CHAPTER - IV
ANALYSIS OF INDIA'S FOREIGN TRADE
PROMOTIONAL ASPECTS
Analysis of India's foreign trade: Promotional Aspects

The EXIM Policy announced by the Govt. serves as the prime tool to deliver the various incentives and steps meant for the exporters. The present chapter analyses the varied measures put in by the Government of India to enhance the trade activities. The discussion is carried out in terms of the annual policies that operate within the framework of the five year term policy.

EXIM POLICY 1997-1998:

The Minister of Commerce presented the new and revised EXIM Policy 1997-2002 on 31st March 1997. The EXIM Policy was prepared for a period of five years and made co-terminus with the Ninth Five Year Plan. The aim of this policy was to accelerate the country's transition to a globalised economy so as to reap the maximum benefits from the expanding international trade order. It carried the objective to stimulate a sustained economic growth by providing easy access to essential raw materials, intermediates, components etc. It aimed, further, to enhance the technological strength and efficiency of Indian agriculture, industry and services. The idea was to create competitiveness and generate new job opportunities together with quality upgradation. The EXIM Policy 1997-98 aimed to provide consumers with good quality products at reasonable prices.

The promotional measures and schemes to boost the exports under the EXIM Policy 1997-98 are being discussed below:

I. Rationalisation of Existing Schemes:

1. Export Promotion Capital Goods Scheme: The EPCG scheme was streamlined. The tariff rates were reduced from 15% to 10%. The EXIM Policy 1997-98 permitted the zero-duty imports in cases were the c.i.f. value of the imports was Rs. 20 crores and above. In case of agriculture and allied sector exports this threshold limit was brought down to Rs. 5 crores. The zero-duty concessions were extended to the service industry.

2. Duty Exemption Scheme: The Value Based Advance License Scheme (VABAL) and the Pass-Book Scheme were discontinued by the EXIM Policy 1997-98 whereas the QABAL was to continue. A new scheme named Duty Entitlement Pass Book (DEPB) was introduced. Treading the global trends of relieving the export products from indirect taxes leviable on them, DEPB was an effort to neutralize the basic customs duty. It was a credit issued to the exporters at a specified percentage of the job value of exports made in
freely convertible currency. The scheme covered both manufacturer and merchant exporters and was available on both pre-and post export basis. On pre-export basis the scheme provided an ad-hoc entitlement of 3% of the job value of exports made in the preceding three years. Thus it enabled the exporters to import duty free. On the post-shipment basis the credit was given at notified rates of which imports of freely importable items could be made.

3. **Deemed Exports**: The benefits of deemed exports was extended to oil and gas sectors in addition to the power sector. The EXIM Policy 1997-98 planned to encourage, through this measure, the domestic sourcing of the inputs. The domestic manufacturers supplying against the EPCG licenses were entitled to have deemed export drawback facility.

4. **EOU and EPZ**: The norms were relaxed under the EXIM Policy 1997-98 for such units. These units could sell 50% of their production to the DTA without stipulation of any value addition. Only positive net foreign exchange earnings had to be there. These units were allowed to import equipments of Rs. 5 crores and above under the zero duty EPCG scheme.

5. **Advance License Scheme and Special Import License (SIL)**: The EXIM Policy 1997-98 increased the export obligation period under advance license from 12 months to 18 months. The validity period of advance license similarly was increased from 12 months to 18 months. The value limit for the advance license under the production programme basis was increased from 25% to 100% of the job value of exports.

   The EXIM Policy 1997-98 shifted around 150 items from the restricted list to the Special Import License list in view of the liberalization process. It revised the SIL entitlements for the different categories of export/trading houses. The lower limit (for export houses) was increased from 4% to 6% while the upper limit (for Super Star Trading House) was increased from 11% to 12%. These SIL entitlements were to be calculated on FOB basis. On the NFE basis the corresponding entitlements were increased from 6% to 7.5% and reduced from 16% to 15%.

recognition for the various categories of export houses. The under mentioned Table 4.1 carries the export obligations as specified in the EXIM Policy 1997-98.

II. Sector Specific Schemes:

The EXIM Policy 1997-98 gave special thrust to exports of gems and jewellery sector. The number of nominated agencies which could stock gold was proposed to be increased. The exporters could either take gold on a replenishment basis or purchase it outright from the designated agencies.

The software industry also received a boost at the hands of the EXIM Policy 1997-98. It permitted the software exporters to undertake exports using data communication links or in the forms of physical exports through courier service. It permitted the import of goods from clients on loan for a specified period. Permission was also granted for online data communication for DTA sales.

The electronic sector received a push when under the EXIM Policy 1997-98 the electronic hardware units were allowed to sell up to 50% in the DTA while exporting the rest 50%. Special depreciation norms were provided for electronic goods up to 70% in three years.

III. Procedural Rationalisations:

The EXIM Policy 1997-98 eased the procedural complications being faced by the industry. It reduced the quantitative restrictions by shifting 542 items from the restricted list to the SII, and OGL Lists. Around 60 items were shifted from the SII, to the OGL. The SII then carried around 150 items that could be imported against it. The EXIM Policy 1997-98
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initiated changes in the issue of advance licenses so as to save the exporters from running
time and again to the Regional Licensing Authorities. Considerable automaticity was to be
introduced in the procedures that were made more transparent and less discretionary.

EXIM Policy 1998-99:

The revised EXIM Policy for 1998-99 was announced on 13th April 1998, by the
then, commerce minister Mr. R.K Hegde. The policy expressed the government's
commitment to strengthen the domestic industry so as to make it globally competitive. It
regarded the exports as a national service and resolved to recognize and encourage the
exporters especially those operating in the small scale sector. The policy aimed to reduce the
cumbersome procedures that were harassing the exporters. The announcement of the
EXIM Policy for 1998-99 was made at the time when deceleration was being experienced in
the export growth. Hence, the government of the day resolved to reverse the deceleration in
export growth and tried to put the economic growth of the high growth trajectory. It studied
the poor export performance figures posted by a certain sectors mainly gems and jewellery,
agriculture and allied products, leather sector etc.. The disappointment from the thrust
sectors like garments, plastics and electronics was also taken into account. The policy noted
the welcome performance in the areas of engineering and chemicals including the
pharmaceuticals and the software sector which did fairly well.

The reasons for poor performance in exports were identified in the speech by the
then minister for commerce and industry Mr. Ram Krishna Hegde. They happened to be the
cumbersome procedures, delays in realization of pending claims, increasing transaction costs,
high cost of export credit, infrastructure constraints etc. The EXIM Policy was announced
while keeping into consideration these lacunas. It expected to achieve a high export growth
through additional investments to produce and generate an exportable surplus. It tried to
impair greater flexibility and freedom in export operations which was ultimately to minimize
the transaction costs and delays.

