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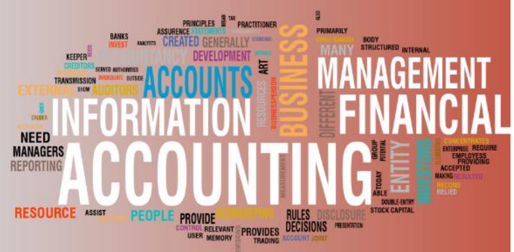

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Paper: 12, Business Environment

Module: 22,Exim Policy

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Items	Description of Module
Subject Name	Management
Paper Name	Business Environment
Module Title	Exim Policy
Module Id	Module no.-22
Pre- Requisites	Basic knowledge about exports and imports
Objectives	To study the meaning and various historical and current FTPs
Keywords	Foreign Trade Policy, EXIM Policy, Export promotion, Import substitution

QUADRANT-I

	Module 1: Meaning and Types of Economic System
1.	Learning Outcome
2.	Introduction
3.	History of India's FTPs
4.	Foreign Trade Policy: 2002-07
5.	Foreign Trade Policy: 2004-09
6.	Foreign Trade Policy: 2009-14
7.	Foreign Trade Policy: 2015-20

Learning Outcome: After completing this module the students will be able to:

- Understand the concept of Foreign Trade Policy
- Understand the features and objectives of different Trade Policies of India (pre and post the reform period)
- Critically evaluate the previous and current FTPs of India

1. Introduction

Meaning: 'Exim Policy or Foreign Trade Policy is a set of guidelines, terms and instructions, established by the Directorate General of Foreign Trade in/for matters related to the import and export of goods in/from India'

The EXIM Policy of India contains several policy measures and related decisions taken by the government (central) in the sphere of imports and exports to/from the country. In addition, it also describes the various export promotion measures, policies and procedures related thereto. The Foreign Trade Policy is prepared and announced by the Central Government (Ministry of Commerce) of the country. India's Export Import Policy also known as Foreign Trade Policy, in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position.

The Directorate General of Foreign Trade is the chief governing body for the matters pertaining to such a policy. In addition the policy is steered according to the regulations stated in the Foreign Trade Development and Regulation Act. The current, Foreign Trade Act has replaced the earlier law in this regard, known as the imports and Exports (Control) Act 1947.

2. History of EXIM Policy in India

Whilst the trade policies during 1950s and 1960s were designed to lay emphasis **on self reliance** and **self sufficiency** of the country; the policies during (and post) 1970s were driven by the objectives of **export led growth** and **increased efficiency** and **competitiveness.** In the year 1962, the Government of India appointed a special EXIM Committee to review the previous export import policies of the Government. Later, Mr. V. P. Singh, the then Commerce Minister announced the Exim Policy on the 12th of April, 1985. Initially, the EXIM Policy was introduced for the period of three years with main objective to boost the export business in India. The trade policy, however during this period was of a restrictive sort. In this context, the year 1991 is considered as a 'watershed' as far as the trade sector of the country is concerned. It was in/during this year that the country evidenced massive trade liberalization measures and departed from the prevalent protectionist trade policies. The period, after the year 1991 is therefore considered as the post reform period. Major milestones in the progression from individual import and export policies to composite EXIM policies have been summarized in the chart below:

1952-53
- Liberal export and import polices.

1956-57
- Restrictive trade policies.
- Focus on measures to curb imports to further economic development.

1975-76
- Liberal Tade policies for EOUs
- Liberal import policies for the import of raw materials, capital goods, technology etc for EOUs

1985
- Joint EXIM policy introduced for the first time

1990-91
- 'Watershed' of the trade sector
- Trade liberalization and departure from restrictions on trade

1992-97
- First five year trade policy (earlier trade policies had a three year time horizon)
- Focus was on stability of Indian exports

1997-2002
- Second five yearly EXIM policy
- Focus was on reduction in export and import documents
- To make available best technology and raw materails to reach international quality standards

2001-02
- Removal of quantitative restrictions
- 300 sensitive items kept under 'war room' watch
- Important agro and petro products to be import through state agencies.
- Major focus on agro exports
- FDI permitted in Special Economic Zone

2002-07
- Third 5 year trade policy, announced by the then Union Minister , Murasoli Maran
- Shift from import liberalization to export promotion
- Focus on increasing international competitiveness of exporters

