CHAPTER – V

REFORMS IN THE FOREIGN TRADE IN INDIA

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5.3 India’s Foreign Trade Policies
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CHAPTER – V
REFORMS IN THE FOREIGN TRADE IN INDIA

5.1 Introduction:

Trade policy played a significant role in the development of the economy of the country. India, however, did not have a clear trade policy before independence. Though some type of import restriction – known as discriminating protection was adapted to protect a few domestic industries against foreign competition. It was only after Independence that a trade policy as a part of the general economic policy of development was formulated by India. Foreign Trade is not an end in itself but a means to economic growth and national development. The primary aim is not the mere earning of foreign exchange but the stimulation and expansion of greater economic activity. All Indian Foreign Trade policies are rooted in this belief and fundamental concept.

India’s Foreign Trade is regulated by the Foreign Trade (Development and Regulation) Act 1992 which replaced the Import and Export (control) Act 1947. However, prior to mid-1991, Foreign Trade of India suffered from strict bureaucratic and discretionary controls. The goal of India’s trade policy had been basically that of import substitution rather than export promotion. The process of economic liberalization brought about changes in almost all sectors of the economy including Foreign Trade sector.

In recent years the government’s stand on hand and investment policy has displayed a marked shift from protecting producers to benefiting consumers. This is reflected in the foreign policy which states that for India to become a major player in world trade. We have also to facilitate those imports which are required to stimulate our economy. India is now aggressively pushing for a more liberal global trade regime especially in services it was assumed a leadership role among developing nation in global trade negotiations and played a critical part in the Doha negotiation. So, to counter the negative Fallout of the global slowdown on the Indian economy, Indian Government took prompt action by providing substantial fiscal stimulus and necessary reforms in EXIM policy or Foreign Trade policy as well as various Regional Trade Agreements (RTAs) became RTAs are an integral part of India’s Foreign Trade Policy.
Prior to economic reforms process initiated in 1991, India had adopted a very cautious and guarded approach to strengthen and boost of Foreign Trade.

Thus, in this chapter "Reforms in the Foreign Trade of India" is studies in two part or stage. In the stage first, Reforms in India’s Foreign Trade policies and part or stage II is brief introductions of India’s Regional Trade Agreements (RTAs) changes in almost all sectors of the economy including Foreign Trade sector.

5.2 Reforms in the foreign trade sector:

To reduce controls, simplify procedures and to create a congenial environment for trade, the government made a statement on trade policy in parliament, ushering new era in the Foreign Trade policy of India. Instead of controls and regulations, the focus shifted to promotion and development of Foreign Trade. With the assurance of external support through various efforts, there was a gradual stabilization of the balance of payments position in the course of 1991-92. Foreign exchange reserves which were restored to more normal levels, also increasing at the end of March 1992. Import restrictions were gradually lifted in the course of 1991-92 as the balance of payments stabilized.

Reforms of trade and exchange rate policy were a critical element in structural reform and a great deal was done in this area. The exchange rate adjustments in July 1991, and the trade policy announced subsequently, considerably reduced the reliance upon licensing control imports and created a more favorable exchange rate for exports, especially, when account was taken of the premium on Exim scrip’s. The introduction of the Liberalized Exchange Rate Management System (LERMS) moved further in the direction of eliminating licensing control and allowing the exchange rate to reflect the security of foreign exchange.

Although, licensing restrictions were greatly reduced, they were not entirely eliminated. There was need to review the remaining licensing restrictions and remove as many items as possible from licensing and canalization. These restrictions were out of the place in the existing situation of the balance of payment position. As well as, the policy of progressively lowering customs tariffs was an essential element of any strategy for making the Indian economy internationally competitive. Government took important steps in this direction, but Indian tariff rates, with a maximum tariff
110 percent (except for reflected consumer items, which were much higher) remained much above the levels prevailing in the other countries. The Challah Committee had made recommendations for a bold reduction in tariffs to be phased over the next four years. It was necessary to implement these recommendations in an appropriate manner.

5.3 India’s foreign trade policies

5.3.1 Introduction:

The Ministry of Commerce, First Export Import (EXIM) policy for the period of 1992-97 in terms of section 3 of Import and Export Control Act of 1947, which was later on replaced by the Foreign Trade Development and Regulation Act 1992, then in the next Five Year, EXIM Policy of 1997-2002. Then again a third five year EXIM policy was announced for the period 2002-2007, effective from 1st April, 2002. However, annual revisions were made as required. This five year EXIM policy was formulated with objective of achieving at least one percent share of world exports by 2006-07 from the then prevailing level of 0.67%. The Central Government notified the Foreign Trade Policy for the period 2004-2009 incorporating the Export Import Policy for the period 2002-2007 as modified. This policy came into force with effect from September 1, 2004. However the Central Government still reserved its right to make amendments or modifications in it annually or as and when deemed fit. The Annual supplements to this five year policy were brought out in the years 2005 to 2009 respectively.

