

DRAFT

1. INTRODUCTION

1.1 The State of Jammu & Kashmir has entered the 21st Century with the hope inspired by the goals of Development Vision of the Country and determination to consolidate gains on the macro-economic front and to face the economic challenges that lie ahead. This inspiration has led to the determination to forge a strong, diversified, resilient and competitive State economy. Towards this end all sectors have specific roles and contributions to make in raising the pace of development to a dynamic self-sustaining level. In this regard, the trade function is seen as a central and pivotal pillar in the attainment of the mission of the economic sectors towards higher efficiency, productivity and international competitiveness.

1.2 While the National Development Vision inspires and raises hope, the argument for trade as the engine of growth and development in the face of globalization needs no emphasis. Unfolding developments in the political, economic and social spheres are bringing about tremendous changes and challenges in the business environment. These changes entail radical shifts in international economic relations, evident in the trade liberalization and globalization phenomenon.

1.3 The State required a Trade Policy that will ensure effective participation in the rules-based trading system that has emerged at the national and international level and in seizing the opportunities inherent in the free flow of resources inherent in globalization. The State Trade Policy is intended to ensure that liberalization offers meaningful, identifiable and measurable benefits.

1.4 The efficacy of trade policy depends on the establishment of a specific macro-economic, social and political environment. When fundamental changes occur in the underlying environment, the configuration of policy strategies also has to change. This Policy reflects the dynamics of Jammu & Kashmir State as an economy in transition towards a market driven system.

1.5 The Trade Policy is expected to help the State strive to carve a place for itself in the national economy and a niche for its products in the international market place. The private sector

would be the lead stakeholder, the economic agents responsible for the production of goods and services that will enable the State take its rightful place in the global market. The public sector's primary role is that of enabling and facilitating this process. This essence of the strategy will enable J&K to use her resources, especially her manpower base, to address economic challenges with the objective of attaining the goals of the Development Vision and enhancing per-capita income of the State.

1.6 This Trade Policy document has therefore been formulated with consciousness and belief of the State Government that an open trade and investment regime encourages integration into the global trading environment and the import of diverse and modern technologies that are important for productivity improvements.

2. TRADE POLICY VISION

2.1 The role of the trade sector towards the realisation of the goal of economic development will be attained through the structural transformation of the economy and enhanced productivity that will in turn contribute to the process of international competitiveness and lead to rapid economic growth. In this regard, State's Trade Policy Vision is:

"... to transform the state economy from a supply constrained one into a competitive export-led entity responsive to enhanced domestic integration and wider participation in the national and global economy through trade liberalization in tune with national policies "

3. MISSION

3.1 Trade is not an end in itself but a means for achieving higher welfare of society. The function of the trade sector, therefore, is to integrate the State economy into the national and global economy through trade. This entails structural transformation of the State economy in tandem with initiatives in this regard at the national level, and product/market diversification.

3.2 Indeed, to have a sustained economic growth rate which is capable of addressing the challenge of unemployment issue in the State depends on developing a modern export-led economy. High volumes of exports are necessary to achieve the goals of

sustained economic development. Sustaining a high growth rate is a necessary but not sufficient condition. Growth has to be complemented by broad-based equal opportunity of access to the primary assets of production – land, skills and finance – for such growth to be translated into economic and social well being. The mission of the trade sector is therefore to:

“...stimulate the development and growth of trade through enhancing competitiveness by creating favourable ecosystem aiming at rapid socio-economic development.”

4. Objectives

4.1 The State Government, by adopting and announcing this Trade Policy aims to achieve the following objectives:

- To move more speedily towards transformation of its role from ‘regulator’ to ‘facilitator’ and from performer to enabler for the Trade and Commerce.
- To encourage, promote and facilitate more investment in enterprises and build a strong, responsive and vibrant business environment in the State.
- Recognizing the significant role of distribution of goods and services in generation of employment, the Government shall endeavor to increase the share of Trade and Commerce in GDP by at least 3% in next five years and to add to per capita income of the State.
- To raise efficiency and widening linkages in domestic production and building a diversified competitive export sector as the means of stimulating higher rates of growth and development.
- To provide employment opportunities to the educated unemployed and skilled youth in the field of Trade and Commerce by concerted human resource and skill development interventions.
- To provide guidelines for State Development Plans for reserving suitable patches of land for facilities such as warehousing and logistics support helpful in promoting retail, wholesale and exports trading in and from the State.
- Creation of new markets and ancillary facilities in the Regional/ Development Plans.

5. CONSTITUTIONAL BACKDROP AND TRADE SCENARIO-PRESENT & FUTURE

5.1 Trade and Commerce provide the essential link between the producers and consumers of goods and services. Part XIII of the Indian Constitution comprising of Articles 301 to 307, covers the subject of Trade, Commerce and Intercourse within the territory of India. Article 301 states the basic policy that “*subject to the other provisions of this Part, trade, commerce and intercourse throughout the territory of India shall be free.*” Articles 302, 303 and 304 empower the Parliament and the State Legislatures to impose restrictions on the freedom of trade and commerce in public interest and to impose taxes on goods brought from other states in a non-discriminatory and non-restrictive manner. Article 307 enables the Union Government to establish an authority to carry forward the objectives set forth under Articles 301 to 304. However, no such authority has been established so far.

5.2 Over the years, the enactments such as The Essential Commodities Act 1955; The Standards of Weights and Measures Act 1976; The Consumer Protection Act 1986; The Agricultural Produce Marketing Committee Act 2003; The Shops and Establishments Act 1953; The Food Adulteration Act etc. have come into existence to protect the consumer interest. These enactments and other taxation and labour laws didn't intend per se to create any impediments for the trade. But in actual practice, their sheer multiplicity has started vitiating the spirit of free trade enshrined in the Constitution.

5.3 Internal Trade (also referred to as Domestic Trade) comprises mainly of wholesale and retail trade activities and the external trade which is mainly based on exports of goods is largely dependent on external factors including the policies of the importing Countries.