2004-09
- The policy of 2002-07 got replaced in the year 2004 by the new foreign trade policy of 2004-09 by Congress , owing to a change in government
- Focus on making foreign trade instrumental to growth
- To encourage imports on items essential for the EOUs and SEZs

2009-14
- To arrest and reverse the declining trend in India's exports
- To double the exports of goods and services by 2014

2015-2020
- To make India a significant participant in World Trade by 2020
- To increase the export of goods and services from $465.9 billion in 2013-14 to $ 900 billion in 2019-2020

With this backdrop, the trade policies of the country have been divided into the following phases:

Phase I: Import Restriction and Import Substitution (From 1950's to 1970s)
Phase II: Export Promotion & Import Liberalization (From 1970s to 1990s)
Phase III: Outward Orientation – (From 1990 onwards).

Phases I and II can be considered as the Pre Reform Period, and Phase III as the Post Reform Period.

2.1 FTPs in the Pre Reform Period (Phases I and II)

Following can be considered as the areas of major focus of the Foreign Trade Policies in the pre reform era:

- **Import Substitution**

India entered into planned development era in 1950's. During that time, Import Substitution was a major element of India's trade and industrial policy. In 1950, India's share in the total world trade was 1.78%, which reduced to 0.6% in 1995. Import substitution was thrust upon to protect and promote indigenous industries.

- **Simplification of Import Licensing**

The very first committee to review and recommend the Import–Export policies and procedures in the country was the PC Alexander Committee (1978). This committee recommended simplification of the Import Licensing procedure and provided a framework involving a shift in the emphasis from "control" to "development".

- **Export Promotion**

Under the EOU (1981), several Export Oriented Units were set up. These were set up to offer benefits to the export houses, in order to boost the country's exports. Additionally, the Export and Import Bank of India (EXIM Bank) was set up in 1982. This bank, subsequently took over the operations of international financing of the IDBI.

- **Focus on Exports as Catalysts for Growth**

In the Trade Policy of 1985-88, some measures were taken based upon the recommendation of Abid Husain Committee (1984). This committee envisaged "Growth Led Exports, rather than Export Led Growth". The recommendation of this committee stressed upon the need for harmonizing the foreign trade policies with other domestic policies. Additionally, the Committee recommended announcement of foreign trade policies for longer terms.

Other Features of the pre reform FTPs included the following:

- Financial assistance to exporters
- Simplification of procedural formalities
- Minimization of the role of quantitative restrictions and reducing the tariff rates substantially.
- Import Liberalization
- Setting up of Export Processing Zones to push up exports (now SEZ)

2.2 Trade Policies in the Reform Period (Phase III: Post 1990s)

Salient Features of the FTPs post the reform period include the following:

- **Freer Imports and Exports:**

Substantial simplification and liberalization was carried out in the reform period. During this period, the tariff line wise import policy was first announced on March 31, 1996. Subsequently, 6,161 tariff lines were made free. Also, in line with India's commitment to the WTO, quantitative restrictions on all import items were withdrawn.

- **Rationalization of Tariff Structure:**

Acting on the recommendations of the Chelliah Committee (1991), the Government, over the years, reduced the maximum rate of duty. More specifically, the Budget of 1993-94, reduced it from 110 per cent to 85 per cent. The successive Budgets reduced it further (in stages). The peak custom duty on non-agricultural goods (w.e.f. 1-3-2007) was also reduced to only 10 per cent.

- **Decanalisation:**

Earlier, public sector agencies used to canalize a large number of exports and imports in India. The supplementary trade policy, announced on August 13, 1991, reviewed these canalized items, and decanalised 16 export items and 20 import items. The 1992-97 policy decanalised imports of a number of items including newsprint, non-ferrous metals, natural rubber, intermediates and raw materials for fertilizers.

However, 8 items (petroleum products, fertilizers, edible oils, cereals, etc.) remained in the canalized list. Further, the Exim Policy of 2001-02, put 6 items (rice, wheat, maize, petrol, diesel and urea) in the special list. items were put under special list. As a result, imports of these items began to be allowed only through State trading agencies.

