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Govt panel working on new SEZ norms for exporters to access domestic market

This comes after multiple units in the SEZs, particularly those which entirely cater to the US market, have written to the Commerce Ministry seeking that they be de-notified due to sudden tariff pressure that has left exports uncompetitive in the US market.

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SEZs are also facing low investments in Research and Development (R&D).

A government panel, comprising officials from the Commerce and Industry Ministry, NITI Aayog, as well as exporters, is working on new Special Economic Zones (SEZs) norms aimed at boosting manufacturing and helping exporters leverage the domestic market amid steep US tariffs that have hurt production, a person aware of the development told *The Indian Express*.

This comes after multiple units in the SEZs, particularly those which entirely cater to the US market, have written to the Commerce Ministry seeking that they be de-notified due to sudden tariff pressure that has left exports uncompetitive in the US market. However, exporters, till now, have tried to hold on to the US market even by bearing losses. SEZs enjoy various tax benefits, including duty-free imports and domestic procurement. Official data showed that India's exports from SEZs in FY25 stood at \$172 billion from nearly 276 units in the country, and the domestic sales comprised 2 per cent of the total production. However, Indian SEZs have lagged over the years, especially compared with Chinese special economic zones that transformed

not optimally utilised.

“Reverse job work should not be a problem. Concerns are there on the principle of duty exemption on the inputs because it has to be fair to the domestic industry as well. The domestic industry is paying duty on the capital goods, and SEZs are not. If both (SEZs and domestic units) are paying duty on the inputs only, then you are at a disadvantage. So we are discussing that some factoring needs to be done so that it is fair to the domestic units,” the source quoted above said.

An official told [The Indian Express](#) that, instead of the long-pending SEZ bill, other faster routes are being explored to implement the changes in the SEZs and aid exporters facing pressure due to US tariffs. However, the Finance Ministry has yet to give a go-ahead due to revenue concerns.

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that due to the seasonality in export demand, labour and equipment capacity in SEZs are often not optimally utilised.

Among the sectors pushing the most for SEZ reforms is the gems and jewellery industry, as nearly 65 per cent of India's studded jewellery exports originate from SEZ units. Exports of gems and jewellery are at risk of being the hardest hit due to the US tariffs, as the US is the largest destination for the commodity.

After meeting Finance Minister [Nirmala Sitharaman](#) in September, the Gem and Jewellery Export Promotion Council (GJEPC) said that it has requested allowing SEZ units to undertake reverse job work and domestic tariff area (DTA) sales to keep factories and artisans engaged, extending export obligation periods for US shipments, and providing an interest moratorium on packing credit and working capital loans to ease financial stress.

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“These measures will not only help safeguard jobs but also support the competitiveness of Indian exporters during this challenging period,” GJEPC said. Reforms in SEZs are also being looked at due to fears of a negative trade balance in

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SEZs. After the removal of Net Foreign Exchange Earnings (NFE) criteria for giving incentives, trade balance may need a thorough review,” an Indian Council for Research on International Economic Relations (ICRIER) report said.

SEZs have been facing productivity-related challenges even before the US tariffs were implemented. Before 2019, there were around 500 gems and jewellery units in the SEZs. However, in recent years, many gems and jewellery units exited the SEZs and during 2021-22, there were close to 360 gems and jewellery units in the Indian SEZs, the ICRIER report said.

“During 2020-21, the share of gems and jewellery in total exports from SEZs also declined to 15.7 per cent. This is because of multiple reasons, including better non-fiscal incentives received by firms in other competing countries, withdrawal of fiscal benefits in India, pandemic-related demand and supply disruptions and SEZ-related policy uncertainties,” the report said.

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SEZs are also facing low investments in Research and Development (R&D). An ICRIER survey showed that of the total 14 gems and jewellery SEZ units surveyed, only 4 reported having made such an investment. There are limited training programmes

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agreements, unlike countries like Vietnam; negative perception about the SEZs and limited marketing and brand building to address those perceptions,” the report said.

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