5.4 The Services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and

communication, financing, insurance, real estate, business services, community, social and personal services and services associated with construction.

5.5 About 23% to 24% share in the Service Sector is claimed by the Internal Trade based on wholesale and retail activity, of which 10% is Wholesale and 90% the Retail Trade.

5.6 Despite constraints the vitality of the Internal Trade is always very paramount as it not only provides self-employment but also boosts the creation of employment. It serves the public at large by supply of goods and services. One of the notable aspects of both wholesale and retail trade in India is that they operate at the lowest margins than in any other Country. Thus this is the biggest laudable service, this sector is rendering to common man.

5.7 In Jammu and Kashmir State, which traditionally has been an agrarian economy, over the years the Internal Trade as part of the service sector of State economy has emerged as largest contributors towards the GSDP.

5.8 Since the organized retailing business is projected to grow at 25% per annum, it will also benefit the State by attracting massive investments and professional expertise in the sector which shall create large number of white collar jobs. It shall also boost the rural economy by establishing direct business contacts with the farmers through efficient supply chains, cutting down huge intermediary expenses and heavy storage and transportation wastages.

5.9 The advancement in transport as well and communication system has helped the expansion of trade, both internal and external on large scale. Thus, the functions of market have increased manifold. Now, the trade necessarily has to consider many aspects like Storage, Processing, Packing, Delivering, After-sales-services, Insurance, Financing, Educating and Researching, safe and quick Transporting and not to forget the

Quality of Goods and Services. The emergence of E-Business or E-Commerce has practically broken boundaries and has brought the trade to the doorsteps of the consumers. Likewise, the concept, “From Farm to Table” or “Factory to Home” has added new dimensions, posing few new challenges also to the traditional trade.

6. KEY ENABLERS AND STRATEGIES

The fundamental role of Government is to provide the enabling policy environment that will facilitate the private sector in becoming the engine of economic activity and growth through efficiency and better performance. The major fundamental premises and challenges include establishing and sustaining an enabling business environment, development of hard and soft infrastructure, technological interventions, building capacity for market supporting institutions, creating the internal ability to participate in international trading system and promotion of Trade and Commerce in the context of supply-side capacity. Towards this end, following key enablers and strategies shall be leveraged to boost Trade & Commerce in the State:

6.1 Business Reforms

In order to usher an environment of ease of doing business in the State, following reforms shall be initiated:

- The Government shall objectively examine the current utility of all State laws applicable to Trade and Commerce with a view to integrate them into fewer enactments.
- The Government shall endeavor to convert certain so-called “unfriendly” provisions into a self-regulatory mechanism and providing flexibility to the trade in areas where a rigid control is no more necessary or feasible.
- The Government Departments shall examine various issues and explore the possibilities, in consultation with the stakeholders, to make the governance part smoother while implementing the Central and State laws. Appropriate suggestions for amending the existing provisions in the existing enactments shall be mooted/ supported before the concerned forums.

- Issuance of all online Approvals /NOCs /permissions /licenses / registrations and renewals regarding establishment and operation of Trading units by various Departments and Agencies of the State Government shall be mandated through appropriate Government order(s) and to put in place systems that allow online application submission, payment, tracking and monitoring without the need for a physical touch point for document submission and verification.
- Clear timelines shall be mandated through the Public Service Delivery Guarantee Act for approval of complete application regarding obtaining any Approval/NOC/Permission/Registration/License or renewal thereof.
- The Labour Department shall examine the possibility of appointing the same set of officers as regulatory / supervisory / appellate authorities under various laws.
- Administrative instructions shall be issued by the Labour Department to ensure that while conducting inspections or asking for returns and documents, the concerned Inspectors and other authorities should comprehensively deal with all the requirements under various enactments in one go instead of repeating the exercise separately for each enactment at different points of time.
- The Labour Department shall also consider fixing their jurisdiction on the basis of workload distribution, thereby providing dedicated supervisory staff to each of the industrial estates and groups of markets etc.
- The Labour Department shall associate the local trading community in decision making about timings and choosing a day of the week on which that local market should observe a closed day and facilitate footpath (Patri) markets on closed days.
- Powers of renewal of factory licenses and similar other executive powers shall be suitably delegated to the provincial level officers and the prescribed periodicity of renewals shall be reviewed.
- Several authorities that have overlapping spheres of control would to be phased out in due course of time

to enhance the efficiency & effectiveness of the laws in place.

- E-Tax Collection Centres will be strengthened.
- E-payments of all kinds related to trade shall be facilitated and a gradual thrust shall be maintained towards making it mandatory in a definite time frame.
- Feasibility of merger of collection points of taxes like road tax, entry tax, permit fee, passenger tax, basic toll (road tax) etc. shall be examined and attempted.

6.2 Taxation Enablers

6.2.1 The State Government has adopted uniform Goods and Services Tax (GST) Act which is now applicable at pan India level. The GST Act has subsumed most of the taxes on production and sales of goods and services, which were leviable by the Union and the State Governments, commencing from the Excise Duties and Central Sales Tax (CST) and ending at VAT or Service Tax which would practically be the only tax collectible from the consumers at the level of retail trade.

6.2.2 The State Government in terms of SRO 299 dated 18th July, 2017 has notified www.gst.gov.in as the Common Goods and Services Tax Electronic Portal for facilitating registration, payment of tax, furnishing of returns, computation and settlement of integrated tax and electronic way bill.

6.2.3 The persons engaged in making supplies of taxable goods and services or both, the total tax on which is liable to be paid on reversed charge basis by the recipient of such goods and services or both, have been exempted from obtaining registration under the Jammu & Kashmir Goods and Services Tax Act, 2017. SRO-298 dated 18th July, 2017 has been issued in this regard by the State Finance Department.