- **Devaluation and Convertibility of Rupee on Current Account:**

The government made a two- step depreciation adjustment of 18-19 per cent in the exchange rate of the rupee on July 1 and July 3, 1991. This in turn was followed by the introduction of Liberal Exchange Rate Mechanism (LERMS: partial currency convertibility) in 1992-93; and further, full convertibility on the trade account in 1993-94, and full current account currency convertibility in August 1994.

Since then, substantial capital account liberalization measures have been announced. Currently, the exchange rate of the rupee is market-determined. Thus, exchange rate policy in India has evolved from the rupee being pegged to a market related system (since March 1993). The RBI however intervenes to check against speculative activities and to check excess volatility. The current exchange rate policy is therefore known as 'managed floating' policy.

- **Trading Houses:**

The 1991 policy allowed export houses and trading houses to import a wide range of items. The government also permitted the setting up of trading houses with 51 per cent foreign equity for the purpose of promoting exports.

The 1994-95 policy introduced a new category of trading houses called 'Super Star Trading Houses'. These houses were entitled to various benefits that included membership of apex consultative bodies concerned with trade policy and promotion, representation in important business delegations, special permission for overseas trading and special import licenses at enhanced rate.

The third supplementary FTP (2004-09), divided the export houses into five classes, namely, 'Export House', 'Star Export House', 'Trading House, Star Trading House' and 'Premium Trading House'. This stature was given to the exporters on reaching the export limits of Rs. 20, 100, 500, 2500 and 10,000 Crores respectively. These export houses were and continue to be granted a variety of export benefits by the government.

- **Special Economic Zones:**

The Government of India, in the Export and Import Policy of March 31, 2000, announced setting up Special Economic Zones (SEZs) in the country to promote exports out of the country. As a corollary to this, the SEZs were/are to provide an internationally competitive and hassle-free environment for exports and are expected to give a boost to the country's exports.

Some of the distinctive features of these SEZ scheme are:

- A designated ‘duty-free enclave’ to be treated as foreign territory for trade operations and duties and tariffs;
- Exemption from routine examination of export and import cargo by customs;
- Full duty sale in domestic market on
- Duty-free goods to be utilized within a period of 5 years;
- Permission to subcontracting production processes for all sectors
- 100 per cent foreign direct investment through automatic route in the manufacturing sector
- 100 per cent income tax exemption for 5 years and 50 per cent for 2 years thereafter and 50 per cent of the ploughed back profit for the next 3 years;
- Permission for external commercial borrowing through automatic route

- **EOU Scheme:**

The scheme has been aiming to provide the export units, wide options in locations for sourcing of raw materials, ports of export, hinterland facilities, availability of technological skills, existence of an industrial base and the need for a larger area of land for the project. The EOUs have although, put up their own infrastructure.

- **Agriculture Export Zones:**

In order to give primacy to promotion of agricultural exports, the Exim Policy of 2001 introduced the concept of Agra- Export Zones. These zones were set to effect a reorganization of export efforts on the basis of specific products and geographical areas.

The focus of the scheme was to provide for a cluster approach for identification of the potential products, the region of their growth, and adoption of an end-to-end approach of integration of the entire production process. These zones were to have the state-of-the-art services such as pre-post harvest treatment and operations, plant protection systems, and research and development for the processing, packaging, storage functions.

- **Market Access Initiative Scheme:**

The Market Access Initiative Scheme was launched in 2001- 02. It was introduced for the purpose of undertaking marketing promotion efforts abroad. The scheme attempted to provide in- depth market studies for select products in chosen countries to generate data for promotion of exports from India. It also helped to assist in promotion of Indian products and Indian brands in the international market by display through showrooms and warehouses set up in rental premises by identified exporters, display in identified leading departmental stores, exhibitions, trade fairs, etc.

- **Focus on Service Exports:**

The amended Export-Import Policy, 2002-07, announced on March 31, 2003, specifically emphasized on the exports of services as an engine of growth. Accordingly, it announced a number of measures for the promotion of exports of services. For instance, under this scheme, import of consumables, office and professional equipment, spares and furniture was allowed up to 10 per cent of the average foreign exchange export.

- **Concessions and Exemptions:**

A large number of tax benefits and exemptions were granted during the 1990s to liberalize imports and promote exports. The policy thus, Exim Policy 1992-97 and Exim Policy 1997-2002 served as the basis for such concessions.