The EXIM Policy For 1998-99 thus came up with the following notable
amendments:

I Rationalization of existing export promotion schemes:

These included the following:

1. Duty entitlement passbook scheme:

The DEPB scheme that was introduced last year sought to neutralize only the basic
customs duty. The EXIM Policy for 1998-99 announced to neutralize the incidence of
special customs duty of five percent as well. Allaying the apprehensions, the policy announced the continuance of the DEPB scheme. The changes in the DEPB scheme were expected to give exporters an additional two percent to four percent of DEPB credit. The scheme envisaged new DEPB rates for 1,900 items. As per the EXIM Policy of 1998-99, the time limit for filing post-export DEPB claim was raised from 90 days to 180 days.

2. Advance license:

The scheme of advance licensed was amended to extend such licenses to export house/ trading house/ star trading house/ superstar trading house automatically. The clubbing of such licenses was simplified. These licenses were to be issued with actual user condition only on a positive value addition.

3. Export promotion capital goods scheme:

The EPCG Licenses were to automatically carry validity in the time ahead. A variation of ten percent in the value, for which the license was issued, was permitted without the license holder having to apply for endorsement of these variations. The EPCG License holders up till the announcement of EXIM Policy 1998-99 were compulsorily required to fulfill their export obligation with export of such goods that were manufactured from the imported capital goods. After the EXIM Policy 1998-99, these license holders were allowed to export further value added products also but with an enhancement of export obligation. Jigs, fixtures, moulds and dies were then permitted to be imported as part of the capital goods.

The EPCG scheme certain benefits on the small scale sector which had been requesting for the lowering the threshold limit. The threshold limit was lowered by the EXIM Policy 1998-99 from Rs20 crores/Rs5 crores to Rs1 crores uniformly for the agriculture and allied sector (including food processing industry), garments, electronics, sporting goods, toys, leather and gem and jewellery.

The software sector also received the benefits of the zero duty EPCG scheme. The threshold limit was brought down from Rs20 crores to Rs10 lakhs. This was done keeping into consideration the enormous potential the software sector carried.

The EXIM Policy 1988-99 made certain procedural modifications as regards the issue of EPCG Licenses. These licenses after the announcement of EXIM Policy 1998-99 could be had from the port office and not only from the headquarters.
4. Special import license:

The special import licenses (SIL) were allowed by the EXIM Policy 1998-99 to the ISO-9000 Quality certification holders even for the export of on-site consultancy services. The electronics sector received an enhancement from 15 percent to 25 percent in the SIL entitlement. It may be recalled that such licenses were granted by the DGFT to export products or exporters where the export proceeds were being realized in foreign exchange.

5. Export oriented units/export processing zones:

The EOUs/EPZs in the agriculture and allied sector received a modification in the minimum value addition norms. It was made to a positive net foreign exchange earning. The depreciation limit for EOUs/EPZs was enhanced up from 70 percent to 90 percent over a period of five years in the electronics goods sector. In the case of other goods, the time period was eight years.

Further as discussed above, the special import license was granted to ISO-9000 Quality certification holders even for exports of the on-site consultancy services.

The EXIM Policy 1998-99 fixed the threshold limit for an export house at Rs12.5 crores on an average FOB value of the exports made during the preceding the licensing years.

To encourage the project exports, EXIM Policy 1998-99 provided double weightage in terms of value to the project exports. The grant of additional special import license was planned to be given on incremental exports as given under:

(II) Rationalisation of sector specific schemes:

1. Gems & Jewellery:

The EXIM policy 1998-99 gave the exporters of gold jewellery the benefit of duty drawback in respect of gold taken on payment of duty from nominated agencies. The norms as regards the wastage and value addition were to be brought pari with the international standards for the benefit of the exporters. Like the gold, the silver and platinum jewellery were also to receive the scheme of replenishment license based on the value. Permission,
under the EXIM policy 1998-99, was also to be accorded for export of branded jewellery for display. The EPCG scheme was also to carry a reduced threshold limit of ₹1 crore for the gems and jewellery sector.

2. Electronics:

The EPCG scheme (zero duty) was applied with a threshold limit of ₹10 lakhs. The aim was to make India attain a pre-eminent position in the field of information technology. As a measure to boost the growth in the electronics sector, the SIL entitlement to the license holder under the DEPB scheme was enhanced from 15% to 25% of the net foreign exchange earnings. Further, as already discussed earlier, the depreciation limit for the EOU's/EPZs in the electronics sector was enhanced from 70 percent to 90 percent over a period of five years.

3. Other sectors:

In the pharmaceutical sector, the exporters of medicines/pharmaceutical formulations were permitted under the EXIM policy 1998-99. To export free samples/Physicians samples, Not for sale, up to a value of one percent of their exports of similar items in the previous licensing year as against the existing limit of U.S. dollars 2,000.

The exports of all oilseeds such as HPS groundnut, sesame seeds, sunflower seeds, mustard seeds etc. when exported for consumption purposes were made free by the EXIM policy 1998-99. The quantitative and licensing requirements were not there. The export of groundnut oil in consumer packs up to five kgs was also made free.

The EXIM policy 1998-99 recognized the scope of agro-exports and furthered the need for a stable export policy for agro and allied exports.

III. Procedural rationalization:

The EXIM Policy 1998-99 came up with many procedural and policy rationalizations in context of the problems being faced by the various export and import sectors.

The small scale sector that faced the difficulty in purchase of the material was benefited by the permission to set up Private bonded warehouses which could import, stock and even sell negative list items to holders of advanced license. Thus, the EXIM Policy in 1998-99 tried to ensure easy and timely availability of raw materials to exporters at internationally competitive prices. Private bonded warehouses were also allowed to be set up to facilitate bulk imports from India by large overseas buyers like department stores abroad. The supplies to these bonded warehouses against payment in foreign exchange through normal banking channels were to be treated as exports.
The EXIM Policy 1998-99 aimed to develop a trust-based system where in advanced licenses were to be issued to all status holders immediately on the information furnished by them. The policy also granted a one time extension against a composition fee to the quantity based advance licenses.

To ensure flexibility in the licenses based on production program basis, the holders were allowed to change the description of the export product. The EXIM Policy 1998-99 ensured the issue of additional licenses without delay during the same year on completion of export obligation.

Further, the EPCG licenses were to carry an automatic validity for any variation up to ten percent in the value of the issued license without the holder having to apply for the endorsement of these variations.

The EXIM Policy 1998-99 attempted to prune the restricted list and shifted nearly 340 items to the open general license List. Some items from restricted list were also to be brought under the list of special import license.

