

**Minutes of the 4<sup>th</sup> meeting of the Core Group to study the Applied rate and import duty on Forestry products for Multilateral / Bilateral trade Negotiations held on 3<sup>rd</sup> July, 2007 under the Chairmanship of the Additional Director General of Forests, Ministry of Environment and Forests.**

The list of participants is enclosed.

ADG (Forests), Ministry of Environment & Forests welcomed the participants and in his opening remarks emphasized on the need for a consensus among all stakeholders while deliberating the issues related to applied rates and import duties. He then requested DIG (SU) to present the theme presentation flagging the issues to be discussed.

2. DIG (SU) made a detailed presentation specifying the forestry items under ITC (HS) classifications and their import policies etc. In his presentation, DIG (SU) mentioned the decisions taken in 3<sup>rd</sup> meeting of the core group on 19<sup>th</sup> July, 2006, the proposals of State Government of Haryana, Punjab and Himachal Pradesh to increase the import duty on forestry products and the decisions regarding the items booked under '**Others**' Category in all the forestry items under Chapter 44 of ITC (HS) Code. He also explained the follow up actions taken by the Ministry for the implementation of the decisions taken in the 3<sup>rd</sup> meeting of the Core Group. He specified the proposal of Himachal Pradesh State Forest Corporation Ltd. for increase of import duty on resin and allied products and the proposal of Federation of Indian Chamber of Commerce and Industry (FICCI) for inclusion of the paper items in the Negative List. As submitted by Government of Haryana earlier, the import and export of Gambier was also mentioned by him to safeguard the interests of farmers and to encourage them to grow fast growing Khair Trees (*Acacia Catechu*) and contribute to increase in forest and tree cover.

3. Dr. Bipin Behari, DIG (SU) thus flagged the following issues for discussion and decision:-

- (i) Forests items being wood under '**Others**' Category.
- (ii) Uniform decision on all the items under ITC (HS) Codes 4403 and 4406 for keeping them in the Negative List with no reduction in tariff.
- (iii) Continuation of stand taken regarding the items under ITC (HS) Codes 4405, 4413, 4414, 4415, 4417 and 4419 to be kept away from the Negative list whereas the reduction in tariff may be according to Normal Track Reduction / Fast Track Reduction, as decided in the 3<sup>rd</sup> meeting of the Core Group.
- (iv) Proposal to increase the import duty of Resin and its allied products.
- (v) Regulation regarding import / export of Gambier.
- (vi) Any other issue related to forestry trade and tariff to be discussed by the members.

4. The members of the Core group started discussion on the flagged issues and the following decisions regarding forestry items being booked under '**Others**' Category were taken:-

- (i) Ministry of Environment & Forests (MoEF) must take up the issue of specifying the details of Wood and Wood products being booked under '**Others**' Category with Director General of Foreign Trade (DGFT), Director General of Commercial Intelligence and Statistics, Kolkata and Department of Revenue, Ministry of Finance as about 60%-70% forestry items and being booked under '**Others**' Category.
- (ii) MoEF may conduct a sample study also simultaneously to identify the species of wood and wood products being booked under '**Others**' Category and such a study may be outsourced.
- (iii) Ministry may take up this matter with DGFT and Department of Revenue to make it mandatory for the importers to name the species including botanical and trade names while importing which will discharge manipulation of invoices that often lead to evasion of customs' duties. Such a mention of species may also be done on 'Bill of lading'. The Ministry may further explore the possibility of suitable alternative documents in case technical feasibility for such a mention of species on the 'bill of lading' etc is not possible in consultation with DGFT and Department of Revenue, Ministry of Finance.
- (iv) Till the items being booked in '**Others**' Category under ITC (HS) Codes 4401, 4402, 4404, 4407, 4409, 4416, 4418, 4420 & 4421 are properly categorized by DGFT, as decided in the 3<sup>rd</sup> meeting of the Core Group, the items under '**Others**' Category under the above mentioned codes may continue to be kept under the Negative List whereas the remaining items under these codes may be kept away from the Negative List and tariff reduction will be according to the Normal Track Reduction/ Gradual Track Reduction / Fast Track Reduction, as decided in the 3<sup>rd</sup> meeting of the Core Group.