These policies, in turn, were reviewed and modified on an annual basis in the Exim policies announced every year. Successive annual Union Budgets also extended a number of tax benefits and exemptions to the exporters. These included reduction in the peak rate of customs duty to 15 per cent; significant reduction in duty rates for critical inputs for the Information Technology sector; grant of concessions for building infrastructure by way of 10-years tax holiday to the developers of SEZs etc. additionally, a number of tax benefits were also announced for the three integral parts of the 'convergence revolution' the Information Technology sector, the Telecommunication sector, and the Entertainment industry.

2.2.1Critical Evaluation of the Trade Policies in the Reform Period

With the sweeping process of liberalization, the new Trade Policy brought about paradigm shifts in trade openness of the country. The openness however changed the orientation from being 'inward' to 'outward'. Whilst the export business of the country thrived on one hand, reductions in the import duty hampered the indigenous industries to quiet an extent. This reduced the relative importance of the home market. The New Trade Policy can therefore be critiqued on the following grounds.

- **Decline in Relative Importance to Home Market**

The policy of liberalization attempted to reduce the import duties. This in turn lessened the degree of protection to the Indian industries. For a developing country like India, sustained industrialization is important and should be sustained through internal industrialization. An appropriate strategy should attempt to strike a balance between import substitution and export promotion. The new trade policy, while, managed to give a tremendous boost to the exports of the country; it however failed to protect the internal industries.

- **Failure in adequate adoption of Technology**

It has been argued that the market structure and policy structure has still not been able to provide the necessary environment for the absorption of the imported technology. Such technologies should try to augment the pace of development of the indigenous industries. The government has, however failed to strategize, and provide a policy regime for the same.

The next section aims to discuss individually the five year composite EXIM policies of the country, introduced in and after the year 2002 (the period marking shift in the orientation of EXIM policies from import liberalization to export promotion).

3. Foreign Trade Policy (2002-2007)

The foreign trade policy of 2002-07 was the first trade composite trade policy, drafted for a period of five years. The policy was announced on 31st March, 2002, and marked a shift from the focus on ‘liberalization’ to ‘export promotion’. Various objectives of the trade policy were:

- To increase the country’s share in the world trade from 0.67 per cent in 2002 to 1 per cent in 2007
- To increase the growth rate in exports to 12.4 per cent per annum
- To allow liberal import of technology
- To remove quantitative restrictions on exports
- To set up abroad ‘Business Centers’ for the benefit of Indian exporters

3.1 Measures/ Features

- **Facilities for the Agriculture Sector:** The following measures were proposed to be adopted to boost the agri exports of the country:
    - To remove all quantitative restrictions on exports.
    - To set up 32 Agri- export zones.
    - To make available transport subsidy to allow for diversification of agricultural exports.
    - To liberalize restrictions on the packing of agricultural products.

- **Benefits to Small, Cottage and Handicraft Industries: For this sector,** the following measures were proposed to be adopted:
    - To give technological support for up gradation of technology to the export oriented units in this sector.
    - To entitle the status of an Export House on reaching the export performance of 5 crore against 15 crore for others.

- To make these unites eligible for the benefits and tax concessions, as available to the Export Houses, on reaching the aforesaid export target.
- To remove export obligations on this sector.
- Tripura for hosiery, Ludhiana for woolens, and Panipat for blankets were notified as towns for excellence. The policy proposed to offer special infrastructure facilities and help centers to these towns.

- **Facilities to SEZs: For the SEZs, the following measures were proposed to be adopted:**
    - To allow Offshore Banking Units (OBUs) in SEZs.
    - To allow units in SEZ to undertake hedging of commodity price risks provided such transactions are undertaken by the units on stand-alone basis.
    - To permit External Commercial Borrowings (ECBs) for a tenure of less than three years in SEZs.

- **Trust Based Measures**

  Following measures were adopted to win the trust of the exporters for facilitation and promotion of the country's exports:
    - Liberalization of Import/Export of samples for encouraging product up gradation.
    - Penal interest rate for bonafide defaults brought down from 24% to 15%.
    - Cancellation of penalty for non-realization of export proceeds in respect of cases covered by ECGC insurance package.
    - Simplification of procedures for advance licensing

- **Industry wise Measures**

    - To remove all textile package restrictions by 2005
    - To abolish import duty on diamonds
    - To liberalize import of gold and silver
    - To exempt from custom duty and export obligations, the units set up in the Electronic Hardware Technology Park

- **Duty Neutralization Measures**

  The policy proposed to offer duty neutralization measures to promote exports. These were:
    - Duty Free Entitlement Certificate: The certificate was meant to allow duty free import of raw materials for exporters.

