SUBJECT- INDIAN ECONOMY (GENERIC IVTH)

- **Exim policy-1997-2002**
- **Exim Policy 2002-07**
- **Foreign Trade Policy of India (2004-09)**

EXIM POLICY-1997-2002

This Policy shall come into force with effect from 1st April, 1997 and shall remain in force for a period of five years, i.e, upto 31st March, 2002 and will be co-terminus with the Ninth Five Year Plan (1997-2002).

The Central Government reserves the right in public interest to make any amendments to this Policy in exercise of the powers conferred by section 5 of the Act. Such amendment shall be made by means of a Notification published in the Gazette of India

OBJECTIVES

The principal objectives of this Policy are:

1. To accelerate the country's transition to a globally oriented vibrant economy with a view to deriving maximum benefits from expanding global market opportunities
2. To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production.
3. To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.
4. To provide consumers' with good quality products at reasonable prices.

The objectives will be achieved through the coordinated efforts of all the departments of the government in general and the Ministry of Commerce and Industry and the Directorate General of Foreign Trade and its network of Regional Offices in particular, with a shared vision and commitment and in the best spirit of facilitation, in the interest of export promotion.

Exim Policy 2002-07

The EXIM Policy for 2002-07 which came in effect on 1st April, 2002 was the first policy which had to be formulated keeping in view all the commitments India had made under the WTO. In 2001, all quantitative restrictions on imports were removed.

Highlights of India's Exim Policy 2002-07

On March 31, 2002, the Government announced a New Export-Import (EXIM) policy for 2002- 2007. Sharply export oriented rather than import liberalizing; the policy withdrew most of the earlier export restrictions and provided several incentives for the newly created Special Export Zones (SEZ's).

I- Special Economic Zones (SEZs)

Offshore Banking Units (OBUs) shall be permitted in SEZs. Detailed guidelines are being worked out by RBI. This should help some of our cities emerge as financial nerve centres of Asia.

It has also been decided to permit External Commercial Borrowings (ECBs) for tenure of less than three years in SEZs. The detailed guidelines will be worked out by RBI. This will provide opportunities for accessing working capital loan for these units at internationally competitive rates.

II- Employment

a) Agriculture

Export restrictions like registration and packaging requirement are being removed today on Butter, Wheat and Wheat products, Coarse Grains, Groundnut Oil and Cashew to Russia . Quantitative and packaging restrictions on wheat and its products, Butter, Pulses, grain and flour of Barley, Maize, Bajra, Ragi and Jowar have already been removed on 5th March, 2002.

Restrictions on export of all cultivated (other than wild) varieties of seed, except Jute and Onion, removed.

To promote export of agro and agro based products, 20 Agri export zones have been notified.

In order to promote diversification of agriculture, transport subsidy shall be available for export of fruits, vegetables, floriculture, poultry and dairy products.

b) Cottage Sector and Handicrafts

i) An amount of Rs. 5 crore under Market Access Initiative (MAI) has been earmarked for promoting cottage sector exports coming under the KVIC.

ii) The units in the handicrafts sector can also access funds from MAI scheme for development of website for virtual exhibition of their product.

iii) Under the Export Promotion Capital Goods (EPCG) scheme, these units will not be required to maintain average level of exports, while calculating the Export Obligation.

iv) These units shall be entitled to the benefit of Export House status on achieving lower average export performance of Rs.5 crore as against Rs. 15 crore for others; and

v) The units in handicraft sector shall be entitled to duty free imports of an enlarged list of items as embellishments upto 3% of FOB value of their exports.

c) Small Scale Industry

With a view to encouraging further development of centres of economic and export excellence such as Tirupur for hosiery, woollen blanket in Panipat, woollen knitwear in Ludhiana, following benefits shall be available to small scale sector:

i. Common service providers in these areas shall be entitled for facility of EPCG scheme.
ii. The recognised associations of units in these areas will be able to access the funds under the Market Access Initiative scheme for creating focused technological services and marketing abroad.
iii. Such areas will receive priority for assistance for identified critical infrastructure gaps from the scheme on Central Assistance to States
iv. Entitlement for Export House status at Rs. 5 crore instead of Rs. 15 crore for others.

d) Leather

Duty free imports of trimmings and embellishments upto 3% of the FOB value hitherto confined to leather garments extended to all leather products.