Still ahead, the EXIM Policy 1998-99 extensively decentralized the licensing functions. The decentralization was to be made in respect of the power to grant extension of export obligation period and revalidation of advance licenses. As already discussed earlier, even the port officers apart from the headquarters were empowered to issue licenses for negative list items for under the EPCG scheme.

The computerization of DGFT Offices was planned to be made together with interlinking of the major offices of DGFT with Customs so that electronic data interchange (EDI) could take place. Internet accessibility of the EXIM Policy, Handbook of procedures, public notices of the DGFT was planned. The committee decisions as regards the issue of licenses were to be simultaneously displayed electronically to bring about transparency in the operations.

To counter the effect of the unfair trade practice of dumping, the Directorate General of Anti-Dumping and Allied duties was being strengthened. The objective was to speed up the disposal of cases and to institutionalize the system so that effective protection could be provided to the domestic industry. The Facilitation Cell was set up to assist the industry in finalizing application documentation.
EXIM Policy 1999-2000:

The EXIM Policy of 1999-2000 incorporated the needed amendments as regards the procedural and policy matters. Following promotional thrusts were proposed under this policy:

1. Computerization and Electronic communication with exporters:

   The scheme was initially introduced in Delhi on a pilot basis. It made available exporters the facility to file their application for advanced license electronically. The results were planned to be communicated electronically with the facility to collect the hard copy of the license within 24 hours from filing of the application. The coverage of the scheme was to be increased to all ports gradually. The reduction in physical communication between the DGFT and the exporters was seen to save time and bring a transparent and time bound method to promote the exports as well as the exporters.

2. Introduction of flexibility under duty exemption scheme:

   The duty-free imports which are to be made by the exporters were made easier with the introduction of annual advance license scheme. This facility intended to promote the exports without the stipulation of minimum value addition. In the scheme of annual advanced license the procedural case was passed on to the exporter under this scheme as he was not to approach the DFAT time and again. The imports were standard input-output norms existed could be made. However in cases where such norms did not exist self-declaration at the port offices was sufficient. The procedural delay in fixation of ad hoc norms by the licensing authorities was done away with.

3. Export Promotion Capital Goods Scheme Extensions:

   Free importability of capital goods, intermediates, components, consumables, spares, parts, accessories, instruments and other goods was permitted under the EPCG scheme without any restrictions except as those imposed by the government or law of the land. The actual use condition was removed except in cases where a license was required for importing those goods. All second hand parts could be imported as per the handbook of procedures (volume one), public notice or a license issued on this behalf. However, second hand capital goods imports were restricted. New or second hand jigs, fixtures, dyes, moulds etc. License was also not required for re-import of capital goods, aircrafts (including components) that were sent abroad for quality upgradation or testing etc. The EXIM Policy in force also allowed the import of used project equipments up to twenty percent of the c.i.f value after the project completion without a license. These spares and accessories of capital goods up to
twenty percent of the value of the capital goods could be imported freely or against the license as the case may be. The import of capital goods under lease financing could be made without a license but subject to actually user condition. Further, the imports of labels, price tags etc. for export products could also be freely imported without a license. The export promotion capital goods scheme carried the following tariff structure:

(a) A concessional rate of customs duty of ten percent

(b) Zero duty in case the c.i.f value is Rs20 crores or more.

(c) Zero-duty in case the c.i.f value Rs1 crore or more for sectors like electronics, chemicals, plastics, textiles, leather and sport goods, gems & jewellery, agriculture, horticulture, biotechnology and the like areas.

(d) Zero duty in case the c.i.f value is Rs10 lakhs or more for software sector.

Additional duty of ten percent was a leviable on zero duty EPCG scheme but with the exceptions like in marine and electronics sector as introduced by the EXIM Policy of 1999-2000. However, imports under the ten percent EPCG scheme were exempted from additional duties.

Eligible users of the EPCG Scheme:

Manufacturer- exporters, merchant- exporters tied to supporting manufacturers and service providers were eligible to receive the benefits of the EPCG scheme.

The limit of the license and the export obligations for the imports made under the zero-duty EPCG Scheme were to be proportionately enhanced or reduced if the goods imported exceeded a well short of ten percent of the c.i.f value of the license.

Indigenous sourcing of capital goods:

The holders of the EPCG license could source the capital goods domestically instead of importing them. Such a domestic manufacturer under the scheme could apply for import of components required to manufacture the capital goods. The export obligation relating to the EPCG License was to be calculated with reference to the c.i.f value of the license actually utilized. Such a domestic manufacturer who supplied capital goods to the EPCG license holders stood eligible to receive the benefits of the deemed exports.

Validity Period of the EPCG License:

It was to be valid for 24 months. Validity period means the period for shipment / dispatch of goods covered under the license. However, the validity period for the period for spares was to be co terminus with the validity of the export obligation period.

Export obligation under the EPCG Scheme: The export obligation was to be as under:
4. Grant of additional facilities to Gems & Jewellery Sector:

The new thrust by way of grants of additional facilities was given to the jewellery and studded jewellery sector. The Gems & Jewellery industry was granted permission to import consumables up to one percent of the F.o.b value of the exports made in previous year. The exporters of Gems & Jewellery were eligible to import the required inputs by obtaining:

- gold/ Silver/ Platinum replenishment licenses (REP)
- Gem Replenishment licenses
- Replenishment licenses against rough Diamonds.
- Diamond Imprest license.
- Bulk licenses for rough diamonds.

Further the exporters could also generalize their requirements through nominated agencies or could import under schemes meant for (1) Export against the supplies by the foreign buyer,(2) Exports through the sole at exhibitions/ export promotion tours/ branded jewellery, (3) export against supplied by nominated agencies, (4) Export against advance license and export from EPZ's/EOU's.

The EXIM Policy 1999-2000 increased the limits of exports of samples of rubber, wax and silver models from Rs.10,000 to Rs.1,00,000 per year. The permission was also granted for import of jewellery for repairs/ remaking for re-exports. In the said policy personal carriage of delivery and export of jewellery through courier services was also allowed. The policy introduced a Diamond Imprest License which was a new concept. The license was meant to import cut and polished diamonds to be mixed with cut and polished diamonds. It could be issued in advance for import of rough diamonds from any source. Since licenses carried an export obligation as per the procedures laid down. On fulfillment of the export obligation, the diamond imprest license for import of rough diamonds or the materials imported against it was transferable. As per the provisions of the EXIM Policy an exporter of cut and polished diamonds could apply for import of rough diamonds if he had performed at least in the three preceding licenses years. Such an exporter could avail this facility up to the time of his best performance during the preceding three years plus 25 percent there of. Exporters who had orders of exports under their own name could apply for such licence to import rough diamonds. As per the provisions of the EXIM Policy (Para 8.4) an exporter of the cut and polished diamonds with the status of export house/ trade house/ star trading house/superstar trading house could be granted a diamond imprest license for import of cut and polished diamonds up to five percent of the export performance of the preceding year of cut and polished diamonds. Such an import entitlement was not to be
allowed to be carried forward to next year and hence was to be exhausted within one year of its issuance.