- Duty Entitlement Passbook: The policy aimed to provide duty credit to exporters in the pass book maintained for it. The credit could be utilized for the import of machinery/ products by the exporters without making payment for the import duty.
- Export Promotion Capital Goods Scheme: Under this scheme, the import of capital goods was to be made duty free, if it resulted in the export of a specified amount and within a specified time**.**

- **Growth Promotion Measures:** Following measure were adopted to accelerate the pace of economic growth in the country:

  - **Strategic Package for Status Holder:** The following new/ special facilities were entitled to the status holders:
    - License/Certificate/Permissions and Customs clearances for both imports and exports on self-declaration basis.
    - Availability of finance on priority finance for medium and long term capital requirement
    - Exemption from compulsory negotiation of documents through banks. The remittance, would, however, be only received through bank networks
    - 100% retention of foreign exchange in Exchange Earners' Foreign Currency (EEFC) account;
    - Extension in the period of repatriation from 180 days to 360 days.

  - **Neutralization of high fuel costs**: In order to enhance competitiveness of the exports, fuel costs were rebated in Standard Input Output Norms (SIONs) for all export products. The value of fuel to be permitted as a percentage of FOB value of exports for various product groups was as under:

Table 1: Product Wise Value of Fuel as a Percentage of FOB

Product Group	**Value of fuel as a percentage of FOB value of exports**
Bulk Drug and Drug Intermediates	5%
Dye and Dye Intermediates	4%
Glass	5%
Ceramic Products	5%
Paper made from wood pulp/ waste paper	5%
Pesticides (Technical)/ Pesticides formulation from Basic Stage	5%

Refractory items	7%
Ferrous engineering products manufactured though forging/ casting process	7%
Non ferrous basic metal	4%
Plastic and plastic products from basic/ monomer stage	5%
Fibre to yarn	4%
Yarn to fabric/ madeups/ garments	3%
Fibre to fabric/ madeups/ garments	7%

- **Diversification of markets:** Business Centers were proposed to be set up abroad under this policy. The Business Centers would help to find business avenues for the exporters abroad.
- **Special benefits to the North Eastern States, Sikkim and Jammu & Kashmir:** Transport subsidy for exports was proposed to be given to units located in North East, Sikkim and Jammu & Kashmir so as to offset the disadvantage of being far from ports.

3.2 Evaluation

The EXIM policy of 2002-07 was characterized by the following merits:

- Comprehensiveness
- Boost to agricultural exports
- Boost to the cottage and small scale industries
- Export promotion
- Facilities for technology up gradation
- Procedural simplification
- Neutralization of duty
- Setting up of business centers
- Diversification of business
- Focus of export led growth

Thus, all in all, the policy was export friendly in nature however, owing to a change in government from NDA to Congress, the policy was revisited and a new EXIM policy was announced in the year 2004. The new EXIM policy was targeted for a period of five years from 2004 to 2009, and attempted to overrule the existing FTP.

4. **Foreign Trade Policy (2004-09)**

4.1 The objective of the New Foreign Trade Policy announced on 31st August 2004, were as follows:

- To double India's percentage share of global merchandise trade by 2009. India's share in Foreign Trade between 2003-2004 was 0.8%; the target in this policy was set to achieve 1.5% share in world trade by 2009.
- To act as an effective instrument of economic growth by giving a thrust to employment generation, especially in semi-urban and rural areas.