6.2.4 In order to boost Internal Trade, the Government has exempted intra-State supply of around 149 goods and 81 services from the GST. In this regard the Union Ministry of Finance has issued Notifications vide No. G.S.R. (E)-2/2017 dated 28.06.2017 and No. G.S.R. (E)-12/2017 dated 28.06.2017 respectively for exemption of CGST on intra-State supply of

identified goods and services. The State Finance Department has also issued SRO No. GST-2 dated 08.07.2017 and SRO No. GST-12 dated 08.07.2017 respectively for exemption of SGST on the intra-State supply of identified goods and services.

6.2.5 The State Finance Department's SRO GST-18 dated 15th September, 2017 read with SRO 431 dated 13th October 2017 have been issued, wherein for 'Casual Taxable Persons' specified, in terms of sub-section (2) of section 23 of the Jammu & Kashmir Goods and Services Tax Act, 2017, as those persons making taxable supplies of a number of Handicraft products have been exempted as the category of persons exempted from obtaining registration under the aforesaid Act, provided that the aggregate value of such supplies, to be computed on all India basis, does not exceed an amount of Rs. 20 lakh in a financial year which is a special dispensation extended to Jammu & Kashmir State as this benefit is available to other Special Category States to the aggregate value of such supplies amounting upto Rs. 10 lakh only. This exemption shall be available to such persons who are making inter-State taxable supplies of Handicraft goods and are availing benefit of Union Finance Ministry's notification No. 8/2017-Integrated Tax, dated 14th September, 2017 published in the Gazette of India vide No. G.S.R.(E) dated 14th September, 2017.

Beyond the aforementioned limit of Rs. Twenty Lakh per annum, supply of Handicraft products have been kept in the lower tax bracket of 12.5%, whereas paper machie and willow wicker products have been kept in the tax bracket of 5%.

6.2.6 In order to provide budgetary support to the manufacturing units in the shape of Reimbursement of State Taxes paid under J&K GST Act 2017, the State Government has issued a Scheme in terms of SRO-519 dated 21st December, 2017 called 'Jammu & Kashmir Reimbursement of State Taxes for promotion of Industries in the State of Jammu & Kashmir', which has come into operation w.e.f 08.07.2017 for eligible units and shall remain in force till the Scheme dated 05.10.2017 announced by Government of India, namely 'Budgetary Support under Goods and Services Tax regime to the Industrial Units located in Jammu & Kashmir, Utrakhand, Himachal Pradesh and North East including Sikkim', is in operation.

6.2.7 Likewise, in order to provide budgetary support to the existing eligible manufacturing units operating in the State of J&K in the shape of 42% of the Central Tax paid under Central GST Act 2017 after adjustment of input credit tax, another Scheme called 'Jammu & Kashmir Reimbursement of Central Taxes for promotion of Industries in the State of Jammu & Kashmir', has been issued vide SRO-521 dated 21.10.2017. This Scheme shall also remain in force till the Government of India's Scheme dated 05.10.2017 announced by Government of India, namely 'Budgetary Support under Goods and Services Tax regime to the Industrial Units located in Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North East including Sikkim', is in operation.

6.2.8 The State Government shall be regularly taking up the issues in the GST Council and other appropriate forums regarding further relaxations and lowering of tax rates as per requirement of the furtherance of growth of Trade and Commerce activity of the State.

6.3 Development of new Markets including E-marketplace

6.3.1 Based on pure objective criteria, the Government/the concerned Municipal Corporations/Urban Local Bodies shall examine for liberalized conversion of the identified residential pockets into commercial zones so as to arrest haphazard and clandestine conversion of individual residential houses into business premises.

6.3.2 Adequate provisions for commercial activities including kiosks and central markets shall be kept in the new housing colonies to be developed by the organizations like JDA, SDA and the J&K Housing Board depending upon the size and the location of the colony. Similar practice shall be adopted by the private developers of housing colonies.

6.3.3 Demand surveys shall be undertaken by the Government through professional consultants for development of future markets. A cluster approach shall be adopted for development of specialized markets wherever feasible/advantageous. The retail trade organizations shall be encouraged to formulate SPVs for development of new markets.

6.3.4 The Housing and Urban Development Department (H&UDD) shall expedite action on its plans for development of

parking lots/areas, in all major towns particularly in the cities of Srinagar and Jammu.

6.3.5 The H&UDD shall expedite development of warehousing facilities as per their announced programmes and if needed, the Industries & Commerce Department shall provide input for the same.

6.3.6 The Government shall facilitate creation of adequate facilities and civic amenities like paving of parking areas, provision of raised platforms for loading/unloading and conducting auctions, drainage for rain water, toilets, clean paths for the movement of the buyers and sellers, street lighting etc. in the areas where markets have come up or have been created/developed by the Government agencies.

6.3.7 Various Government corporations dealing with Handicrafts and Handloom, Agro Industries, Horticulture (Produce and Marketing) etc. shall develop E-commerce platforms for trading products from respective sectors to increase the outreach of local products worldwide at lower costs. The e-marketing shall also eliminate mediators and improve linkages between farmers, food processors, small time artisans/manufacturers and retailers.

6.3.8 The Government shall support establishment of world class warehouses/distribution centers by means of allocation of land and incentives for such activities.

6.4 Restoration of key Central Government Offices, Institutions and distribution channels

6.4.1 The State Government shall endeavor to persuade the Union Government to provide senior functionaries, such as the Joint Chief Controller of Imports and Exports, Regional Director of Reserve Bank of India, NABARD and Registrar of Companies etc. duly vested with executive powers to grant all day to day approvals, sanctions, permits and endorsements to the local businesses and industry, both at Jammu and Srinagar.

6.4.2 The Government shall facilitate the return of all stockists and wholesalers who left the State, particularly the Kashmir Valley during militancy and shall also facilitate opening of more such depots and distribution agencies.

6.4.3 Transport and Connectivity

The State is largely dependent on road transport for carriage of goods and there are road bottlenecks, particularly during the

months of winters and rains. Apart from the loss of time in detention, the goods and the crew of the vehicles are subjected to vagaries of the weather in the absence of adequate protection and roadside facilities, and the cost of goods to the consumer increases. The Government also recognizes that the transport industry operates through several layers of intermediaries which affect its cost efficiency and transparency.

