Chennai and Mumbai regional offices of the Textiles Committee, depending on the port of import in India . The Textiles Committee will immediately on the receipt of the TRQC, acknowledge the same by affixing its dated official signature and seal/stamp on the TRQC (in duplicate). This acknowledgement will serve the purpose of authorising the import of such consignment into India . While one copy of the acknowledged TRQC will be retained by the Textiles Committee for record/reference, the other copy of the same will be handed over, under due receipt, to the importer of the apparel articles in India. On the basis of the said acknowledgement of the Textiles Committee, the importer may approach the jurisdictional Customs authorities on the arrival of the shipment in India, for its clearance by submitting to the Customs authorities, inter-alia, the originals of the TRQC as acknowledged by the Textiles Committee and of the Certificate of Origin issued by the designated agency of Sri Lanka for the concerned shipment. These original documents will be retained by the Customs authorities, amongst other things, for debiting the due quantity of quota cleared under such consignment through the respective seaport / aircargo complex.

- The date of the 'Bill of Lading'/ 'Air Way Bill' issued in Sri Lanka in respect of the consignment of apparel articles exported from Sri Lanka to India will be taken as the relevant date for reckoning the preferential tariff quota year under these arrangements.

- There will be no provision for the carry-forward (to a preceding year) or carry-over (to the succeeding year) of quota from a given year.

- High-sea sales of the apparel articles consignments (from Sri Lanka to India) will not be allowed, since the export of such articles is stipulated to be effected by a manufacturer-exporter and as the Country of Origin Certificate and the Tariff Rate Quota Certificate issued by the designated authorities in Sri Lanka are importer-specific.

- In the event of any contingency relating to an import consignment of apparel articles in India arising out of force-majeure conditions, such as an unforeseen diversion of a shipment from a designated port to another one in India, such consignments, if otherwise found to be entirely in order and accompanied by all the prescribed documents, may be considered to be cleared by the Customs authorities concerned in such other ports within the framework of the applicable laws / regulations in force, under intimation to the Secretary, Textiles Committee, Mumbai, the

Director (Exports), Ministry of Textiles, Govt. of India and the Joint Director General of Foreign Trade (RMTR Division), Ministry of Commerce, Government of India, New Delhi.

- Any breach under these arrangements of any applicable laws/regulations in force will be dealt with thereunder.

- There will be a monthly exchange of statistics (electronically/through post) between the designated authorities in Sri Lanka and India regarding the Certificates of Origin and Tariff Rate Quota Certificates issued by the designated authorities in Sri Lanka (and the latter acknowledged by the Textiles Committee in India), in relation to the apparel articles. The designated authorities of Sri Lanka will send a monthly statistical statement by the 10<sup>th</sup> of the following month, to the Textiles Committee, comprising inter-alia, a list of the Country of Origin Certificates and the Tariff Rate Quota Certificates issued during the previous month. This list will include the following details:

- i. No.

- ii. Date

- iii. Name of the exporter

- iv. Quantity of apparel articles of export (separately for each product category)

- v. Port of shipment in Sri Lanka

- vi. Name of the importer

- vii. Port of entry in India

- A list of the postal addresses & telephone/fax/E-mail addresses of the concerned offices of the Textiles Committee in India and the designated authorities in Sri Lanka is at Annexure-E.

- The Indian authorities concerned reserve the right to carry out, on a reference to the designated authorities in Sri Lanka, on a case-to-case basis, inspection(s) to ensure that the provisions under these arrangements have been met. The Sri Lankan authorities will extend full cooperation in facilitating any such inspection(s) to the satisfaction of the Indian authorities.

- The designated authority in Sri Lanka will furnish a category-wise and port-wise break-up of the apparel articles to be exported from Sri Lanka into India by the 31<sup>st</sup> of October every year preceding the next preferential tariff quota year, as per the enclosed Annexure-F. For example, the information for the year 2001 will be given by the 31<sup>st</sup> of October, 2000. However, in the case of the year 2000, such information will be provided within 30 days of the conclusion of these arrangements.

- The designated authority will be permitted to change its category-wise and port-wise options four times a year and this change will be made by giving at least 30 days formal advance notice.

- India and Sri Lanka agree to maintain close cooperation for operationalising these arrangements. For this purpose, both the sides agree to designate their respective officers for day-to-day contact, if required in the matter, between the two countries. The officers designated from the Government of India side are the: (i) Secretary, Textiles Committee, Mumbai; (ii) Director (Exports), Ministry of Textiles, New Delhi and (iii) Joint Director General of Foreign Trade (RMTR Division), Ministry of Commerce, New Delhi. The officers nominated for this purpose from the Government of Sri Lanka are the: (i) Additional Secretary, Ministry of Industrial Development, Colombo (ii) Director (Exports), Textile Division, Ministry of Industrial Development, Colombo and (iii) Director General of Commerce, Ministry of Internal, International Commerce and Food, Colombo.

- India and Sri Lanka agree to hold consultations, on the advance written request of either of the two sides, at a mutually agreed place and time, to foster an appropriate implementation of these arrangements, including in respect of amendments and disputes, if any, thereunder.

**On behalf of the Indian side: On behalf of the Sri Lankan side:**

(Atul Chaturvedi)  
Joint Secretary,  
Ministry of Textiles,  
Government of India  
19.04.2000

(Roy Jayasinghe)  
Additional Secretary,  
Ministry of Industrial Development,  
Government of Sri Lanka .  
19.04.2000