As per the provisions of the EXIM Policy 1999-2000 the holders of the diamond import license for import of cut and polished diamonds were required to achieve a minimum value addition of ten percent. These licenses were not transferable and were also subjected to actual user condition.

5. Export oriented units/export processing zones—Procedural easing:

Certain procedural relaxations were made to the advantage of export oriented units and units operating in the export processing zones. As is evident, an export oriented unit is an industrial unit that offers to export its entire production, excluding reject items permitted for sale in the domestic tariff area (DTA). This scheme of EOU’s was introduced in the year 1980 with an intention to generate the production capacity for exports. Export processing zones, seven in the country, are enclaves setup separated from the domestic tariff area to provide a competitive duty-free environment for export production.

The EXIM Policy 1999-2000 introduced certain amendments regarding EOU’s and EPZ’s. As per the provisions, the requirement of the net foreign exchange earnings as a percentage of exports (NFE/E) was uniformly fixed at twenty percent for both export oriented units (EOU’s) and the units operating in the export processing zones (EPZ’s). However, for hardware units, biotechnology and toys sectors, the NFE requirement was further reduced to a positive NFE/P. It is to be noted that net foreign exchange earnings as a percentage of exports as mentioned in the EXIM Policy only indicated the minimum level to be attained but did not preclude the board of Approval (BOA) or development commissioner from prescribing a higher percentage where warranted.

The NFE/P was to be calculated annually and cumulatively for period of five years from the start the commercial production according to the formula:

\[ \text{NFE/P} = \frac{A - B}{X} \times 100 \]

where

A = Net foreign exchange earnings as a percentage of exports.
A = f.o.b value of the exports by the EOU’s/EPZ’s/IEHIP/SIP units; and
B = sum total of the c.i.f value of all imported imports, the c.i.f value of all imported capital goods, and the value of all payments made in foreign exchange by way of commission, royalty, fees, dividends, interest on external borrowings during the first five years or any
other charges. "Input" means raw materials, intermediates, competence, parts and packing materials.

The EOU's and the units in the EPZ's/EHTP/STP were expected to export their production but the EXIM Policy 1999-2000 permitted such units to sell their 50 percent of the production in value terms in the Domestic Tariff Area subject to payment of applicable duties. This DTA sale was subject to the fulfillment of the NFEP as prescribed in the EXIM Policy 1999-2000. Further the EXIM Policy streamlined the procedures for operation of the units in the EPZ and EOU's. A number of operations were permitted on the basis of self-certification. The units in the EPZ and EOU's were given an option to supply the goods to the bonded warehouses.

6. Export of services - A new beginning: The EXIM Policy 1999-2000 recognized the importance of services and added a special chapter on service exports. It planned to extend almost all possible facilities that were applicable to the merchandise exports to the service exports.

As per the general agreement on trade in services, "services" include all the 161 tradeable services where payments for such services is received in free foreign exchange. Service provider means the person providing:

- Supply of a service from India to any other country.
- Supply of a service from India to the service runs human of any other country in India, and
- Supply of a service from India through, through the, commercial or physical presence on the territory of any other country.

The EXIM Policy 1999-2000 made the service providers to receive the facilities under the EPCG scheme and the EOU's/EPZ's/EHTP/STP scheme. The service providers were provided the passenger baggage facility through which they could import drawings, designs, integrated circuits and layout designs without a license. They were provided the entitlement of ten percent of the foreign exchange earned by them during the preceding licensing year for import of essential goods related to their line of business.

The EXIM Policy 1999-2000 made the service providers eligible for recognition as service export house, international service export house, international star service export house, international superstar service export house on achieving the performance level as mentioned below:
Any other service providers other than those mentioned above was to be granted a special import license at the rate of four percent of the value of services. Such a service provider, however, was only eligible if he had provided services worth of Rs two crores and above in the preceding licensing year or an average of Rs one crore and above during the preceding three licensing years.

Service providers in certain identified agro focus zones, supplying services related to exports for agricultural and allied sectors were permitted to import equipments under the EPCG scheme. The export obligation was to be offset by earnings of the foreign exchange in lieu of services rendered.

7. Impetus to small scale exports:

The EXIM Policy 1999-2000 extended an equal opportunity to small and medium exporters. The exports made by the small scale manufacturer exporters were to be given a definite weightage for the purpose of their recognition as an export house / trading house/start trading house/superstar trading house. If the status was claimed in terms of the F.o.b value of exports, double weightage was to be given to the export products manufactured by the small scale industry (SSI), handloom and handicrafts. If the status was claimed in terms of net foreign exchange earned, double weightage was given to the export products manufactured by the SSI and triple weightage was given in case of exports of the hand-knotted carpets and silk products manufactured by the handloom and the handicrafts sectors. Such status holders were extended equal treatment for getting transferable special import license. Under the duty exemptions scheme, the SSI Units were extended the facility to give the bank guarantee wherever applicable, at 50 percent of the normal requirement.

All such exporters attained EH/TH/STH/STTH Status for three successive terms or more where eligible to receive the golden status certificate which enabled them to enjoy all the benefits in perpetuity irrespective of their actual performance in future.

8. Involvement of states in export promotion:

A scheme was evolved to involve the state governments in export promotion effort particularly for encouraging agro-exports. Assistance for infrastructural development of ports was planned to be linked to export performance of the state.

9. Other measures:

(a) The EXIM Policy 1999-2000 provided a lot many other measures that served to boost the exports. It provided for recognition of the national service rendered by exporters by issuing green cards to such exporters who exported 50 percent of their production with a
minimum of Rs1 crores per year. The green card holders were given facilities that were to be announced from time to time. These holders were to be issued licenses automatically within a stipulated time period.

(b) Sector specific schemes: Leather garments and handicraft exporters were also allowed to have duty free imports of inputs up to two per cent of the f.o.b value of exports during the previous year.

(c) Duty entitlement passbook scheme: The DEPB scheme incorporated the concept of the old passbooks scheme but with simplified procedures and a greater coverage. It was an import license, allowing for import of goods with adjustment of customs duty against duty entitlement earned on exports. The exporter claimed credit at a specified percentage of the f.o.b value of exports made in free convertible currency.

The DEPB scheme on pre-export basis as per the EXIM policy 1999-2,000 enhanced the credit entitlement from five percent to ten percent of the value of average exports in preceding three licensing years. The exporter could export and set off the customs duties with the help of the credit. This credit was afterwards set off by exporting the goods and earning duty credit at specified rates.