6.4.4 The Government shall have a critical look at its powers vested under section 72 of the Motor Vehicles Act for revising the restrictions imposed on vehicles including the maximum laden weight permissible for the goods carriers, keeping in view the improvements made on various roads and highways.

6.4.5 The Government shall look into the peculiar problems faced by the exporters who use containers in respect of their maximum laden weight and the levy of Toll on the empty containers in the interest of promotion of exports.

6.4.6 The Government shall improve basic infrastructure and civic amenities at the major loading and unloading points/warehouses and overnight parking lots for the goods carriers such as Narwal near Jammu and Parimpora near Srinagar.

6.4.7 The Government shall pursue the case with the respective GoI authorities to functionalize the Inland Container Depot/Air Cargo Complexes at Bari Brahmana near Jammu and Rangreth near Srinagar and the Air Cargo Complexes at Srinagar, Jammu and Leh.

6.4.8 The Government looks forward to the completion of the railway connection between Kashmir valley and the rest of the country (target year 2022) and upgradation of NH1A which will change the entire transport scenario for the State. The Government shall work on fresh movement plans accordingly in association with all the stakeholders.

6.5 Use of Technology

6.5.1 The Government shall encourage use of Information Technology by all concerned agencies to enable the trading community to gradually move towards modernization, IT application and digital transactions. If required, it will collaborate with the J&K Bank for promotion of its Point of Sale (POS) service to the retailers.

6.5.2 The Government shall facilitate e-filing of returns under various labour laws as also for depositing various types of fees including monthly payments of employer's share of the CP Fund into the account of the CPF Commissioner.

6.5.3 The Government shall take steps to attend to the work of compiling Provident Fund accounts of workers covered by the Employees Provident Fund Act under the aegis of the Labour Department.

6.5.4 The Government, for enhancing traceability of transactions and need to save paper by retailers, shall allow to have options to issue e-bills (tax invoices) to consumers in electronic mode. The GST regime has already started the process in this regard.

6.5.5 The Government intends to bring more transparency in the procurement of goods by making procurements through GeM Portal/Other GoI e-Commerce Platforms at the approved rates that would also bring cost efficiency in the system.

6.6 Export Promotion (Opportunity & Strategy)

6.6.1 One consequence of liberalization is the de facto merger of domestic and international markets into a single market and the necessity for domestic business and trading entities to become internationally competitive even in internal markets. The impact of globalization is the accessibility to domestic firms, of resources that can facilitate enhanced productivity and efficiency necessary for competitiveness. In this setting, export-led growth is both an opportunity and a challenge for the State. Entrepreneurs of the State have to strive towards production of higher quality goods and first class services at lower prices. The overall strategy includes reform of institutional structures and change of cultural norms and practices in economic activities so as to put in motion the process of re-orienting the economy towards an open market system targeting export-orientation.

6.6.2 The Government intends to enhance the percentage share of the exports in the GSDP of the State from presently 0.7% during 2016-17 to atleast 5% of the GSDP. The last 10 years export trends from J&K are as under:

S.No.	Financial year	Value of exports from J&K (Rs. In Crores)
1.	2007-08	349
2.	2008-09	390

3.	2009-10	433
4.	2010-11	405
5.	2011-12	622
6.	2012-13	722
7.	2013-14	1043
8.	2014-15	940
9.	2015-16	813
10.	2016-17	791
11.	2017-18	341

(Source: Department of Commerce, MoC&I, Government of India)

The major items of export from the State since 2014-15 onwards have been as under:

HS Codes	Description	Year			
		2014-15	2015-16	2016-17	2017-18
080232	Shelled Walnuts Fresh or Dried	132	113	44	22
100630	Semi/Wholly Milled Rice W/N Polished/Glazed	20	7	12	9
200310	Mushrooms Prepared/Preserved	55	45	33	8
29339	Other: Derivatives of Pyridine	0	6	22	14
293410	Compounds containing in unfused Thiazole Ring (W/N Hydrogenated) in the structure	0	8	11	6
300490	Other medicine put up for retail sale	153	129	197	49
300640	Dental cements and other dental fillings bone reconstruction cements	7	7	10	0
380891, 380899	Insecticides	1	4	18	5
520523	Single Yarn of Combed Fibres measuring<232.56 But>=192.31 Dctx (>43 But<=Mtrc No)	5	17	16	7
550921, 550951, 550953	Yarn of Polyester Staple Fibres	77	48	52	36
551012	Multiple (Folded)/Cabled Yarn containing 85% or more by weight of artificial staple fibres	3	10	10	6
570190	Carpets and floor coverings knotted of other textile material	79	68	47	22
621410, 621420, 621490	Shawls, Scarves,, Mufflers etc. of Silk/Silk Waste	129	102	108	31
760611	Rectangular (including square) plates sheets, strip of aluminum not alloyed	1	4	11	10
850213	Generating sets with compression ignition internal combustion piston engines (diesel/semi-diesel engines) of an output exceeding 375 kva	15	16	13	6

(Source: Department of Commerce, MoC&I, Government of India)

6.6.3 Jammu & Kashmir is the main hub for commercial production of walnuts in India and is also major contributor to its exports from the Country. Besides, we have a very vivid and bright textile tradition with carpets, shawls, yarn and fabrics being the major export items. Kashmir's carpet industry is famous all over the world and its shawls of shahtoosh, pashmina. Silk textiles is another important area which is renowned globally for its quality, colour and shades. Top export destinations of cotton and polyester yarn include Bangladesh, South Korea, Poland, Mexico, Philippines among others. The total exports of shawls from the state contributed to 2.4% in India's total exports of shawls while the exports of shawls from the State formed a share of 14% in the state's total exports in 2016-17. Top export destinations of carpets include Germany, Thailand, UAE, while top export destinations of shawls include UAE, France and Thailand.