e) Textiles

i. Sample fabrics permitted duty free within the 3% limit for trimmings and embellishments.
ii. 10% variation in GSM be allowed for fabrics under Advance Licence.
iii. Additional items such as zip fasteners, inlay cards, eyelets, rivets, eyes, toggles, velcro tape, cord and cord stopper included in input output norms.
iv. Duty Entitlement Passbook (DEPB) rates for all kinds of blended fabrics permitted. Such blended fabrics to have the lowest rate as applicable to different constituent fabrics.

f**) Gem & Jewellery**

i. Customs duty on import of rough diamonds is being reduced to 0%. Import of rough diamonds is already freely allowed. Licensing regime for rough diamond is being abolished. This should help the country emerge as a major international centre for diamonds.
ii. Value addition norms for export of plain jewellery reduced from 10% to 7%. Export of all mechanised unstudded jewellery allowed at a value addition of 3 % only. Having already achieved leadership position in diamonds, now efforts will be made for achieving quantum jump on jewellery exports as well.
iii. Personal carriage of jewellery allowed through Hyderabad and Jaipur airport as well.

(III) Technology

a) Electronic hardware

The Electronic Hardware Technology Park (EHTP) scheme is being modified to enable the sector to face the zero duty regime under ITA(Information Technology Agreement)-

1. The units shall be entitled to following facility:

Net Foreign Exchange as a Percentage of Exports (NFEP) positive in 5 years.

No other export obligation for units in EHTP.

Supplies of ITA I items having zero duty in the domestic market to be eligible for counting of export obligation.

b) Chemicals and Pharmaceuticals

All pesticides formulations to have 65% of DEPB rate of such pesticides.

Free export of samples without any limit.

Reimbursement of 50% of registration fees for registration of drugs.

c) Projects

Free import of equipment and other goods used abroad for more than one year.

(IV) Growth

a**) Strategic Package for Status Holders**

The status holders shall be eligible for the following new/ special facilities:

i. Licence/Certificate/Permissions and Customs clearances for both imports and exports on self-declaration basis.
ii. Fixation of Input-Output norms on priority;
iii. Priority Finance for medium and long term capital requirement as per conditions notified by RBI;
iv. Exemption from compulsory negotiation of documents through banks. The remittance, however, would continue to be received through banking channels;
v. 100% retention of foreign exchange in Exchange Earners' Foreign Currency (EEFC) account;
vi. Enhancement in normal repatriation period from 180 days to 360 days.

b) Diversification of markets

i.) Setting up of "Business Centre" in Indian missions abroad for visiting Indian exporters/businessmen.

ii) ITPO portal to host a permanent virtual exhibition of Indian export product.

iii) Focus LAC (Latin American Countries) was launched in November, 1997 in order to accelerate our trade with Latin American countries. This has been a great success. To consolidate the gains of this programme, we are extending this upto March, 2003.

iv) Focus Africa is being launched today. There is tremendous potential for trade with the Sub Saharan African region. During 2000-01, India's total trade with Sub Saharan African region was US$ 3.3 billion. Out of this, our exports accounted for US$ 1.8 billion and our imports were US$ 1.5 billion. The first phase of the Focus

Africa programme shall include 7 countries namely, Nigeria, South Africa, Mauritius , Kenya, Ethiopia, Tanzania and Ghana. The exporters exporting to these markets shall be given Export House Status on export of Rs.5 crore.

v) Links with CIS countries to be revived. We have traditional trade ties with these countries . In the year 2000-01, our exports to these countries were to the extent of US$ 1082 million. In this group, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Ukraine and Azerbaijan to be in special focus in the first phase.

d) North Eastern States, Sikkim and Jammu & Kashmir

Transport subsidy for exports to be given to units located in North East, Sikkim and Jammu & Kashmir so as to offset the disadvantage of being far from ports.

e) Re-location of industries

To encourage re-location of industries to India, plant and machineries would be permitted to be imported without a licence, where the depreciated value of such relocating plants exceeds Rs. 50 crores.

(V) Reduction in transaction time & cost

With a view to reducing transaction cost, various procedural simplifications have been introduced. These include:

DGFT

i. A new 8 digit commodity classification for imports is being adopted from today. This classification shall also be adopted by Customs and DGCI&S shortly. The common classification to be used by DGFT and Customs will eliminate the classification disputes and hence reduce transaction costs and time. Similarly, Ministry of Environment and Forests is in the process of finalisation of guidelines to regulate the import of hazardous waste.
ii. Further simplification of all schemes.
iii. Reduction of the maximum fee limit for electronic application under various schemes from Rs. 1.5 lakh to Rs. 1.00 lakh.
iv. Same day licensing introduced in all regional offices.