Thus, in the beginning of 1991, the government of India introduced a series of reforms to liberalize and globalize the Indian economy. For that, the major trade policy was changed in the post – 1991.

Table 5.1

India’s Foreign Trade under EXIM Policies (Rs. In Crores) (1991-92 to 2009-10)

<table>
<thead>
<tr>
<th>Sr.</th>
<th>EXIM Policies / years</th>
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<td>2001-2002</td>
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<td>Modified EXIM Policy, 1998</td>
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<td>2004-2009</td>
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In recognition of the growing importance of Foreign Trade in the Indian Economy, various EXIM policies of the Government were explained in below:

5.3.2 India's Foreign Trade Policy 1991

After independence, the Government felt that developmental and maintenance exports were both essential for a growing economy and therefore, urged upon the government to provide facilities and announced India’s trade policy for first stage from 1947-48 to 1951-52. Besides, after the various phases the Government of India announced a new advanced foreign policy on July 4th, 1991. In the policy, the Government decided that all essential imports like POL, fertilizer and edible oil should be protected, all other imports should be linked to exports by enlarging and liberalizing the replenishment license system. For this purpose, the following major reforms were announced by the Government under Foreign Trade Policy – 1991:

1. Rep will become the principle instrument for export related imports.

2. All exports will now have a uniform Rep Rate of 30% of the f.o.b. value. This was substantial increase from the Present Rep rates which vary between 5 percent and 20 percent of f.o.b. value.

3. The new Rep scheme gave maximum incentive to exporters whose import intensity was low. For example, agricultural exports which earlier had very low replenishment rates of 5 percent or 10 percent will now gain considerably.

4. All supplementary licenses shall stand abolished except in the case of the small scale sector and for procedures of the saving drugs/equipment.

5. All additions licenses granted to export houses shall stand abolished.

6. All items now listed in the limited Permissible List OGL items would hereafter be imported through the Rep route.

7. The EXIM Policy contained a category known as unlisted OGL. This category...
stands abolished and all items falling under the category may be imported only through the Rep Scheme.

8. Advance licensing had been an alternative to the Rep route for obtaining imports for exporters. It was expected that many exporters would find the Rep route more attractive now. However, for exporters, who wish to go through advance licensing, this route would remain open.

9. The goal of the Government was to decentralize all items except those that are essential.

10. In the light of substantial liberalization of the trade regime, and also the recent changes in exchange rate (after devaluation), cash compensatory Scheme (CCS) was abolished from July 3, 1991.

From the above, we know that Trade policy (1991) aimed to cut down administrative controls and barriers which acted as obstacles to the free flow of exports and imports. The basic instrument developed by the trade policy was the EXIM Scrip in place of Rep licenses. The purpose of this instrument was to permit imports to the extent of 30% on 100 percent realization of export proceeds. Obviously, the purpose was to bridge the BOP gap. Trade policy was streamlined various procedures for the grant of advance licenses as also permit imports through EXIM scrip’s routes.

5.3.3 EXIM Policy 1992-1997

With the aim in view, government of India decided to follow a more attractive and moderate EXIM policy for Foreign Trade, so that on March 31st, 1992, the Government announced the Export and Import policy for a period of five year (April1st, 1992 to March 31st, 1997), coinciding with the period of Eight Five year plan. The chief Controller of Imports and Exporters was re-designated as Director General of Foreign Trade (DGFT). The office of the DGFT is responsible for formulation and execution of Foreign Trade policy, including licensing.

EXIM Policy 1992-1997 made a conscious effort to dismantle various protectionist and regulatory policies and accelerate India’s transition towards a globally oriented economy. The exports-import policy was further liberalized by the Government on March 1993. Substantial concessions were announced to boost agricultural exports. The
Government also announced a centrally sponsored scheme to set up industrial parks in different states.

As well as the major steps were taken to promote exports in 1993 by the Government. In the 1993, the Government amended the existing policy to provide a greater trust to exports from agriculture and labour-intensive sectors in which the country had a strong comparative advantage. The negative list for exports was significantly pruned. A new Exports promotion capital Goods Scheme permitting import of capital goods at a concessional 15% duty rate was introduced for the services sector. Besides, EOU/EPZ Units in agriculture and allied sectors were allowed to sell up to 50% of their total output in the domestic market. Fiscal and financial policy was also deployed to support the export effort. The budget reduced import duties on capital goods used in textiles, readymade garments, leather, marine products, gems and jewellery, food processing and horticulture. The pre-shipment credit facilities in foreign currency were greatly liberalized, thus, providing Indian exporters credit at internationally competitive rates of interest. A number of steps were taken to strengthen facilities and incentives available for exports through Export processing Zones, 100% Export oriented units and electronics hardware technology parks.