6.6.4 Measures shall be initiated to create product awareness about 'Brand Kashmir' in new markets beyond the traditional regions. The main focus shall however remain on Handmade Kashmir Handicrafts. Export Marketing and Management workshops and seminars shall be arranged, so that the exporters get acquainted/informed about latest marketing trends/market intelligence in Export Business and to create awareness among the exporters through various Export Promotion Councils and Star Export Houses.

6.6.5 Market Integration would be advanced through consolidating and promoting free flow of trade, which in turn is necessitated by proper export infrastructure in terms of Inland Container Depots (ICDs) and Container Freight Stations (CFSs). Presently there is only one ICD at Jammu (Bari B) while the one at Rangreth is yet to be notified by the Customs.

6.6.6 Jammu & Kashmir's exports remain too heavily focused on primary commodities and its share of total trade in India remains low, despite numerous economic measures and domestic market liberalization. Inter-state trade is particularly limited. Therefore, there is a need to identify cumbersome and non-transparent state border administration, particularly import-export procedure. The Government shall endeavor to appropriately take up the matter with Civil Aviation Ministry for allowing International flights to operate from Srinagar airport so as to enhance export volume from the State especially in handicraft and handloom sector. Efforts shall also be made to

set up an Air Cargo Complex with warehouse facility at Srinagar airport. Efforts shall also be made to make ICD Jammu fully functional by filling the infrastructure gaps besides setting up of additional ICD hubs in the State to improve the export logistics.

6.6.7 Government has established Jammu Kashmir Trade Promotion Organization (JKTPO) having International Trade Promotion Organization (ITPO) & Export Promotion Council for Handicrafts (EPCH) as equity partners to build, support, maintain, increase and promote trade related activities and infrastructure and bring in more professionalism into the system in the interest of promoting domestic and export trade from the State.

6.6.8 Export enhancement strategy including identification of focus products, focus markets and market linked focus products shall be adopted. Focus products can be Basmati Rice from Jammu Division, Saffron, Handicrafts & Handloom products and Horticulture produce from Kashmir Division. The selection of products shall however be made on the basis of the availability of export surplus and potential for growth with short-term policy interventions and support.

6.6.9 The short term strategy measures will include the support for international certifications, packaging, development of common facility centres e.g. Pack Houses and Vapour Heat Treatment facilities and development of market linkages with the outlets of international chain stores across the country. Besides, the stakeholders in export sector will be informed, through a series of seminars and information events about the focus markets in terms of the emerging opportunities for exports.

6.7 Brand Promotion and Quality Control

6.7.1 The Government appreciates that 'Kashmir brand' is one of the strong points for the trade in locally produced goods including Silk and Pashmina, Shawls, Jamawar, Silk Carpets, Ladakh Carpets (*Khalidan and TSUKDAN*), Papermachie, Embroidery, Namdas, Gabbas, Ladakh Handicrafts items (Wood and Metal work), Ladakhi *Thanka* paintings, Ladakhi Blankets (*Chali* and *Rebo*) as also other locally produced items like Saffron, Silk Fabric, Guchchi, Anardana, Black Cumin, Jammu Basmati Rice, Red Chili, Honey, Olive Oil etc. for which the buyers look for an authentic reference or an endorsement or a

certificate and/or guarantee of its purity as also reasonability in its pricing.

6.7.2 On the other hand, complaints are regularly made about fake Handicraft items being passed on to the tourists as genuine Kashmir craft. The trade has been wary of such practices as it brings bad name to the entire trade. However, the unscrupulous elements in the trade find their own ways and keep indulging in such unfair practices to make a fast buck by living from season to season under different names.

6.7.3 In order to promote the handmade and authentic produce, the State has successfully registered seven regional crafts namely Kashmir Carpet, Kashmir Pashmina, Kashmir Papier-Machie, Kashmir *Sozni*, Kashmir Walnut Wood Carving, Kani Shawl and *Khatambund* under the Geographical Indications Act of India. Further, the State Government is also in the process of registering agro products like Saffron under the same Act.

6.7.4 The Department has taken the initiative through Craft Development Institute, Srinagar to provide legal protection to the traditional Handicrafts products under the Geographical Indication Act. Six main traditional Handicrafts of Kashmir namely, *Pashmina*, *Kani*, *Sozni*, *Khatamband*, *Papermachie* and *Walnut-Wood-Carving* for GI certification to discourage imitation and counterfeiting of the regional Handicrafts. Besides, a Pashmina Testing and Certification Centre for Hallmarking (labeling) and certification of Kashmir Pashmina has also been set up in Craft Development Institute, Srinagar. The Government intends to create more testing and certification centers.

6.7.5 The Government also takes into cognizance that grant-in-aid is available to registered SSI units for 'brand promotion', financial incentives are available for R&D, acquiring of quality control equipment, registration with the Bureau of Indian Standards and registration with International Standards Organization (ISO) etc. under the State Industrial Policy and the Package of Incentives and national schemes like 'Agmark' exist for food products. The Government agrees that the 'brand promotion' scheme requires a review and push through a well thought out programme by all the stakeholders.

6.7.6 The Government sees the need of a major initiative in quality control, maintenance of standards in manufacturing/ processing and quality marking which can be created around the

aura of Kashmir. For this, the Government shall promote Quality Control Council for products especially agro and handicrafts comprising of all stakeholders to formulate and manage the quality marking programme under which very high and exacting standards of quality control mechanism promoting Certifications, Labeling and Traceability (Trace back) would be created and enforced with the liberal use of information technology, bar coding, holograms etc. in the furtherance of value addition in exports from the State.

6.8 Incentives, Subsidies, Raw Material and Marketing Support

6.8.1 Prior to the implementation of GST in the State, the Industrial Units of State were entitled to the remission of VAT on local purchase of raw material. The VAT was first paid by the units on the procurement of raw material, which was subsequently reimbursed to them by the State Government through J&K SICOP.