5. The issue of forestry items under ITC (HS) codes 4403 and 4406 was discussed at length and it was agreed that these items are highly sensitive from environmental and ecological point of view but uniform decision to keep these items in the Negative List with no reduction in tariff will not be a pragmatic decision. This was very emphatically emphasized by the representative from Ministry of Commerce and Industry. Instead, items under ITC (HS) codes 4403 and 4406 may be kept under the Negative List with no reduction in tariff making it country-specific in Bilateral/Multilateral trade Negotiations which of course will depend on the quantum of trade and their economic values vis-à-vis the economic scenarios in different PTA's, FTA's etc. keeping the environmental and ecological sensitivity of the items under these codes on top priority. It was unanimously decided that Ministry of Environment and Forests through his officer dealing with the subject must be actively involved / participated in various trade Negotiations (Bilateral / Multilateral).

6. The Core Group unanimously decided that the items under ITC (HS) Codes 4405, 4413, 4414, 4415, 4417 and 4419 may be kept away from the Negative List whereas reduction in tariff will be according the Normal Track Reduction / Fast Track Reduction, as decided in the 3<sup>rd</sup> meeting of the Core Group.

7. The proposal of Himachal Pradesh State Forest Corporation Ltd. to increase the import duty of resin and its allied products to safeguard the interest of poor growers and farmers were discussed at length. The representative from the Ministry of Commerce and Industry informed that the present import duty on resin and its allied products is 30%. The representative from State Government of Himachal Pradesh informed that there is change in policy in Himachal Pradesh (H.P.) and the Government of H.P. is inviting tenders at the National level instead of protecting only the local industries, for wider competition. He further mentioned that the State Government of H.P. would like to withdraw its proposal in view of the recent policy change and the present import duty of 30% on resin and its allied products and accordingly it was unanimously agreed that nothing has to be done in this context as the original proposal has been withdrawn by the State Government of Himachal Pradesh in the meeting. But it was categorically emphasized that the Ministry may write these details to the Himachal Pradesh State Forest Corporation Ltd. asking them to take approval of the State Government of Himachal Pradesh before submitting such proposals to the Ministry in future.

8. The issue of Gambier and its re-export was discussed to safeguard the interest of the farmers/growers of the Khair trees in the state of Haryana and Himachal Pradesh etc. In this context, DIG (SU) informed the members about the '**Multi-Disciplinary Team**' constituted by the Directorate of Revenue Intelligence (DRI) under the Chairmanship of the DG, DRI at the request of the MOEF. He further specified the various outcomes of such an arrangement which is now at the Regional level also at Chennai, Mumbai and Kolkata, which was very much appreciated by the members.

Since nobody represented Government of Haryana in the meeting and no proposal with justification was received from the Government of Haryana, it was decided that MoEF may write to Ministry of Health and Ministry of Agriculture about the necessary concerns in this respect and it was also decided that the State Government of Haryana may be asked to substantiate its proposal with detailed data and justifications/information. The representative of Government of Himachal Pradesh informed that Katha trade is very much restricted in Himachal Pradesh and therefore, Government of H.P. has no objection in the present import / export practices / procedures of Gambier.

9. The representative of FICCI and Indian Papers Manufacturing Association and CII highlighted the issues of shortage of wood pulp and raw-material in the country for paper industry. In view of the present import duty of 10% on Veneer and plywood etc., it was decided that all the items under ITC (HS) codes 4408, 4410, 4411 and 4412 may be kept away from the Negative List as face veneer is very much required in India. The representative of Ministry of Commerce and Industry informed that he will provide a

copy of the 'Wood Standards' Report of New Zealand to the Ministry for future strategies and standardizing, if necessary.

10. The representative of FICCI, CII and Indian Papers Manufacturing Association highlighted the details emphasizing that the items under ITC (HS) Codes 4805 and 4808 in the Negative list with no reduction in tariff for which they have already submitted a detailed proposal to the Ministry. During the detailed decisions, it was also decided that the industry has no problem in keeping the corrugated paper and paper board away from the Negative List whereas non-corrugated paper and paper board etc. must be kept in the Negative List with no reduction in tariff to safeguard the interest of domestic paper and pulp industry.

11. As highlighted by the representative from WWF, it was decided that environmental and conservation issues of forests and forestry may be given top priority and be discussed regularly in view of India's rich biodiversity but heavy biotic pressure.

The meeting ended with a vote of thanks to the Chair.

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**Attendance sheet for the 4<sup>th</sup> Meeting of the Core Group to Study the Applied Rate and Import Duty on Forestry Products for Multilateral/Bilateral Trade Negotiations held on 3<sup>rd</sup> July, 2007 in the Conference Room No. 403, Paryavaran Bhawan, Ministry of Environment and Forests, under the Chairmanship of Addl. DG (Forests)**

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