

INDIA'S FOREIGN TRADE POLICY 2009-14

What is Foreign Trade Policy?

The Union Commerce Ministry, Government of India announces the integrated Foreign Trade Policy FTP in every five year. This is also called EXIM policy. This policy is updated every year with some modifications and new schemes. New schemes come into effect on the first day of financial year i.e. April 1, every year. The Foreign trade Policy which was announced on August 28, 2009 is an integrated policy for the period 2009-14.

Objectives of Foreign Trade Policy 2009-14:

1. To arrest and reverse declining trend of exports is the main aim of the policy. This aim will be reviewed after two years.
2. To Double India's exports of goods and services by 2014.
3. To double India's share in global merchandise trade by 2020 as a long term aim of this policy. *India's share in Global merchandise exports was 1.45% in 2008.*
4. Simplification of the application procedure for availing various benefits
5. To set in motion the strategies and policy measures which catalyse the growth of exports
6. To encourage exports through a "mix of measures including fiscal incentives, institutional changes, procedural rationalisation and efforts for enhance market access across the world and diversification of export markets.

Aim in General : The policy aims at developing export potential, improving export performance, boosting foreign trade and earning valuable foreign exchange. FTP assumes great significance this year as India's exports have been battered by the global recession. A fall in exports has led to the closure of several small- and medium-scale export-oriented units, resulting in large-scale unemployment.

Targets:

1. Export Target : \$ 200 Billion for 2010-11
2. Export Growth Target : 15 % for next two year and 25 % there after.

EPCG Scheme:

1. Obligation under EPCG scheme relaxed.
2. To aid technological upgradation of export sector, EPCG Scheme at Zero Duty has been introduced.
3. Export obligation on import of spares, moulds etc. under EPCG Scheme has been reduced by 50%.

Refixation of Annual Average Export Obligation:

Taking into account the decline in exports, the facility of Re-fixation of Annual Average Export Obligation for a particular financial year in which there is decline in exports from the country, has been extended for the 5 year Policy period 2009-14. Support for Green products and products from North East extended.

Announcements for FPS, FMS, MLFPS:

1. 26 new markets added in this scheme.
2. Incentives under FMS raised from 2.5 % to 3 %
3. Incentive available under Focus Product Scheme (FPS) raised from 1.25% to 2%.
4. Extra products included in the scope of benefits under FPS
5. Market Linked Focus Product Scheme (MLFPS) expanded by inclusion of products like pharmaceuticals, textile fabrics, rubber products, glass products, auto components, motor cars, bicycle and its parts.etc. (However , benefits to these products will be provided, if exports are made to 13 identified markets (Algeria, Egypt, Kenya, Nigeria, South Africa, Tanzania, Brazil, Mexico, Ukraine, Vietnam, Cambodia, Australia and New Zealand).
6. Focus Product Scheme benefit extended for export of 'green products' and some products from the North East.
7. A common simplified application form has been introduced to apply for the benefits under FPS, FMS, MLFPS and VKGUY.

Announcements for MDA & MAI

Higher allocation for Market Development Assistance (MDA) and Market Access Initiative (MAI) has been announced.

Towns of Export Excellence (TEE)

The following cities have been recognized as towns of export excellence (TEE)

1. **Handicrafts** : Jaipur, Srinagar and Anantnag
2. **Leather Products** : Kanpur, Dewas and Ambur
3. **Horticultural Products**: Malihabad

Scheme for Status Holders (Status Holders means star status holders)

1. Additional Duty Credit Scrips shall be given to Status Holders @ 1% of the FOB value of past exports accelerate exports and encourage technological upgradation.
2. This facility shall be available for sectors of leather (excluding finished leather), textiles and jute, handicrafts, engineering (excluding Iron & steel & non-ferrous metals in primary and intermediate form, automobiles & two wheelers, nuclear reactors & parts, and ships, boats and floating structures), plastics and basic chemicals (excluding pharma products).
3. This facility shall be available up to 31 March, 2011.
4. Transferability for the Duty Credit scrips being issued to status holders under VKGUY Scheme permitted only for the procurement of **cold chain equipments**.

Extension of Income Tax Exemption to EOU and STPI :

Income Tax exemption to 100% EOUs and to STPI units under Section 10B and 10A of Income Tax Act, has been already extended for the financial year 2010-11 in the Budget 2009-10.

Extension of ECGC :

The adjustment assistance scheme initiated in December, 2008 to provide enhanced ECGC cover at 95%, to the adversely affected sectors, is continued till March, 2010.

Announcements For Marine sector :

1. Fisheries exempted from maintenance of average EO under EPCG Scheme (along with 7 sectors) however Fishing Trawlers, boats, ships and other similar items shall not be allowed for this exemption.
2. Additional flexibility under Target Plus Scheme (TPS) / Duty Free Certificate of Entitlement (DFCE) Scheme for the marine sector.