6.8.2 To continue the incentive, the State Government has decided to reimburse 100% of SGST paid by the eligible Industrial Units after utilization of input tax credit. The Scheme in this regard has been issued by the Finance Department vide SROs-519 and 521 dated 21st December, 2017 mentioned in the pre paras 6.2.6 and 6.2.7.

6.8.3 The following procedure is proposed to be adopted for reimbursement of SGST to the eligible industrial units in the State:

- i. The State Government shall release the requisite funds to the Industries & Commerce Department in lumpsum at the beginning of the financial year which shall be placed in advance by the Industries & Commerce Department with the SICOP as part of their Capex Budget.
- ii. In the event of amount released by the Government falls short of the requirement, the J&K SICOP shall meet such requirement from its own resources and take up the issue with Industries & Commerce Department, for release of additional funds for recoupment thereof. The J&K SICOP shall also project the excess amount in the revised estimates to the Industries & Commerce Department.
- iii. In case of any balance remaining available with the SICOP after SGST reimbursement at the close of a

financial year, the same shall be carried forward to the next financial year for future adjustment of SGST.

iv. The Refund Claim will be sanctioned /disbursed in favour of the eligible unit holders who shall have to make the SGST refund claim by filing the GST Return GSTR-3 as may be amended from time to time alongwith the following documents:

- a) A self-certified copy of GSTR-3 by the Proprietor/Partner/Authorised Person of the unit holder.
- b) Bank Certificate for payment of SGST pertaining to the period of Refund Claim.
- c) CA's Certificate for SGST Payment of the claim period through Cash Register from a CA Firm.
- d) Affidavit from Proprietor/Partner/Authorised Person that the information submitted along with the Refund Claim is true & correct.
- e) One time Indemnity Bond, till the validity of this scheme, for compensating the Government for the loss caused if any on subsequent date if the claim of the unit holder is found to be false /incorrect.
- f) Existence Certificate from DIC concerned.
- g) Undertaking to the effect that nothing is outstanding towards any Government dues and all payments to Local MSME units have been made within the prescribed period i.e. 45 days/agreed terms, whichever is less, as per the provisions of the MSME Act.
- h) Cancelled cheque for Bank Particulars for Direct Benefit Transfers.
- i) One time Copy of DIC Permanent Registration Certificate (EM Part-II) alongwith subsequent orders for addition/ deletions in the Registration Certificate.
- j) An Undertaking for sourcing of the Material Requirement from local MSME Units, if the same are available locally or if the same is manufactured by some prospective entrepreneur.
- k) It will be endeavour of SICOP to release the refund within a period of one month from the date of its filing with complete details.
- l) The units having Women/Technocrats as Proprietor or Partners/Shareholders with more than 50% share

will be given preference in the disbursement of refunds.

- m) A minimum of 5% of total claims received in the month shall be subjected to a Third Party Audit/Verification by a panel of independent CA Firms or by Internal Auditors of SICOP.
- n) State Government will charge 0.25% of the refund amount as Service Charge.

6.8.4 Freight Subsidy

The Freight Subsidy Scheme announced by Government of India in the year 2013 has lapsed in January 2018. This Scheme had provision of 90% refund of freight expenses on import of Raw Material and export of Finished Goods by the eligible Industrial units of the State. The freight was calculated on the basis of rates notified by J&K SRTC from a designated railhead viz. Jammu, Kathua or Udhampur to the nearest industrial area. Considering the desirability of continuing the Freight Subsidy Scheme, the State Government in the Budget announcement of 2018 has extended the benefit of Freight Subsidy in favour of the industrial units located in the State for transporting their manufactured goods beyond 1000 kilometers.

6.8.5 Raw Material Procurement & Sale through SICOP

In order to ensure availability of raw material to the local industrial units at their doorsteps in their respective districts and as per the quantities required by them, the J&K SICOP is playing an instrumental role. The J&K SICOP is also providing key construction material as well as other items of use such as furniture etc. to the various Government and Semi-Government Organisations. Procurement and sale of finished products of the SSI units of the State is another important activity being carried out by the Government through J&K SICOP by its network of district level depots throughout the State.

6.8.6 Marketing Support

For ensuring meaningful support to the Small Scale Industry of the State, the Government provides marketing support to the Industry and has reserved 20 items manufactured by the local SSI units for exclusive purchase by Govt/Semi-Govt. agencies through J&K SICOP. The reserved items are as under:-

S.No.	Name of the items reserved	S. No.	Name of the items reserved
1.	B. A. Wire	11.	Wall to Wall Carpets
2.	B. A. Wire Crates	12.	Steel Fabrication items - Steel Tanks, Steel Trusses, Steel

			Bridges (up to 100 meters span)
3.	Barbed Wire	13.	Wooden Joinery Items
4.	M. S. Angle	14.	Sheet Metal Items- Steel Trunks, Steel Buckets, Steel Storage Bins, Poultry Equipment, Agriculture Equipments.
5.	Tor Steel/CTD Bars	15.	RCC Hume/Spun Pipes.
6.	Chain link Fencing & Wire Crates	16.	Electric Appliances- Geysers, Desert Coolers, Room Heaters/Convectors, Fans, Air Conditioners.
7.	PCC Fence Posts	17.	PVC Cables – Armored /Un-Armored Cables, Conduit pipes, Plastic Moulded Batons.
8.	Steel & Wooden Furniture	18.	Lead Acid Automobile Batteries
9.	HD Molded Water Storage Tanks	19.	Plastic Moulded furniture Items like Chairs etc
10.	Steel Door/Window Frames and Shutters	20.	Rigid PVC Pipes

The Government may consider to include more items/products of the local SSI units for exclusive purchase through J&K SICOP in tune with the quality requirements under various Government programs.

6.9 HUMAN RESOURCE AND SKILL DEVELOPMENT

6.9.1 Special emphasis will be given to the development of human resource and skill development for increasing employability in the sector of Trade and Commerce.