After economic reforms, liberalization and globalization of India, this is the first EXIM policy which was emerged with various features and sound traits for the development of Foreign Trade of India. This policy was broadly welcomed by various traders, trade organization chambers of commerce and industry, business houses, industrial enterprises. Under this policy, the Government has aimed at restricting imports but permitted imports for production for exports.

5.3.4 EXIM POLICY -1997-2002

However, again the Government of India was emerging new EXIM policy in 1997 for the better implementation of exports and import business of India. In that, the export and import policy 1997-2002 (coinciding with the period ninth five year plan) sought to consolidate the gains of the previous policy and further carry forward the process of liberalization by deregulation and simplifying procedures and removing quantitative restrictions in a phased manner. It set an ambitious target of attaining an export level of US$ 90-100 billion by the year 2002 and achieving 1% share in world trade.

5.3.4.1 Objectives:
The principle objectives of policy were:

1) To accelerate the country’s transition to a globally-oriented vibrant economy to derive maximum benefits from expanding global market opportunities.

2) To stimulate sustained economic growth by providing access to essential raw materials, intermediates components, consumables and capital goods required for augmenting production.

3) To exchange the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and encourage the attainment of internationally accepted standards of quality.

4) To provide consumers with good quality products at reasonable prices.

5.3.4.2 Salient Features:

Following were the salient features of the EXIM policy 1997-2002 :-

1) Export and imports shall be free, except to the extent they are regulated by the provisions of this policy.

2) The Central Government may, in public interest, regulate the import or export of goods by means of a Negative List of imports or Negative List of Exports, as the case may be.

3) The Negative Lists may consist of goods, the import or export of which is prohibited, restricted through licensing, or canalized.

4) Prohibited items in the Negative List of Exports shall not be exported.

5) Any goods, the export or import of which is restricted through licensing, may be exported or imported only in accordance with a license issued on this behalf.

6) Any goods, the import or export of which is canalized, may be imported or exported by the canalizing agency specified in the Negative List.

7) No export or import shall be made by any person without an Importer-Exporter Code (IEC) number unless specifically exempted.
5.3.5 Modified EXIM policy – April 1998

The new Government at the Centre, which assumed office in March, 1998, announced its Export and Import Policy for the year 1998-99 on April 13, 1998. As part of the annual export-import policy modification, the Government freed from import restrictions a large number of consumer goods and liberalized all major export promotion schemes. This new dose of liberalization of the trade regime by the new Government was necessitated by the commitments made by India at the World Trade Organization (WTO). The timing of the import policy liberalization coincided with the scheduled review of India’s trade policy by WTO on April 16 and 17, 1998. Apart from the general Global pressure on India to remove restrictions on imports, the US has filed a complaint with the WTO against India’s import regime.

The following were the main provisions of the modified Export-Import policy unveiled by the Commerce Minister on April 13, 1998.

1) 340 more items were shifted from the restricted list to Open General Licence (OGL). Thus, out of the total number of 10,202 items covered under the export-import policy, only 2200 remained on the restricted list.

2) The revised policy set an export growth target of 20 percent for the year 1998-99 which in other words required total exports of the order of US$ 41.4 billion during 1998-99.

3) Zero-duty Export Promotion Capital Goods (EPCG) Scheme was extended to all software exporters by lowering the threshold limit of importable capital goods from ‘20 crores to’ 10 lakh. The lowering of threshold limit was expected to help software companies to proliferate throughout the length and breadth of the country. In other words, they could import any capital goods without paying any import duty and in return sign an export obligation of 5 times the value of capital goods on net foreign exchange earnings basis for a period of six years. In the case of garments, agriculture, food processing, gems and jewellery, electronics, leather, sports goods and toys, the minimum limit was lowered to ‘1 crore.

4) In a bid to prevent cheap imports being dumped at unreasonable process. the Government set up an anti-dumping cell called Directorate General (DG) of Anti-Dumping and Allied Duties. The DG would be responsible for investigation into alleged cases of dumping as well as subsidized cases. The DG would also
recommend anti-dumping duties where it is found that dumped imports are causing harms to the domestic industry. Where harm is caused to domestic industry by subsidizing exports by the exporting country, then the DG would have the jurisdiction to investigate all such cases and recommend possible imposition of countervailing duties. The DG would also advise the industry groups and consumer for a on how to go about collecting information and procedures involved in making out a case for anti-dumping duties.

5) Other provisions included –

- Delegation of powers to regional licensing offices,
- Doing away with the minimum value addition of 33 percent under advance licensing scheme.
- Simplified procedures for clubbing of advance license schemes and
- Private bonded warehouses to be set up to import, stock and sell even negative list items.