4.2 Measures/ Features

- **Measures for the Agriculture Sector**: A new scheme called Vishesh Krishi Upaj Yojana was introduced to up-pace the exports of fruits, vegetables, flowers, minor forest produce and their value added products. Also, capital goods imported under EPCG for agriculture were permitted to be installed anywhere in the Agri Export Zone. In addition to these, the import of seeds, bulbs, tubers and planting material was liberalized, and so was the export of plant portions, derivatives and extracts.
- **Measures for the Gems & Jewelry Business:** Duty free import of consumables for metals other than gold and platinum was proposed to be allowed up to 2% of FOB value. Additionally, duty free re-import entitlement for rejected jewelry was to be allowed up to 2% of FOB value of exports. The limit for the duty free import of commercial samples of jewelry increased to Rs.1 lakh.
- **Handlooms & Handicrafts Sector:** Duty free import of trimmings and embellishments for Handlooms & Handicrafts sectors was increased to 5% of FOB value of exports. Handicraft Export Promotion Council was authorized to import trimmings, embellishments and samples for small manufacturers. A new Handicraft Special Economic Zone was also proposed to be established.
- **Leather & Footwear Sector:** Duty free import of specified items for leather sector was increased to 5% of FOB value of exports. Also, machinery and equipment for Effluent Treatment Plants for leather industry was proposed to be exempted from Customs Duty.
- Export Promotion Schemes
- **Target Plus**: A new scheme to accelerate growth of exports called 'Target Plus' was introduced. Under this scheme, exporters who had achieved a quantum growth in exports were to be entitled to a duty free credit based on incremental exports substantially higher than the general actual export target fixed.
- **Vishesh Krishi Upaj Yojana**: Another scheme called Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme) was introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products. Exports of

these products were to qualify for duty free credit entitlement equivalent to 5% of FOB value of exports.

- **Served from India Scheme:** To accelerate growth in export of services so as to create a powerful and unique 'Served from India' brand instantly recognized and respected the world over, the earlier DFEC scheme for services was revamped and re-cast into the 'Served from India' scheme. Individual service providers who earn foreign exchange of at least Rs.5 lakh, and other service providers who earn foreign exchange of at least Rs.10 lakh were considered eligible for a duty credit entitlement of 10% of total foreign exchange earned by them. In the case of stand-alone restaurants, the entitlement was to be 20%; it was to be 5 % for hotels and restraints.
- **EPCG:** Additional flexibility for fulfillment of export obligation under EPCG scheme was offered to reduce difficulties of exporters of goods and services. Also, technological up gradation under EPCG scheme was facilitated and incentivized. Transfer of capital goods to group companies and managed hotels was also permitted under EPCG.
- **New Status Holder Categorization:** A new rationalized scheme of categorization of status holders as Star Export Houses was introduced as under:

Table 2: Categorization of Status Holders as Star Export Houses

Export House	**Amount of Average Annual Exports (Rs in Crores)**
1 Star Export House	25
2 Star Export House	100
3 Star Export House	500
4 Star Export House	1500
5 Star Export House	5000
Premier Star Export House	7500

- **Export Oriented Units:** EOUs were offered exemption from Service Tax in proportion to their exported goods and services. Additionally, they were permitted to retain 100% of export earnings in EEFC accounts. They were also allowed 100 per cent duty free import of raw materials and capital goods.
- **Setting up of Bio Technology Parks**: On the lines of the IT parks, Bio- Tech parks were proposed to be set up under this policy. All incentives, as offered to EOUs were to be offered to the units set up in these parks.
- **Free Trade and Warehousing Zone (FTWZs) Scheme**: A new scheme to establish Free Trade and Warehousing Zone (FTWZs) was 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. In these zones, Foreign Direct Investment (FDI) was permitted up to 100% in the development and establishment of the zones and their infrastructural

facilities. Additionally, units in the FTWZs were to qualify for all other benefits as applicable for Special Economic Zones (SEZ) units.

4.3 Critical Evaluation

The Foreign Trade Policy of this period has been criticized on the following grounds

- The policy was considered complex as far as charging tariffs at different rates is concerned. This in turn has an implication for procedural complexities and red tapism.
- Measures to promote export of manufacturers in the FTP were relatively few.
- Certain export promotion schemes were started during the period when India was facing an acute foreign competition. . These measures are no more required, but have continued indefinitely in time, due to pressure from certain exporters.
- Larger focus was on export promotion and not on the strengthing of the indigenous industries.

However, despite this criticism, the New FTP was extremely comprehensive and forward looking.

5. Foreign Trade Policy (2009-14)

On August 27, 2009, the then, Minister of Commerce and Industry of India, Mr. 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 presented several measures to ensure a steady growth of the country's foreign trade.

