SUBJECT- INDIAN ECONOMY (GENERIC IVTH)

Topics for Today's Class (21/04/2020)

- **The Foreign Trade Policy of India (2009-2014)**
- **The Foreign Trade Policy of India (2015-2020)**

The Foreign Trade Policy of India (2009-2014)

On August 27, 2009, the commerce and industry minister, Anand Sharma, presented the five-year Foreign Trade Policy (FTP) for 2009-2014. Aiming to reverse contraction in exports for 10 consecutive months, the new FTP has several measures to ensure a healthy growth of foreign trade. The measures comprise fiscal concessions as well as relaxations in procedure.

The export target of $ 200 billion for 2010-11 means a growth of 15 per cent over the next two years. The FTP also envisages an overall medium- term objective of 25 per cent annual growth thereafter.

According to the minister, the three elements which were expected to help achieve the targets are:

1. Improvement in export-related infrastructure,
2. Reduction in transaction costs, and
3. Provision of full refund of all indirect taxes and levies.

Major Highlights of the Foreign Trade Policy of India (2009-2014)

Higher Support for Market and Product Diversification:

1. Incentive schemes have been expanded by way of addition of new products and markets.
2. Twenty-six new markets have been added under Focus Market Scheme. These include 16 new markets in Latin America and 10 in Asia- Oceania.
3. The incentive available under Focus Market Scheme (FMS) has been raised from 2.5 per cent to 3 per cent.
4. The incentive available under Focus Product Scheme (FPS) has been raised from 1.25 per cent to 2 per cent.
5. A large number of products from various sectors have been included for benefits under FPS. These include engineering products (agricultural machinery, parts of trailers, sewing machines, hand tools, garden tools, musical instruments, clocks and watches, railway locomotives etc.), plastic (value added products), jute and sisal products, technical textiles, green technology products (wind mills, wind turbines, electric operated vehicles etc.), project goods, vegetable textiles and certain electronic items.
6. MLFPS benefits also extended for export to additional new markets for certain products. These products include auto components, motor cars, bicycle and its parts, and apparels among others.

Technological Up-gradation:

1. To aid technological upgradation of India’s export sector, EPCG Scheme at zero duty has been introduced. This scheme will be available for engineering and electronic products, basic chemicals and pharmaceuticals, apparels and textiles, plastics, handicrafts, chemicals and allied products and leather and leather products .
2. The existing 3%EPCGScheme has been considerably simplified, to ease its usage by the exporters.
3. To encourage value added manufacture export, a minimum 15% value addition on imported inputs under Advance Authorisation Scheme has been stipulated.

4. A number of products including automobiles and other engineering products have been included for incentives under Focus Product, and Market Linked Focus Product Schemes.

Status Holders:

1. The Government recognized 'Status Holders' contribute approx. 60% of India's goods exports.
2. To incentivise and encourage the status holders, as well as to encourage Technological upgradation of export production, additional duty credit scrip @ 1% of the FOB of past export shall be granted for specified product groups including leather, specific sub sectors in engineering, textiles, plastics, handicrafts and jute.
3. This duty credit scrip can be used for import of capital goods by these status holders. The imported capital goods shall be subject to actual user condition.

Gems and Jewellery Sector:

1. Import of gold of 8k and above is allowed under replenishment scheme subject to import being accompanied by an Assay Certificate specifying purity, weight and alloy content.
2. Duty free import entitlement of commercial samples shall be Rs. 300,000.
3. Duty free re-import entitlement for rejected jewellery shall be 2% of FOB value of exports.
4. Import of Diamonds on consignment basis for Certification/ Grading & re-export by the authorized offices/agencies of Gemological Institute of America (GIA) in India or other approved agencies will be permitted.
5. Personal carriage of Gems & Jewellery products in case of holding/participating in overseas exhibitions increased to US$ 5 million and to US$ 1 million in case of export promotion tours.
6. In an endeavour to make India a diamond international trading hub, it is planned to establish "Diamond Bourse (s)".

Agriculture Sector:

1. Vishesh Krishi and Gram Udyog Yojana
2. Import of restricted items, such as panels, are allowed under various export promotion schemes.
3. Imports of inputs such as pesticides are permitted under Advance Authorisation for agro exports.

4. New towns of export excellence with a threshold limit of Rs 150 crore shall be notified.
5. Certain specified flowers, fruits and vegetables are entitled to a special duty credit scrip, in addition to the normal benefit under VKGUY

Leather Sector:

1. Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi finished leather from public bonded ware houses, subject to payment of 50 per cent of the applicable export duty.
2. Duty free import entitlement of specified items is 3% of FOB value of exports of leather garments during preceding financial year.