Banks

Direct negotiation of export documents to be permitted. This will help the exporters to save bank charges.

100% retention in EEFC accounts.

The repatriation period for realisation of export proceeds extended from 180 days to 360 days. The facility is already available to units in SEZ and exporters exporting to Latin American countries.

These facilities are being made available to status holders only for the present.

(VI) Trust

Import/Export of samples to be liberalised for encouraging product upgradation.

Penal interest rate for bonafide defaults to be brought down from 24% to 15%.

No penalty for non-realisation of export proceeds in respect of cases covered by ECGC insurance package.

No seizure of stock in trade so as to disrupt the manufacturing process affecting delivery schedule of exporters.

i. Foreign Inward Remittance Certificate (FIRC) to be accepted in lieu of Bank Realisation Certificate for documents negotiated directly.
ii. Optional facility to convert from one scheme to another scheme. In case the exporter is denied the benefit under one scheme, he shall be entitled to claim benefit under some other scheme.
iii. Newcomers to be entitled for licences without any verification against execution of Bank Guarantee.

(VII) Duty neutralisation instruments

a) Advance License

Duty Exemption Entitlement Certificate (DEEC) book to be abolished. Redemption on the basis of Shipping bills and Bank Realisation Certificates.

Withdrawal of Advance License for Annual Requirement (AAL) scheme as problems were encountered in closure of AAL and the significance of scheme considerably reduced due to dispensation of DEEC. The exporters can avail Advance License for any value.

Mandatory spares to be allowed in the Advance License upto 10% of the CIF value.

b) Duty Free Replenishment Certificate (DFRC)

Technical characteristics to be dispensed with for audit purpose.

c**) Duty Entitlement Passbook (DEPB)**

Value cap exemption granted on 429 items to continue.

No Present Market Value (PMV) verification except on specific intelligence.

Reduction in rates only after due notice.

d) Export Promotion Capital Goods (EPCG)

EPCG licensees of Rs.100 crore or more to have 12 year export obligation (EO) period with 5 year moratorium period.

EO fulfillment period extended from 8 years to 12 years in respect of units in agri-export zones and in respect of companies under the revival plan of BIFR.

Foreign Trade Policy of India (2004-09):

While specifically targeting India's trade share as percentage of global trade to 1.5 percent by 2009, it has put an over-riding emphasis on foreign trade as a mode for furthering economic development, especially in rural and semi-urban areas. It is expected that the announced policy measures will usher in a new era of foreign trade of India in a multilateral trade setting under the WTO. The 1.5 percent share of global exports targeted by Foreign Trade Policy triggered Indian exporters to bring home US 5 175 billion of foreign exchange during 2005.

Considering that the exports during 2003-04 stood at US $ 60 billion, the new targets refers to additional exports of nearly US $ 115 billion in five years. The target is just for merchandise exports and the compound growth that is needed is around 21 percent per annum from 2004 to 2009. For this target, the Department of Commerce has assumed that global exports will grow around 4 to 5 percent per annum in the years to come. In case of global exports, growth exceeds this estimate that the steep target will go up further. It will be a major challenge for the government to maintain 21 percent growth year after year till 2009.

For achieving such growth, infrastructure has been beefed up on a war footing and efforts have made to cut delays in inland transportation. Already, the 24 percent growth in exports during the first quarter of 2005 has caught vital links like the Huffing & Puffing to cope up with the rush in export cargo. lndia has managed to achieve export growth of around 20 percent on several occasions since 1991 but not for five years at a stretch. Also, exporters still keep complaining about hardening of the rupee and phase out of incentive like income tax exemption. The Government of lndia has taken a bold chance as that sunrise sectors, especially areas like floriculture, fruits, vegetables and processed farm goods, could even provide 50 percent growth per annum.

Highlights of Foreign Trade Policy (2004-09)

Following are the highlights of the new Foreign Trade Policy (2004-09), announced by Commerce and Industry Minister Kamal Nath.

- Simplifying procedures and bringing down transaction costs;
- Adopting the fundamental principle that duties and levies should not be exported;
- Identifying and nurturing different special focus areas to facilitate development of India as a global hub for manufacturing, trading and services.