6.9.2 Government Institutions and established private Institutions will be encouraged to conduct certification based training and placement programs.

6.9.3 To promote women entrepreneurship, two Women Entrepreneurship Development Institutions are being developed, one each in Srinagar & Jammu.

6.9.4 Skill Institutes such as the Craft Development Institute (CDI) and the Indian Institute of Carpet Technology (IICT) Srinagar intend to start skill programs, namely, Craft Design Programme and Handloom Technology respectively.

6.9.5 The Jammu Kashmir Entrepreneur Development Institute (JKEDI) is establishing a Centre for Incubation & Business Development to guide young entrepreneurs in gaining access to capital, material and market support for their projects.

6.10 LoC TRADE

6.10.1 Backdrop and Process of Cross-LoC Trade

The Line of Control (LoC), which divides the Indian and Pak-parts of Jammu and Kashmir, is 1001-km. long border (Jammu - 205 km. Valley - 460 km. and Ladakh/Siachin area -336 km). The high land area under peripheries exposes its inhabitants to diverse problems arising out of the distinct geo-physical situation and the concomitant socio-economic conditions. This becomes even harder given the lack of basic infrastructural facilities. More than eight districts and 44 blocks in Jammu and Kashmir are located along the Line of Control. Given the boundary in the total landscape, it makes all the more important to look for options where such regions can be improved through Cross Border Cooperation (CBC).

Moreover, the two economies of divided Jammu and Kashmir have more similarities than differences when one looks at the relative mix of agriculture, horticulture and handicrafts sectors. In other part of Kashmir across the LoC, the area under cultivation is around 166,432 hectares (almost 13 per cent of the total area), out of which 92 per cent of the cultivable area is rain-fed. According to the agricultural census of 1990, the average farm size is only 1.2 hectares. The major crops are maize, wheat & rice whereas minor crops include vegetables, grams, pulses (Red lobia) and oil-seeds. Major fruits grown are apple, pears, apricot and walnuts. Jammu and Kashmir too is an agrarian economy and as per Census 2001, 18.38 lakh persons, comprising 15.92 lakh cultivators and 2.46 lakh as agricultural labourers depend directly on agriculture for their livelihood. The net area sown is 738,616 hectares, out of which 313,734 hectares constituting 42.48 per cent are irrigated. The average land holding size is 0.67 hectares as per Agricultural Census 2001 and main crops grown are rice, maize, wheat, pulses, other cereals and millets, oilseeds, vegetables and spices. Horticulture produce covers an area of 3.06 lakh hectares and a variety of temperate fruits like apple, pear, peach, plum, apricot, almond, cherry and sub-tropical fruits like mango, guava, citrus litchi and phalsa are grown. Apart from these well-known spices like saffron and black zeera are also cultivated (J&K Economic Survey 2009-10). The handicrafts sector of the divided region also exhibits similarity as carpets and rugs, gabbas, namdas, walnut furniture, shawls, embroidery items, wooden handicrafts

are produced across the Line of Control.

In the above backdrop, the possibility of opening the two trade points received encouragement when in April 2005 the bus service across the divided Jammu & Kashmir took off successfully as a result of meeting between then Prime Minister of India and then President of Pakistan. It facilitated the union of separated families, a breakthrough achieved after 58 long years. This was followed by opening of trade routes, an initiative that has been tried in various conflict regions across the globe. This led to further discussions during the technical-level talks at New Delhi on May 2-3, 2006 as part of the Confidence Building Measures (CBMs). The modalities of the trade including the truck service, the list of items for trade and exchange of delegations between the two Chambers of Commerce were agreed. One of the five Working Groups constituted during the second Round Table Conference on Kashmir was the working group on Strengthening of Relations across LoC. This Working Group recommended increasing Cross LoC movement and interaction among people on both sides, including commencement of Cross-LoC trade. After a gap of more than two years after the technical level talks, the Inter-Ministerial Committee and the State administration, decided to develop Land Custom Stations (now called Trade Facilitation Centers) for Uri-Muzaffarabad trade route at Salamabad and for Poonch-Rawalakote trade route at Chakkan-da-Bagh. The modalities of Cross LoC Trade were drawn up and the list of items to be traded across the LoC was finalized in the meeting of the Joint Working Group held in New Delhi on 22.9.2008 and the necessary infrastructure for launching the Cross-LoC trade was put in place both at Salamabad and Chakkan-da-Bagh.

6.10.2 The opening of Cross-LoC trade along Uri-Muzaffarabad and Poonch-Rawalakote routes on 21st October 2008 as part of Confidence Building Measures (CBMs) between Pakistan and India marked a paradigm shift since the subcontinent was partitioned in 1947. The trade began with two days-Tuesday and Wednesday every week since it started in 2008, which has now been extended to four days from July 2011. Contrary to predictions of many skeptics trade along the two routes has grown over the years.

6.10.3 The current Cross-LoC trade between the two parts of State has many unique features that one can say are exclusive

to this initiative. The two governments declared Cross-LoC trade as zero-tariff trade as it is not treated as international trade. The Exports are called 'traded-out' goods and Imports are called 'traded-in' goods. This is mainly because of the reason that both India and Pakistan do not accept Line of Control as an international border and refer Cross-LoC trade as domestic one i.e. between two regions of one State.