Marine Sector

(a) Imports for technological upgradation under EPCG in fisheries sector (except fishing trawlers, ships, boats and other similar items) exempted from maintaining average export obligation.

(b) Duty free import of specified specialised inputs / chemicals and flavouring oils is allowed to the extent of 1% of FOB value of preceding financial year's export.

(c) A self removal procedure for clearance of seafood waste is applicable subject to prescribed wastage norms.

(d) Marine products are considered for VKGUY scheme. (VISHESH KRISHI GRAM UDYOG YOJANA)

Tea:

i. Minimum value addition under advance authorisation scheme for export of tea has been reduced from the existing 100 per cent to 50 per cent.

ii. DTA sale limit of instant tea by EOU units has been increased from the existing 30 per cent to 50 per cent.

iii. Export of tea has been covered under VKGUY Scheme benefits.

Pharmaceutical Sector:

i. Export obligation period for advance authorisations has been increased from the existing 6 months to 36 months, as is available for other products.

ii. Pharma sector extensively covered under MLFPS (**market linked focus product scheme**)for countries in Africa and Latin America, and some countries in Oceania and Far East.

Handloom Sector:

1. Duty free import entitlement of hand knotted carpet samples is 1% of FOB value of exports during previous financial year.

2. Duty free import of old pieces of hand knotted carpets on consignment basis for re-export after repair is permitted.

3. New towns of export excellence with a threshold limit of Rs 150 crore shall be notified.

4. Machinery and equipment for effluent treatment plants is exempt from customs duty

EOUs:

i. EOUs have been allowed to sell products manufactured by them in DTA upto a limit of 90 per cent instead of existing 75 per cent, without changing the criteria of ‘similar goods’, within the overall entitlement of 50 per cent for DTA sale.

ii. EOUs will now be allowed to procure finished goods for consolidation along with their manufactured goods, subject to certain safeguards.

iii. During this period of downturn, Board of Approvals (BOA) to consider extension of block period by one year for calculation of Net Foreign Exchange earnings of EOUs.

iv. EOUs will now be allowed CENVAT credit facility for the component of SAD and Education Cess on DTA sale.

Thrust to Value-Added Manufacturing:

i. To encourage value added manufactured export, a minimum 15 per cent value addition on imported inputs under Advance Authorisation Scheme has now been prescribed.

ii. Coverage of project exports and a large number of manufactured goods under FPS and MLFPS.

Simplification of Procedures

1. To facilitate duty free import of samples by exporters, number of samples/pieces has been increased from the existing 15 to 50. Customs clearance of such samples shall be based on declarations given by the importers with regard to the limit of value and quantity of samples.

2. To allow exemption for up to two stages from payment of excise duty in lieu of refund, in case of supply to an advance authorisation holder (against invalidation letter) by the domestic intermediate manufacturer. It would allow exemption for supplies made to a manufacturer, if such manufacturer in turn supplies the products to an ultimate exporter. At present, exemption is allowed upto one stage only.

3. Greater flexibility has been permitted to allow conversion of Shipping Bills from one Export Promotion scheme to other scheme. Customs shall now permit this conversion within three months, instead of the present limited period of only one month.

4. To reduce transaction costs, dispatch of imported goods directly from the Port to the site has been allowed under Advance Authorisation scheme for deemed supplies. At present, the duty free imported goods could be taken only to the manufacturing unit of the authorisation holder or its supporting manufacturer.

5 Disposal of manufacturing wastes / scrap will now be allowed after payment of applicable excise duty, even before fulfillment of export obligation under Advance Authorisation and EPCG Scheme.

6. Regional Authorities have now been authorised to issue licences for import of sports weapons by ‘renowned shooters’, on the basis of NOC from the Ministry of Sports & Youth Affairs. Now there will be no need to approach DGFT(Hqrs.) in such cases.

7. The procedure for issue of Free Sale Certificate has been simplified and the validity of the Certificate has been increased from 1 year to 2 years. This will solve the problems faced by the medical devices industry.

8. Automobile industry, having their own R&D establishment, would be allowed free import of reference fuels (petrol and diesel), upto a maximum of 5 KL per annum, which are not manufactured in India.

9. Acceding to the demand of trade & industry, the application and redemption forms under EPCG scheme have been simplified.