5.1 Objectives

Following were the objectives of the 2009-14 FTP:

- To arrest and reverse declining trend of exports of the country.
- To Double India's exports of goods and services by 2014.
- As a long term aim, to double India's share in global merchandise trade by 2020
- Simplification of application procedure
- To set strategies and policies to catalyze the country's exports' growth
- To encourage exports through a "mix of measures, including, fiscal incentives, institutional changes, procedural rationalization and efforts for enhance market access across the world and diversification of export markets.

5.2 What has been done?

- **Expansion of Focus Market Scheme:** The FTP added 26 new markets to the Focus Market Scheme. Out of these 26 markets, 16 were the ones in Latin America and 10 in the Asia-Oceania region.

- **Incentives under FMS and FPS:** Incentives under the Focus Market Scheme were raised from 2.5 per cent to 3 per cent; while those under the Focus Product Scheme were upgraded from 1.25 per cent to 2 per cent.
- **EPCG Scheme:** The FTP has allowed zero duty import of capital goods for engineering, basic chemicals, pharmaceuticals, apparels, textiles, handicraft and leather. This is aimed to fasten the process and pace of technology up gradation.
- **EOUs:** Export Oriented Units were allowed to sell products manufactured by them in Domestic Tariff Areas (DTAs) up to a limit of 90 per cent, instead of the existing limit of 70 per cent.
- **Thrust to Value Added Manufacturing**: In order to encourage Value Added Manufactured export, a minimum 15% value addition on imported inputs under Advance Authorization Scheme was prescribed in the FTP.
- **Flexibility to exporters:** Payment of customs duty for Export Obligation (EO) shortfall under Advance Authorization / DFIA / EPCG authorization was allowed by way of debit of Duty Credit scrips. Earlier the payment was allowed only in cash.
- **Simplification of Procedures**
  Following measures were adopted to simplify the procedural formalities:
    - Simplification of application and redemption procedures under the EPCG scheme
    - Slashing of license fee (manual applications) from Rs. 1,50,000 to Rs. 1,00,000
    - Slashing of license fee (automatic applications) from Rs. 50,000 to Rs. 75,000
    - Adoption of Electronic Data Interface (EDA) system to facilitate electronic message exchange between customers and the DGFT.
    - Increase in the number of samples allowed to exporters for duty free import from 15 to 60.
- **Sector Specific Measures**
    - **Gems & Jewellery Sector**

    To neutralize duty incidence on gold Jewellery exports, Duty Drawback on such exports was allowed. Additionally, a new facility to allow import on consignment basis of cut & polished diamonds for the purpose of grading/ certification purposes was introduced. Also, to promote export of Gems & Jewellery products, the 13 value limits of personal carriage were increased from $ 2 million to US$ 5 million in case of participation in overseas exhibitions. The limit in case of personal carriage, as samples, for export promotion tours, was increased from US$ 0.1 million to US$ 1 million.
    - **Agriculture Sector**
      to reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce was introduced.

- **Leather Sector**
  As regards to the leather sector, the FTP allowed re-export of unsold imported raw hides and skins and semi finished leather from public bonded ware houses, subject to payment of 50% of the applicable export duty
- **Tea**
  Minimum value addition under advance authorization scheme for export of tea, under the FTP was reduced from the existing 100% to 50%. Additionally, DTA sale limit of instant tea by EOU units was increased from 30% to 50%.

5.3 Criticism

The Foreign Trade Policy of 2009-14 is however, not free from shortcomings. Apart from adding 26 countries under the FMS, the policy lacked an innovative approach altogether. SMEs account for a big share in the country's exports; they, however were not adequately provided financial and marketing assistance under the current scheme. The crises situation, post the global meltdown urged the need for a much higher financial and technical support to the exporters. The policy provided only minor tinkering and continuation.

6. Foreign Trade Policy (2015-2020)

The Government of India announced the new foreign trade policy, covering the period from 2015 to 2020, on April 1, 2015

6.1 Vision and Mission

The Vision of the Trade Policy is to make India a significant participant in the world trade by 2020. The mission and objectives include the ideology to make the country assume a position of leadership in the international trade. The Government of India aims to increase the exports of merchandise and services from $465.9 billion in 2013-14 to approximately $ 900 billion by 2019-20. Additionally, the policy aims to increase the country's share in the world exports from 2 per cent to 3.5 per cent.