(d) Samples: the admissible limit for import and export of samples for export promotion was considerably relaxed. Export of samples marked ‘Not for Sale’ was allowed without any limit. In other cases, export of samples up to U.S. dollars 10,000 per consignment were allowed. The limit for Bona fide Technical and trade samples appearing in the restricted list were increased from Rs.3000 to Rs.10,000 per consignment.

(e) Branded products: To promote the exports of branded products, the benefit of the special import license was provided to all such exports.

(f) Exporter problems and Ombudsman: The EXIM policy of 1999-2,000 setup an institution of Ombudsman for on the spot solutions to the problems faced by the exporters. To begin it was to be made operational only in Mumbai and was later to spread over all the major ports of the country.

The issue of non-fulfilment of the export obligations of the past received, attention of the policy makers. The holders of the EPCG and advance licenses were granted an additional period for fulfillment of past obligations.

(g) EOU’s: The export oriented units relating to agriculture/horticulture etc. were allowed to install equipments/ inputs/: consumables in the farmers’ fields, outside the EOU.
(h) **Ports:** A number of ports were added that could avail the facility of duty exemptions scheme, including the duty entitlement passbook scheme.

10 **Free import list and SIL Items increased:** To ensure easy access to inputs and to promote better integration with the world economy as many as 894 items where added to the free list of imports, 414 additional items were in the list of imports that required a special import license.

12 **Free trade zones:** The free trade zones were to be made operational from 1st July, 1999. The units in such zones were to be permitted to carry out any manufacturing on trading activity. They were not subject to any predetermined value addition, input-output/wastage norms. They were to be treated as outside the customs territory of the country. The customs was to guard only the entry and exit points. However, sales in the domestic tariff area were permitted on payment of full customs duty.

**EXIM Policy 2000-2001:**

The EXIM Policy 2,000-2,001 announced by the then union commerce minister late Mr. Murasoli Maran Movie carried on the trade liberalization process ahead. The export promotion measures in his time received a boost in this EXIM Policy. The ensuing paragraphs delineate the export promotion measures and steps that were planned in the EXIM Policy 2,000-2,001.

1. **Special Economic zones:** The policy for 2000-2001 in a major step towards achieving sustained quantum growth in exports, planned to set up Special economic zones (SEZs) in different parts of the country. The zones were modeled on the Chinese pattern. Taking cue from the Chinese model Mr. Murasoli Maran said, “These zones will be strong magnets for foreign investment particularly in production for exports and will generate millions of jobs. Besides tangible benefits of revenue, developing human capital resources through training and learning by doing and catalyse effect on the country’s entrepreneurial efforts are other benefits.”

The first two zones were planned to be set up at Poorna near Poonavla port in Gujarat and at Nanguneri near Tuticorin port in Tamil Nadu. The idea behind the establishment of zones was to involve them in export production in an environment that is free of rules and regulations. The operational flexibility happened to be the hallmark of such zones. Invitation was thrown up to any individual, state governments or corporate entity to setup such zones in the country. This setup it was hoped would attract the foreign direct investment which otherwise was going to the East Asian countries at that period of time. These zones were
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not to the subjected to any pre-determined value addition, export obligation, input-output/wastage norms. They were to be treated as being outside the customs territory of the country. The units in these zones were to have a duty-free import of capital goods and raw-materials. They could have these even from the Domestic Tariff Area without payment of terminal excise duty. The entire production of these zones was to be exported. However, Domestic Tariff Area Sales was permitted on payment of applicable customs duty. As per the policy norms, the minimum size of the special economic zones was to be 400 to 500 hectares or more. It was also planned to bring immediate conversion of the existing export processing zones at Santa Cruz, Kandla, Vizag and Cochin into SEZs, although their area was limited due to historical reasons. The government gave approval to SEZs in Dornagiri (Navi Mumbai), Paradeep (Orissa), Kulp (West Bengal) and Vizag-Kakinada (Andhra Pradesh) on the proposals received from the various state governments.

2. Involvement of States in Export Effort: The EXIM Policy 2,000-2,001 aimed to develop an export consciousness in the state governments. Exports were thought to be made a national effort that of course included the involvement of state governments. Realizing the problems, a scheme was launched by the center to assist the states by giving the latter grants for establishment and promotion of export related infrastructure. These grants were linked to the export performance of the concerned states. The distribution was to be carried out on the basis of absolute as well as incremental export performance of the states. The supplementary budget for 2,000-2,001 carried an initial outlay of Rs. 250 crores. The funds were expected to be made use of by the states for developing complementary infrastructure for exports. This included roads that connected and linked the production centers with the ports, research and development of state specific ethnic products, development of cold chains for the agro-exports, creation of new export promotion industrial parks, development of human resources and of the marketing infrastructure.

As part of the promotional efforts center had also requested the states to declare such units as public utility services which exported 50 percent of their turnover. These units were to be assisted to enable them to meet their global export commitment.

3 Rationalization of existing promotional schemes: The following existing export promotion schemes went under trimming and rationalization process:

(i) General Schemes:

(a) Export promotion capital goods scheme: a uniform extension of the EPCG scheme was given to all the sectors without any threshold limit on a
payment of five percent of duty. The extension was also approved for identified service sectors. Countervailing duty of ten percent on imports under this scheme was withdrawn as also the additional Customs duty. These changes were aimed to benefit particularly the small scale units. Earlier, these units were required to pay ten percent duty for imports to be made under this scheme. Another change that was introduced was the extension given to the period of fulfillment of export obligation. A uniform extension was granted in all cases to eight years.

(b) Duty exemption scheme:

(i) The government decided to introduce post-export duty-free replenishment license scheme to improve the availability of inputs or raw materials for exports. The scheme was expected to cover over 5,000 products for export for which the input-output norms were available and on the basis of uniform value addition of 33 percent. Under this scheme, after the exports were completed, the exporters were granted transferable duty-free replenishment certificates for importing inputs used in export products as per the standard input-output norms.

(ii) The post-export duty entitlement pass book scheme (DEPB) was made to the last only till March 31, 2002 after which it was to be merged into the drawback scheme. The decision to abolish this scheme was taken as very few exporters were using this scheme.