  Special Focus Initiatives have been prepared for Agriculture, Handicrafts, Handlooms, Gems & Jewellery and Leather & Footwear sectors.
- The threshold limit of designated Towns of Export Excellence is reduced from Rs 1000 crore to Rs 250 crore in these thrust sectors.
- A new scheme called Vishesh Krishi Upaj Yojana has been introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products.
- Duty free import of consumables for metals other than gold and platinum allowed up to 2 per cent of FOB value of exports.
- Duty free re-import entitlement for rejected jewellery allowed up to 2 per cent of FOB value of exports.
- Duty free import of commercial samples of jewellery increased to Rs 1 lakh.
- Import of gold of 18 carat and above shall be allowed under the replenishment scheme.
- Duty free import of trimmings and embellishments for Handlooms & Handicrafts sectors increased to 5 per cent of FOB value of exports.
- A new Handicraft Special Economic Zone shall be established.
- Duty free entitlements of import trimmings, embellishments and footwear components for leather industry increased to 3 per cent of FOB value of exports.

- A new scheme to accelerate growth of exports called Target Plus has been introduced.
- Another new scheme called Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme) has been introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products. Export of these products shall qualify for duty free credit entitlement equivalent to 5 per cent of FOB value of exports.
- To accelerate growth in export of services so as to create a powerful and unique Served from India brand instantly recognised and respected the world over, the earlier DFEC scheme for services has been revamped and re-cast into the Served from India scheme.
- Additional flexibility for fulfillment of export obligation under EPCG scheme in order to reduce difficulties of exporters of goods and services.
- Technological upgradation under EPCG scheme has been facilitated and incentivised.
- Transfer of capital goods to group companies and managed hotels now permitted under EPCG.
- In case of movable capital goods in the service sector, the requirement of installation certificate from Central Excise has been done away with.
- Export obligation for specified projects shall be calculated based on concessional duty permitted to them. This would improve the viability of such projects.
- Import of fuel under DFRC entitlement shall be allowed to be transferred to marketing agencies authorised by the Ministry of Petroleum and Natural Gas.
- The DEPB scheme would be continued until replaced by a new scheme to be drawn up in consultation with exporters.
- A new rationalised scheme of categorisation of status holders as Star Export Houses has been introduced.
- EOUs shall be exempted from Service Tax in proportion to their exported goods and services.
- EOUs shall be permitted to retain 100 per cent of export earnings in EEFC accounts.
- Income Tax benefits on plant and machinery shall be extended to DTA units, convert to EOUs.
- Import of capital goods shall be on self-certification basis for EOUs.

- For EOUs engaged in Textile and Garments manufacture leftover materials and fabrics upto 2 per cent of CIF value or quantity of import shall be allowed to be disposed of on payment of duty on transaction value only.
- Minimum investment criteria shall not apply to Brass Hardware and Hand-made Jewellery EOUs (this facility already exists for Handicrafts, Agriculture, Floriculture, Aquaculture, Animal Husbandry, IT and Services).
- A new scheme to establish Free Trade and Warehousing Zone has been introduced to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency. This is aimed at making India into a global trading-hub.
- Units in the FTWZs would qualify for all other benefits as applicable for SEZ units.
- Import of second-hand capital goods shall be permitted without any age restrictions.
- Minimum depreciated value for plant and machinery to be re- located into India has been reduced from Rs 50 crore to Rs 25 crore.
- An exclusive Services Export Promotion Council shall be set up in order to map opportunities for key services in key markets, and develop strategic market access programmes, including brand building, in co-ordination with sectoral players and recognized nodal bodies of the services industry.
- Government shall promote the establishment of Common Facility Centres for use by home-based service providers, particularly in areas like Engineering and Architectural design, Multi-media operations, software developers etc, in State and District-level towns, to draw in a vast multitude of home-based professionals into the services export arena.
- All exporters with minimum turnover of Rs 5 crore and good track record shall be exempt from furnishing Bank Guarantee in any of the schemes, so as to reduce their transactional costs. -- All goods and services exported, including those from DTA units, shall be exempt from Service Tax.
- Validity of all licences/entitlements issued under various schemes has been increased to a uniform 24 months.
- Number of returns and forms to be filed have been reduced. This process shall be continued in consultation with Customs and Excise.
- Enhanced delegation of powers to Zonal and Regional offices of DGFT for speedy and less cumbersome disposal of matters.

- Time bound introduction of Electronic Data Interface (EDI) for export transactions. 75 per cent of all export transactions to be on EDI within six months.
- Financial assistance would be provided to deserving exporters, on the recommendation of Export Promotion Councils, for meeting the costs of legal expenses connected with trade-related matters.
- A new mechanism for grievance redressal has been formulated and put into place by a Government Resolution to facilitate speedy redressal of grievances of trade and industry.