Announcements for Gems & Jewellery Sector:

1. Duty Drawback is allowed on Gold Jewellery exports to neutralize duty incidence.
2. Plan to establish "Diamond Bourse (s) with an aim to make India and International Trading Hub announced.
3. Introduction of a new facility to allow import on consignment basis of cut & polished diamonds for the purpose of grading/ certification.
4. 13 value limits of personal carriage have been increased from \$ 2 million to US\$ 5 million in case of participation in overseas exhibitions.
5. The limit in case of personal carriage, as samples, for export promotion tours, has also been increased from US\$ 0.1 million to US\$ 1 million.
6. Time limit of 60 days for re-import of exported gems and jewellery items, for participation in exhibitions has been extended to 90 days in case of USA.

Announcements for Agro Exports:

1. Introduction of a single window system to facilitate export of perishable agricultural produce with an aim to reduce transaction and handling cost.
2. This system will involve creation of multi-functional nodal agencies. These agencies will be accredited by APEDA.

Announcements for Leather Exports :

On the payment of 50 % applicable export duty, **Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi finished leather** from public bonded ware houses.

Announcements for Tea Exports:

1. The existing Minimum value addition under advance authorisation scheme for export of tea is 100 %. **It has been reduced from the existing 100% to 50%.**
2. DTA (Domestic Tarriff Area) sale limit of instant tea by EOU units increased from 30% to 50%.
3. Export of tea has been included under VKGUY Scheme benefits.

Announcements for Pharma Exports :

1. Export Obligation Period for advance authorizations issued increased from existing 6 months to 36 months.
2. Pharma sector included under MLFPS for countries in Africa and Latin America & some countries in Oceania and Far East.

Announcements for Handloom Exports:

The claims under Focus Product Scheme, the requirement of " Handloom mark" was required earlier. This has been removed.

Scheme for Export Oriented Units:

1. EOUs have been allowed to sell products manufactured by them in DTA (Domestic Tariff Area) upto a limit of 90% instead of existing 75%, without changing the criteria of 'similar goods', within the overall entitlement of 50% for DTA sale. (This means that instead of 75% these units can sell up to 90 % of their products in the domestic markets)
2. EOU allowed to procure finished goods for consolidation along with their manufactured goods, subject to certain safeguards.
3. Extension of block period by one year for calculation of Net Foreign Exchange earning of EOUs kept under consideration.
4. EOU allowed CENVAT Credit Facility.

Announcements for Value Added Manufacturing (VAM)

- To encourage Value Added Manufactured export, a minimum 15% value addition on imported inputs under Advance Authorization Scheme.

Announcements for Project Exports:

- Project Exports and a large number of manufactured goods covered under FPS and MLFPS.

Fuel included in DEPB Scheme:

- Custom duty component on fuel where fuel is allowed as a consumable in Standard Input-Output Norm included in factoring.

Easy Import of samples:

- Number of sample pieces has been increased from the existing 15 to 50. This will facilitate the the duty free import of samples by exporters.
- **Convertibility of Shipping Bills**

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.

Reduction in Transaction Costs:

1. Dispatch of imported goods directly from the Port to the site has been allowed under Advance Authorisation scheme for deemed supplies. (Presently the duty free imported goods could be taken only to the manufacturing unit of the authorisation holder or its supporting manufacturer.
2. Maximum applicable fee for 18 Authorisations/ licence applications (except those mentioned in Chapter 3 of FTP) has been 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).
3. No fee shall now be charged for grant of incentives under the Schemes in Chapter 3 of FTP.

Disposal of Manufacturing Wastes:

1. Disposal of manufacturing wastes / scrap will now be allowed after payment of applicable excise duty also before fulfillment of export obligation under Advance Authorisation and EPCG Scheme. Earlier it was allowed after fulfillment of export obligation.

Announcements for Sports Weapon:

1. Licenses for the import of sports weapon will be issued now by Regional Authorities provided a NOC (No Objection Certificate) is issued by Ministry of Sports & Youth Affairs. (Earlier DGFT Headquarters had to be approached for this)

Announcements for Medical Devices

1. To solve the problem of medical device industry, 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.

Announcements for Automobile Industry

1. Those Automobile industries which have their R&D establishment will be allowed free import of reference fuels (petrol and diesel), upto a maximum of 5 KL per annum, which are not manufactured in India. Simplification in EPCG for automobile industry.

Announcements for EDI Initiatives

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

Set up of Directorate of Trade Remedy Measures Announced

- A Directorate of Trade Remedy Measures shall be set up, which will enable support to Indian industry and exporters, especially the Micro Small & medium Enterprises MSMEs in availing their rights through trade remedy instruments,

Duty Credit Scrips

- Earlier the payment of customs duty for Export Obligation (EO) shortfall under Advance Authorisation , DFIA or EPCG Authorisation was allowed in cash only. Now this payment can be done in the way of debit of Duty Credit scrips.

Import of Restricted Items

- Restricted Items can be imported now (as replenishment) against transferred DFIA's (Duty Free Import Authorisations) as the present DFRC (Duty Free Replenishment Card) scheme.

Dollar Credits

- There is a provision for **state-run banks to provide dollar credits**