The DEPB scheme was made more accessible with the abolition of the threshold limit of Rs.20 crores for fixing the new DEPB rates. For all products, DEPB rates of fifteen percent or more, value caps were prescribed but these value caps were not applicable on products exported under brand names approved by the Inter-Ministerial Committee. The value caps fixed products were not to go under verification of the present market value of such items. Earlier in the credit under the DEPB scheme (for products with ten percent or more rates) against the export of a product was not permitted to exceed 50 percent of the PMV (Present market value) of the exported product.
(iii) Advance License: The advance license granted for physical exports and for intermediate supply for exports was exempted from payment of all kinds of duties like basic, additional customs duty, countervailing duty anti-dumping and safeguard. Earlier the advance license was granted to a merchant-exporter or manufacturer-exporter for importing inputs required for the manufacturing of goods without payment of basic customs duty. However, they were required to pay additional customs duty equal to the excise duty at the time of import under the EXIM Policy for 1999-2000.

The EXIM Policy for 2000-2001 subjected the advance license for physical exports, domestic supply and for intermediate supply to the actual user condition and non-transferability.

(II) Sector specific rationalization of export promotion schemes: These were as follows:

1. Gems & Jewellery: Diamond Dollar Account (DDA) scheme was added to the EXIM Policy 2000-2001. The scheme envisaged to retain in the dollar account, the export proceeds of the exporter. These proceeds could be utilized by the exporter to import rough diamonds and to purchase rough diamonds of cut and polished jewellery from another DDA holder. The facility of speed post could be used to export the jewellery. The units in the export processing zones and the special economic zones were permitted to import studded jewellery for repairs, remaking and re-exporting. The EXIM policy 2000-2001 introduced the facility of replenishment license for import of jewellery samples up to 2.5 percent of the exports of the preceding year. The policy allowed the status holders to directly import gold from foreign buyers for making jewellery and re-exporting. Semi-finished jewellery import was also permitted for re-export. Personal carriage facility for import parcels of gems and jewellery was allowed. The exporters were permitted to export plain jewellery with imitation Stones/Cubic zirconia etc. with same value addition. The value addition norms for export of plain jewellery were also rationalized.

2. Silk: The EXIM Policy 2000-2001 made rationalizations in the silk sector also. The pre-export inspection of the silk products by the central silk board
was dropped and discontinued. The input-output norms were rationalized to promote export of silk and silk products. Silk import, as per the policy, was allowed under special import license.

3. **Leather, handicrafts and garments:** the duty-free import entitlement of trimmings, and embellishments and other items was increased from two percent to three percent of the f.o.b value of exports.

4. **Drugs, pharmaceuticals, agro-Chemical and bio-technology exports:** Encouragement was provided to these new economic areas. To push the research and development activities of these areas, the manufacturing firms were allowed to import laboratory equipments and reagents up to one percent of the f.o.b value of exports free of duty. The EXIM Policy 2,000-2,001 also simplified the procedure for export of non-Non-prohibited and non-CITES Indian herbs and formulations. It introduced the No Objection Certificate (NOC) in place of a cumbersome legal procurement certificate. The inspection norms were rationalized for such exportable products that conformed to the standard pharmacopoeia as per the declaration on the label.

The requirement of NOC from the drug controller was dropped.

(III) **Encouragement to export of quality/branded goods:** the EXIM Policy 2,000-2,001 for the purpose of granting status certification provided to give double weightage on FOB or net foreign exchange for exports made by units that have ISO or equivalent status. It removed the value caps put under the duty entitlement passbook scheme for identified branded products.

(IV) **Export oriented units (EOUs):** The EOU's were provided additional benefits by the EXIM Policy 2,000-2,001. The EOU's setup in the Granite and related industrial sector were conferred the same benefits as those extended to the agricultural sector. The capital goods imported under this scheme were permitted to be moved out for the purpose of excavation. All EOU's and the units of the Export processing zones (EPZs) having an investment of Rs.5crores and above in plant and machinery were required to post only a positive value addition As per the EXIM Policy 2,000-2,001 the policy gave permission for the EOU's and the units in the EPZs to carry out a job work for domestic Tariff Area Units. This facility was extended to EOU's and units in the EPZs in all the sectors. Earlier this facility was only available to units of the agriculture, marine and garment sectors.
(V) Deemed export benefits rationalized: The deemed export benefits under
the EXIM Policy 2,000-2,001 were uniformly given to all the eligible categories and to all the
sectors. The capital goods definition was expanded to include such other items
components/ spares/ accessories that go to make up the capital goods. The benefit of
deemed exports was also passed on to core infrastructure firms that had Rs.100 crores and
above as investment (like coal and hydrocarbon). The supplies made to projects funded by
the UN agencies were also conferred are deemed export benefits. The modernization and
renovation of power plants in the power sector were listed to receive the deemed export
benefits.

(VI) Project exports/ Construction companies/ Service providers: Such
categories of exporters with domestic turnover of more than Rs.100 crores were allowed to
apply for international service house status on signing of memorandum of understanding
(MOU) with the DGFT. The MOU was as regards the achievement of exports of Rs15
crores annually for the next three years. The EXIM Policy 2,000-2,001 included this MOU
with an intention to enable such companies to effectively participate in the overseas
construction projects.

(VII) Jammu & Kashmir and Indo-Burmesse Exports: The EXIM Policy 2000-
2001 provided for grant of double weightage to exports from Jammu & Kashmir while
determining entitlement for status certificates. It was a similar facility that was provided to
exports from the North-East. Keeping into consideration the development of border areas,
it was decided to permit normal import and export trade on payment of applicable duties on
the Indo-Burmesse Border. This trade was apart from the barter trade at the land customs
Check post at Moreh on the Indo-Burmesse Border.

(IX) Special import license (SIL): The special import license (SIL) was not to be
given after 31st March, 2000 as per the EXIM Policy 2,000-2,001. The list of SIL was to be
abolished after 1st April, 2001. The licenses (SIL) issued during the financial year 2,000-2,001
were valid only till 31st March, 2001. As for the supplies/ exports that were effected up to
31st March 2000, the SILs (with validity up to 31st March 2,001) were to be issued immediately
on request without waiting for realization of export proceeds. The items that
were import table under SIL after 1st April, 2001 could be imported on surrender of SIL
equivalent to five times of the c.i.f value of imported goods.

(X) Removal of quantitative restrictions (QRs): The EXIM Policy 2000-2001
removed the quantitative restrictions on 714 items with effect from 01 April 2000. Out of
these only 58 items were those which were reserved for small scale sector. The remaining
198 items reserved for the small scale sector were to be freed only from 1st April, 2001.

The tariff line-wise import policy was first announced in the year 1996 on 31st March
when 6161 tariff lines were made free. Till the EXIM Policy 2,000-2,001, 1905 tariff lines
were made free. Further, with effect from 1st August 1998, 1429 tariff lines were withdrawn
preferentially for imports on SAARC Countries.