6.2 Objectives

- To provide a stable and sustainable policy environment for foreign trade.
- To link the rules and procedures with other initiatives like 'Make in India', 'Digital India' and 'Skills India'.
- To diversify India's exports.
- To provide a mechanism for regular appraisal in order to rationalize imports.
- To improve India's Balance of Payment position.
- To create architecture for India's global trade engagement with a view to expand and integrate markets, thereby augmenting the 'Make in India' initiative.

6.3 Key Highlights

- **Merchandise Export from India Scheme: MEIS**

The FTP has introduced Merchandize Exports from India (MEIS) scheme to promote specific services for specific Markets Foreign Trade Policy. MEIS shall subsume existing schemes, viz. Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip.

- **Service Export from India Scheme: SEIS**

SEIS shall be available to “Service Providers located in India” as against the existing Served Form India Scheme available to “Indian Service Providers”; and SEIS reward rates (3%/5%) specified for export of notified services and would be based on net foreign exchange earned.

- **Special Provisions applicable to MEIS and SEIS**

    - The duty credit scrips and the goods imported against these scrips will now be freely transferable;
    - The duty credit scrips can be used for payment of Customs duty, Excise duty, Service tax and fees for defaults relating to Advance Authorization; and
    - The benefit of MEIS and SEIS has been extended to units located in Special Economic Zones – This is a welcome step and is imperative to boost the SEZ sector.

- **Trade Facilitation and Ease of doing Business**
    - Under online filing of documents/applications and paperless trades in 24×7 environment, few important proposals provided are:
    - Development of an online procedure to upload digitally signed documents by Chartered Accountant/Company Secretary/Cost Accountant;
    - Creation of importer/exporter profile to eliminate repeated submission of copies of permanent records/documents (e.g. IEC, Manufacturing License, RCMC, PAN etc.) with each application; and

Other Key Highlights

- Export Obligation reduced from 90% to 75% for domestic procurement under EPCG scheme to boost the ‘Make in India’ initiative;
- 10% of the cases to be selected on random basis (per month) as a risk measurement initiative, where scrips have already been issued – This may lead to verification of original documents for detailed examination;

- Directorate General of Foreign Trade (DGFT) to leverage information and have access to database of Central Board of Direct Taxes (for PAN)
- A new chapter introduced on ‘Quality Complaints and Trade Disputes’.

6.4 What needs to be done?

As per the new FTP, in order to achieve these objectives, the way forward measures require the flowing to be undertaken:

- Deepen and widen India’s export basket
- Make efforts to reduce the cost of export credit
- Reduce transaction costs
- Incentivize potential winners
- Mainstream states and ministries in India’s export strategy
- Rationalize tax incidence: introduce GST
- Improve India’s export competitiveness
- Promote product standards, packaging and branding etc
- Promote and diversify service exports
- Improve infrastructure, for example ports, laboratories, facility centers etc

6.5 Omissions in the FTP

According to Rajiv Kumar (The Times of India, April 9, 2015), there are three major omissions in the FTP, 2015-20:

- Lack of policy for ramping up foreign tourism in which the country already is a poor performer.
- The MSME sector that produces 45 per cent of manufacturing output and 40 per cent of total export, receives only cursory treatments without any tangible steps to make it a part of the global value chain. The current FTP like the previous ones has lagged to adequately serve this sector.
- The FTP has also left untouched the large panoply of export promotion and facilitation of intuitions to augment the country’s exports.

Summary

The EXIM Policy of the country contains several policy measures and related decisions taken by the government (central) in the sphere of imports and exports to/from the country. In addition, it also describes the various export promotion measures, policies and procedures related thereto. With regards to the foreign trade policies in India, the year 1985 witnessed the first joint export and import policy in India. Historically, the year, 1990-91 is considered as a ‘watershed’ for FTPs. FTPs thereafter became more liberal than the previous ones. The first 5 year trade policy was introduced in the year 1992, and subsequently in 1997. Off late, the focus of FTPs has shifted from ‘import liberalization’ to ‘export promotion’. The recent focus is on strengthening the indigenous industries, for making the country’s exports more competitive. The recent FTP (2015-20) aims to make India a significant participant in the world trade by striving to increase the export of goods and services from $465.9 billion in 2013-14 to $ 900 billion by 2019-2020.