6.10.4 Trade volumes have substantially shown an increase despite the trade being on barter terms with lack of proper communication channels, absence of banking system, dearth of legal enforcement of contracts and limited number of trade days and tradable goods. Following table depicts the quantity and value of Traded-in and Traded-out goods between the two parts of the State in the year 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18:

Year	Goods Traded-Out		Goods Traded-In	
	Quantity (Quintals)	Value INR Crore	Quantity (Quintals)	Value (in Crores) Pak currency
2011-12	465272.41	320.19	368535.17	531.24
2012-13	768061.86	371.67	790245.70	657.79
2013-14	624607.15	347.59	352946.78	513.62
2014-15	818001.71	508.84	337886.22	811.01
2015-16	1054410.77	634.34	586691.62	846.75
2016-17	739034.47	527.39	330676.70	858.17
2017-18	392500.78	795.0529	104949.70	843.8942

6.10.5 Following Agreed to List of 21 items are traded across LoC:

S.No.	Traded-Out Items	Traded-In Items
1.	Carpets	Rice
2.	Rugs	Jahnamaz and Tusbies
3.	Wall Hangings	Precious Stones
4.	Shawls and Stoles	Gabbas
5.	Namdaz	Namdaz
6.	Gabbas	Peshawari Leather <i>Chappals</i>
7.	Embroidery Items including Crewel	Medicinal Herbs
8.	Furniture including Walnut Furniture	Maize and Maize Products
9.	Wooden Handicrafts	Fresh Fruits and Vegetables
10.	Fresh Fruits and Vegetables	Dry fruits including walnuts
11.	Dry fruits including walnuts	Honey
12.	Saffron	Moongi

13.	Aromatic Plants	Imli
14.	Fruit bearing Plants	Black Mushroom
15.	Dhania, Moong, Imli and Black Mushrooms	Furniture including Walnut Furniture
16.	Kashmiri Spices	Wooden Handicrafts
17.	Rajmah	Carpet and Rugs
18.	Honey	Wall Hangings
19.	Paper Mache Products	Embroidered Items
20.	Spring, rubberized coir/foam mattresses, cushions, pillows and quilts	foam mattresses, cushions and pillows
21.	Medicinal Herbs	Shawls and Stoles

6.10.6 The State Government has taken up the matter of opening of additional routes namely Jammu-Sialkot Border, Chhamb-Jourian to Mirpur, Gurez-Astoor-Gilgit, Jhangar (Nowshera)-Mirpur and Kotli route, Turtuk-Khapulu, Kargil-Skardu and Titwal-Chilhan (Across Neelam Valley) with Government of India.

6.10.7 Issues

- i. **Banking Facility for LoC Trade:** The State Government in terms of Cabinet Decision No. 19/02/2016 dated 27.04.2016 conveyed the agreement of the State Govt. for establishing of Banking Facility for Cross LoC trade to the Ministry of Home Affairs. The final decision however is to be taken up further by MHA with the Government of Pakistan.
- ii. **Expansion in the list of Tradable Items for Cross LoC Trade:** The State has requested Govt. of India through Union Ministry of Home Affairs for inclusion of 21 additional items in the list of items to be traded out across LoC.
- iii. **Opening of additional routes / contact points across LoC:** The State Govt. through Home Department conveyed for opening of 07 additional trade routes and 02 additional contact/ meetings points as recommended by the Working Group-II. The final decision in this regard is still awaited.

7. PERIODICAL REVIEW MECHANISM

7.1. The State Government shall create Commerce Advisory Committee (CAC) at the State level under the I/C Minister for

Industries and Commerce to organize meaningful periodical interactions among all the stakeholders.

7.2 The CAC shall deliberate on the mechanism to:

- Turn the policy into action programmes,
- Seek cooperation from all concerned Government Departments,
- Arrive at a consensus by resolving sectoral/ departmental conflict of interests,
- Motivate the concerned Departments to agree to a 'Common Minimum Programme',
- Consider all the sector specific suggestions relating to trade promotion,
- Monitor the progress of implementation,
- Review the 'trading policy' and tackle new issues, etc.

7.3 The composition of the CAC shall be as broad based as possible and it shall, as far as possible, meet once at Srinagar and once at Jammu every year. Besides, it shall include all concerned Administrative Secretaries to the Government and a few experts from the trade and marketing management as well.

7.4 The Trade Policy shall be reviewed by the State Government in every two years to accommodate new issues and matters recommended by the CAC and accordingly published.

8 Miscellaneous

8.1 E-trade shall be facilitated and encouraged by the Government.

8.2 Commodity specific action programmes shall be worked out for promoting and facilitating internal trade and export of major items such as handicrafts, dry fruits, saffron, flowers, basmati rice, processed food, juices and concentrates etc.

8.3 A gradual switchover shall be made by the Government to Automatic Tax Collection Centres.

8.4 E-payment of all taxes shall be facilitated and a gradual thrust shall be maintained towards making it mandatory in a definite time frame.

8.5 Feasibility of merger of collection points of taxes like road tax, entry tax, permit fee, passenger tax, basic toll (road tax) etc. shall be examined and attempted.

8.6 Trained manpower shall be required to gradually take over functions of modern style of sales and marketing. The

Government shall adopt a pro-active role in taking care of the training needs.

8.7 The Government shall continue to pursue opening of more points for Indo-Pak and cross LoC trade.

8.8 The Government shall get guidelines/ compendium of dos and don'ts, particularly about mandatory registration(s) and compliance(s) of other legal provisions, compiled and make them available online for guidance of new entrepreneurs who venture into trade, service or professions.

8.9 The Government shall work out a satisfactory solution for the renewal of licenses of hotels having 20 rooms or above which are required to install their own sewerage treatment plants (STPs).

8.10 For sending out machinery parts and tools to outside the State, a permit is required to be obtained from the concerned Director I&C. The Government shall consider simplifying this process by delegating powers of permission to local levels.

8.11 The questions pertaining to objective administration of Food Adulteration Act and various Control Orders issued under the Essential Commodities Act also require to be resolved on a permanent basis as they keep on sporadically emerging and cause lot of harm to the genuine and law abiding traders without providing any commensurate benefits to the consumers. The Government shall constitute an expert group to resolve such issues.

8.12 The GoI has permitted 100% FDI in multi brand retailing and left it to the concerned state governments to decide whether to allow such multi brand chains in their territories. The Government shall give due consideration at the appropriate time, to the concern of the trading community in respect of the policy of 100% FDI in retail.

9.0 Validity of Policy

The Trade Policy shall come into effect from the date of issuance of Government Order and will be valid for a period of ten years or till a new Trade Policy is announced.