The EXIM Policy 2,000-2,001 while dismantling the QRs announced certain
safeguards to protect the domestic industry. Tariff protection was to continue. Further, in
case of unfair trade practices that harmed the Indian industries such as dumping or
subsidization of exports by other countries, adequate protection under anti-dumping and
anti-subsidy mechanism was to be provided. There were also to be adequate safeguards
provisions in the event of surge in imports. The commerce minister had also announced the
strengthening of the tariff commission. The commission was to act as an institutional
mechanism which was to study, analyze and recommend appropriate tariff structure to
maintain balance between the interests of the producers and users/ Consumers.

(XI) Initiatives relating to e-Commerce: The electronic filing of license
applications with the DGFT was already announced for seven major ports of the country.
The EXIM Policy 2,000-2,001 announced the extension of this service to all the ports of the
country by 30th June, 2000. The elimination of physical interface between the exporter and
the DGFT was sought to be removed. The exporter was to get his license within 24 hours
of filing of the application. With the proposed electronic data interchange with other
government organizations, the transaction time and cost was sought to be reduced
substantially.

EXIM Policy 2001-2002:

The EXIM policy 2,001-2,002 happened to be the last one in the five year policy
framework of 1997-2,002. The policy completed the process of dismantling the quantitative
restrictions (QRs). It drew the country from the group of four nations of the world that
were imposing non-tariff restrictions in the foreign trade. Apart from making improvements
in the existing export promotion schemes, the policy focused on certain thrust as like
agricultural exports, special economic zones and others. The same is being discussed at
length below.

The EXIM Policy 2,000-2,001 sought to protect the bar coding of packaged export
products by granting double weightage to them for calculating eligibility for granting status.
This encouragement was being made so as to introduce the international labeling and packaging practices in the country.

(I) Rationalization of existing export promotion schemes

1. **Export Promotion Capital Goods Scheme (EPCG):** The amendments made in the EXIM Policy 2,001-2,002 allowed the imports of Jigs, fixtures, dyes, moulds for the full CIF value of the license instead of restricting to twenty percent of the CIF value of the license. The policy prescribed a time limit of 180 days for finalization of the nexus by the EPCG committee failing which the nexus applied by the applicant became final. Further, the EPCG licenses issued during 1998-96 got an extension in export obligation period up to 31st March, 2002 upon execution of bank guarantee with the licensing authority. The policy proposed no penalty for the value wise shortfall under the EPCG except for the payment of customs duty together with interest. For redemption purposes, the license holder was extended the facility to submit either a consolidated statement signed by all banks or separate statements signed by individual banks.

2. **Annual advance license:** The EXIM Policy 2,001-2,002 extended the facility of annual advance license to deemed exports and intermediate supplies. Further, it increased in the entitlement of such licenses from 125 percent to 200 percent of the FOB value of preceding year exports. These licenses could be issued to exports where even the standard input-output norms did not exist. The policy of 2,001-2,000 permitted the clubbing facility for annual advance licenses. It dispensed with the need of technical characteristics for inputs in issuing the license except for items in the sensitive list.

3. **Advance license:** The EXIM Policy 2,001-2,002 extended the facility of advanced license even to cases where some of the inputs were supplied free of cost to the buyer. The entitlement for advance license were standard input-output norms did not exist was increased from 100% to 200% of the FOB of the preceding year exports in case of export house/trading house/start trading house/superstar trading house. The EXIM Policy 2,001-2,000 provided an additional facility for advanced license where standard input-output norms did not exist even beyond the entitlement provided the bank guarantee was executed. The need of technical characteristics for imports was dispensed with except for items in the sensitive list in issue of advanced license. The EXIM Policy 2,001-2,002 extended the facility of back to back letter of credit for advanced license from one bank and one branch to any bank and any branch. It also provided for early validation period of six months for expired advance licenses in case where the export obligation was fulfilled. The EXIM Policy 2,001-
2,000 provided for no penalty for value wise shortfall under advanced license except the payment of the customs duty together with interest provided that the license holder has achieved positive/minimum value addition.

4. Duty free replenishment certificate scheme: The Duty Exemption Scheme enabled the imports of inputs required for export production. Further the Duty Remission Scheme was introduced to enable the post export replenishment/ remission of duty on inputs used in the export product. It consisted of:
   (a) Duty Free Replenishment Certificate and,
   (b) Duty Entitlement Passbook Scheme

The EXIM Policy 2,001-2,002 extended the validity of duty free replenishment certificate (DFRC) scheme for twelve months to eighteen months. It provided for automatic calculation of cif value without reference to the international price of individual inputs. In case of advance payment, a provision of claim was incorporated in the DFRC. The EXIM Policy 2,001-2,002 extended the coverage of this scheme to additional ports. The scheme was permitted to carry the split up facility so as to provide the DFRC Holder an operational facility. Except for items in the sensitive list, the EXIM Policy 2,001-2,002 dispensed with the need of technical characteristics for inputs in this scheme.

5. Duty entitlement passbook scheme: The DEPB scheme was meant for the exporters not desirous of going through the licensing route. The scheme's objective was to neutralize the incidence of customs duty on the import content of the export product. The neutralization was to be provided through grant of duty credit against the export product. The credit was granted as a specified percentage of f.o.b value of exports made in freely convertible currency. The DEPB holder was to have an option to pay the additional customs duty in cash. The EXIM Policy 2,001-2,002 kept the validity of DEPB for a period of twelve months from the date of issue. The DEPB and/ or the items imported against it were freely transferable. The transfer of DEPB was to be for the import at the port specified in the DEPB which was also the port of exports. The EXIM Policy 2,001-2,002 under the TRA facility permitted the imports from a port other than the port of export. This facility was provided as per the terms and conditions of the verdict issued by the Department of Revenue.

The EXIM Policy 2,001-2,002 made a provision of claiming DEPB against advance payment. It extended the validity of DEPB up to the last day of the month in which the
same is expiring. The rates of the DEPB were rationalized in line with the changes in customs duty. The scheme was made to cover the additional ports.