Reduction of Transaction Costs

1. No fee shall now be charged for grant of incentives under the Schemes in Chapter 3 of FTP. Further, for all other Authorisations/ licence applications, maximum applicable fee is being reduced to Rs. 100,000 from the existing Rs 1,50,000 (for manual applications) and Rs. 50,000 from the existing Rs.75,000 (for EDI applications).

2. To further EDI initiatives, Export Promotion Councils/ Commodity Boards have been advised to issue RCMC through a web based online system. It is expected that issuance of RCMC would become EDI enabled before the end of 2009.

3. Electronic Message Exchange between Customs and DGFT in respect of incentive schemes under Chapter 3 will become operational by 31.12.2009. This will obviate the need for verification of scrips by Customs facilitating faster clearances.

4. For EDI ports, with effect from December ’09, double verification of shipping bills by customs for any of the DGFT schemes shall be dispensed with.

5. In cases, where the earlier authorization has been cancelled and a new authorization has been issued in lieu of the earlier authorization, application fee paid already for the cancelled authorisation will now be adjusted against the application fee for the new authorisation subject to payment of minimum fee of Rs. 200.

6. An Inter Ministerial Committee will be formed to redress/ resolve problems/issues of exporters.

7. An updated compilation of Standard Input Output Norms (SION) and ITC (HS) Classification of Export and Import Items has been published.

Directorate of Trade Remedy Measures

To enable support to Indian industry and exporters, especially the MSMEs, in availing their rights through trade remedy instruments, a Directorate of Trade Remedy Measures shall be set up.

Foreign Trade Policy 2015-20

India aims to increase India's export of merchandise and services from US $ 465 bn. in 2013-14 to approximately US$ 900 bn. by the 2019-20 and to raise India's share in the world export from 2% to 3.5%. Commerce and Industry minister Nirmala Sita Raman unveiled foreign trade policy (FTP) 2015 -20, which seek to provide higher incentive to agriculture industry. FTP also seeks to establish an institutional framework to work with state governments to boost India's exports.

Salient Features of India's Foreign Trade Policy

- Merchandise Export from India Scheme (ME IS) and Service Exports from India Scheme (SEIS) launched. The 'Services Exports from India Scheme' (SEIS) is for increasing exports of notified services. These schemes (MEIS and SEIS) replace multiple schemes earlier in place, each with different conditions for eligibility and usage. Incentives (MEIS & SEIS) to be available for SEZs also. E-Commerce of handicrafts, handlooms, books etc., eligible for benefits of MEIS.
- Export obligation would be reduced by 25 per cent and incentives available under the MEIS and SEIS would be extend to the units in the SEZs to make them more attractive for investors. SEZs have lost their sheen after imposition of the minimum alternate tax (MAT) and dividend distribution tax (DDT) in 2012.
- Further business services, hotel and restaurants would get rewards scrips under SEIS at the rate of 3 per cent and other specified services at the rate of 5 per cent.
- Nomenclature of Export House, Star Export House, Trading House, Premier Trading House certificate changed to 1, 2, 3, 4, 5 Star Export House.
- Higher level of rewards under MEIS for export items with high domestic content and value addition.
- Export obligation under EPCG scheme reduced to 75% to promote domestic capital goods manufacturing.

- FTP to be aligned to 'Make in India', **'Digital India' and 'Skills India'** initiatives.
- Duty credit scrip's made freely transferable and usable for payments of custom duty and service tax.
- Export promotion mission to take on board state governments.
- Agriculture and village industry products to be supported across the globe at rates of 3% and 5% under MEIS.
- Industrial products to be supported in major markets at rates ranging from 2% to 3%.
- Under the new five year trade policy, the government will provide incentives to e- commerce companies exporting products from sectors that create jobs.
- Firms that export goods through courier or foreign post office using e-commerce of FOB (Freight on Board) value up to Rs. 25,000 per consignment will be entitled for rewards under MEIS.
- Specific measures will be taken to facilitate the entry of new entrepreneurs and manufacturers in global trade through extensive training programmes.
- **"The Niryat Bandhu"** scheme will be revamped to achieve these objectives and also further dove-tailed with the ongoing outreach programmes.
- A new institution - Centre for Research in International Trade - is being established not only to strengthen India's research capabilities in the area of international trade, but also to enable developing countries to articulate their views and concerns from a well-informed position of strength.
- Two institutional mechanisms are being put in place for regular communication with stake holders- the board of trade and council for trade development (CTD) and promotion. While the board of trade will have an advisory role, the CTD would have representation from states and UT governments.