6. **EOU/EPZ/EHTP/STP Units:** The modification proposed by the EXIM Policy 2,001-2,002 for these units related to the rationalization of the norms of net foreign exchange earnings. A percentage of the exports/export performance. The EOU/EPZ Units as per the EXIM Policy 2,001-2,002 were allowed to achieve the minimum export performance of three times the value of capital goods over a period of five years instead of five times the value of capital goods. The highest NFEP requirement was pegged at ten percent. The supplies that were made by the EOU/EPZ Units to the bonded warehouses were to be treated as exports for the purpose of domestic sales entitlement. The EXIM Policy 2,001-2,002 further permitted the subcontracting production process abroad. Earlier the subcontracting was permitted only within the country. The procedure for utilization of goods was simplified. The EOU/EPZ units as per the EXIM policy 2,001-2,002 had to account for duty free goods in overall terms instead of consignment wise. This measure was expected to facilitate the ease in operations. It was made mandatory for the EOU/EPZ Units to carry an e-mail address from 1st April 2001 onwards. The EXIM Policy 2,001-2,002 provided more powers to the Development Commissioners to approve EOU/EPZ projects. The limit of U.S. dollars 20 million for these commissioners in approval of projects was removed by the EXIM Policy 2,001-2,002. The policy made suitable procedures to convert Domestic Tariff Area (DTA) Units into EOU's which had outstanding export obligation under the advance licensing scheme by carrying forward the goods imported under the said scheme. The EXIM policy 2,001-2,002 provided for the joint monitoring of the EOU/EPZ Units by the committee consisting of the Development Commissioners and the customs authorities. Lastly, it also prescribed that the DTA sale against the foreign exchange, which was counted towards NFEP/EP was confined to the payment made from the exchange earners foreign currency account (EEFC) of the buyers only.

(II) Sector specific schemes:

1. **Gems & Jewellery Sector:** The EXIM Policy 2,001-2,002 extended the diamond dollar account scheme to exporters of diamonds studded jewellery who had an average annual turnover of Rs.5 crores or above during the preceding three licensing years. From a maximum of two accounts prescribed earlier, the EXIM Policy 2,001-2,002 permitted the DDAS holders to operate up to five bank accounts. The non-DDAS holders were allowed to supply cut and polished diamonds to a DDAS holder. This was to be counted towards
the discharge of his export obligation or entitlement for the replenishment license as the case may be.

The EXIM Policy 2,001-2,000 permitted the export and return of such diamonds for certification purposes. This was done to facilitate the certification/grading by international laboratories/agencies of the cut and polished diamonds weighing 0.5 carats and above.

The Gold Loan Scheme was made more flexible by the EXIM policy 2,001-2,002. The exporters under this scheme were allowed to fix the price and repay the whole loan within 180 days from the date of export. This price was also required to be confirmed final buyer and the nominated agency supplying the gold. The EXIM policy 2,001-2,002 also permitted the exporters to personally carry the gems & jewellery of a value not exceeding U.S. dollars 2 million for the purpose of holding/participating in the overseas exhibitions.

Under the EXIM Policy 2,001-2,002 the foreign buyers’ scheme was extended to exporters having an annual average turnover of Rs.5 crores during the preceding three years. Under the scheme the precious metals could be supplied free of cost to the Indian manufacturers for job working.

2. Agricultural Exports Zones: The EXIM Policy 2,001-2,002 planned to place a special thrust to the agricultural export of the country. The aim was to reap the benefits of a liberalized world agricultural trade order. The participation of the states was thought of in building up of the agricultural export zones. These zones were to plug the necessary informational gaps in the areas of global prices, demand, quality standards etc. To ensure the promotional push, the export promotion schemes like EPCG and the duty exemptions scheme were made applicable to the agricultural exports.

Under this scheme of agricultural export zones, the state governments were to evolve a comprehensive package of services provided by all state government agencies, state agricultural universities and the institutions of union government for intensive delivery in the zones. These services were included the provisions of pre/post harvest treatment and operations, farm production, processing, packaging, storage and related research and development, etc.

The agri exporters were under the EXIM Policy 2,001-2,002 entitled to be recognized as an export house/trading house/start trading house/superstar trading house on achieving 1/3rd of the threshold limit prescribed for exporters of goods.
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(III) Special Initiatives:

1. **Market Access Initiative (MAI):** The EXIM policy 2,001-2,002 evolved a plan scheme wherein the government was to assist the industry in research and development, market research, specific market and product studies, warehousing and retail marketing infrastructure in select countries. It also covered the direct market promotion activities through media advertising and organization of buyer-seller meets.

2. **Special Economic Zones:** A chapter on SEZs was introduced in the EXIM Policy 2,001-2,002. The developers of such zones were allowed duty free import/procurement from the DTA. This was to give a boost in the development of integrated infrastructure for exports. The units in the SEZs were not to procure a license for the items reserved for SSIs. Such units under the EXIM Policy 2,001-2,002 could bring back the export proceeds in 365 days as against the normal period of 180 days. They could retain hundred percent of their proceeds in the EIFC Account. According to the import policy in force, these units could sell their produce in the DTA. The EXIM Policy 2,001-2,002 permitted the subcontracting of a part of their production abroad. The capital intensive units were given an attraction in the SEZs as the amortization of value of imported capital goods was spread over a period of eight years instead of five years earlier. The state economic zone developer was provided an infrastructure status under the Income Tax Act. This was prescribed in the Finance Bill 2001.

(IV) Procedural Modifications:

1. **Removal of quantitative restrictions (QRs):** The process of removal of import restrictions which began in 1991 was completed with a phased removal of restrictions on 715 items. These included 342 textile products, 147 agricultural products and 226 manufactured products including automobiles.

   The EXIM Policy 2,001-2,002 placed agricultural goods like wheat, rice, maize etc. under the category of state trading. The nominated agency for the said purpose would import these goods on commercial considerations. The petrol and the diesel were also placed under state trading together with urea imports.

   The EXIM Policy of 2,001-2,002 planned to provide a level playing field to domestic producers. It adhered to the National Treatment Principle of the GATT/WTO where the imports were subjected to certain domestic regulations. The imports of food products, meat and poultry products, tea waste were respectively subjected to Food and Adulteration Act...
and Rules, meet food product order, and Tea waste (control order). The imports of prohibited dye materials in the textiles (eg. Azode dye) was stopped.

The EXIM Policy 2,001-2,002 permitted the import of secondhand automobiles. These imports, however, under the road safety and environment considerations were subjected to certain conditions. Conformity to the Central Motor Vehicles Rules for imported automobiles was mandatory. The imports of vehicles more than three years old and also which was left hand driven was not permitted. Mumbai was the only Customs port nominated for such imports. The EXIM Policy 2,001-2,000 made the pre- and post-shipments certification of such imports compulsory. Even the import of new vehicles was subjected to certain regulations.

Further the EXIM Policy 2,001-2,200 regulated the imports of agricultural products so that they do not lead to unwarranted infiltration of exotic diseases and pests in the country. For certain products 'Bio-Security and Sanitary and Phyto-sanitary Permit' was to be had by the importers. WTO agreement on Sanitary and Phyto-sanitary measures was to find its application in such imports.

2. 

Deemed Exports: The EXIM Policy 2,001-2,002 gave the suppliers an option to file an application for claiming terminal excise duty/ draw back facility either project wise or in total. The standard format was prescribed for the receipt of payment for normal banked channel. The EXIM Policy 2001-2002 for certain supplies gave the subcontractor the facility to file terminal excise duty refund without waiting for payment from the main contractor.