5.3.6 EXIM Policy 1999-2000:

This is an annual policy of Foreign Trade of India. The main objectives of this annual policy were to push India’s exports in international market. This policy was also announced for its effort to further dismantle the import control regime and hasten the integration of the Indian economy with the world economy. The Government announced a revised export – import policy on March 31, 1999 which came into force on April 1, 1999. The new export-import policy freed import of 894 items of consumer goods, agricultural products and textiles from licensing requirements. In other words, a number of consumer items could now be imported license free subject only to the payment of import duty. Physical controls on imports were removed and the only control over imports was fiscal in nature, i.e. adjusting import duty to regulate imports. These adjustments were to be made within the upper limits prescribed by WTO. Moreover, another 414 items were removed from the restricted list allowing these to be imported against special import license. India’s international commitments require it to remove licensing curbs on imports by the year 2003.

However, this policy was also restricted on non-essential goods. it means imports were controlled and exports were pushed up. These were the main targets of this
policy. This policy helped to cut down the trade deficit of India.

5.3.7 EXIM Policy 2000-2001

This is a new policy which was announced for help in annual boost of exports of India by the Government. The Union Commerce and Industry Minister announced on March 31st, 2000, the new Export-Import Policy of the Government of India for the year 2000-2001. The new export import policy envisaging a 20 percent export growth in dollar terms in 2000-2001, brought about a major rationalization in export promotion schemes and launched a series of sector-specific initiatives.

5.3.7.1 Export Promotion:

In a major initiative to boost exports the Government announced the following measures:

a. Special Economic Zones (SEZs):

On the pattern of the Chinese model, the Government announced the setting up of two SEZs at Poseidon in Gujarat and Nangunery in Tamil Nadu. Industrial units located in SEZs will be exempted from a plethora of rules and regulations governing exports and imports. The entire production will have to be exported from these zones. Sales from Domestic Tariff Area (DTA) can be done only on full payment of customs duty. Several Export Processing Zones (EPZs) will shortly be converted into SEZs immediately. It was further announced that 100% foreign direct investment (FDI) would be allowed in all products in SEZs. SEZs would be treated as if they are outside the customs territory of the country. The units would be able to import capital goods and raw materials duty free. The movement of goods to and from SEZs would be unrestricted.

b. Sector-specific packages:

This policy also announced sector-specific packages for seven core areas to exports, viz., gems and jewellery, pharmaceuticals, agrochemicals, biotechnology, silk, leather and garments. For the gems and jewellery exporters, the government announced a diamond-dollar account (DDA) scheme. Under the scheme, exports proceeds can be retained in a dollar account and the exporters can use funds in this account for import of rough diamonds.
For agro-chemicals, biotechnology and pharma units (considered as knowledge-intensive), the Government has allowed duty free import of laboratory equipment, chemicals and reagents up to 1 percent of the FOB value of exports. Similarly, the Government increased duty free import of trimmings, embellishments and other items from 2 to 3 percent of total export values.

c. Involvement of State Government in Export Promotion:-

Since the State forgoes taxes (mainly sales tax) on exports, they have little incentive to promote exports. The 2000-2001 Export-Import policy announced financial incentives to states based on their export performance. An incentive scheme with an initial outlay of '250 crore to secure state’s involvement in the national export drive was unveiled. The states can use the funds for export promotion activities such as infrastructure development. The commerce and Industry Minister said that he would request the states to treat all units exporting more than 50 percent of their turnover as public utility services. This would enable them to keep their international commitment on delivery schedules.

Besides, the minister observed that the recent spectacular growth of software exports was a part from India’s knowledge in high-tech, due to hands off policy of the government towards this sector. A similar approach to hardware electronics is called for.

5.3.7.2 Import Liberalization:-

The Export – Import policy 2000-2001 lifted quantitative restrictions on 714 commonly used items (agricultural products and consumer durables) which can now be freely imported. Thus, commodities like meat, milk powder, coffee, tea, fish, pickles, cigars and cigarettes, televisions, radios, tape recorders, footwear and umbrellas can be imported freely from April 1st, 2000. However, most of these items will attract peak rate of basic import duty. The lifting of licensing and quota restrictions on 714 import items was in line with India’s WTO obligations. The Government promised to abolish licensing and quota curbs on the remaining 715 items (such a liquor, cars etc.) in April, 2001.

It is concluded that many critics of the new policy fear that removal of licensing and quota restrictions would lead to surge in import of these items, hurting the domestic industry. However, it is noteworthy that import restrictions are being phased
out since 1996 but no extraordinary growth has occurred in the import of freed items. The commerce Minister maintained that anti-dumping and anti-subsidy tariffs and other safeguards would be used if there is a sudden surge in imports causing serious injury to the domestic industry. This policy was also helped to reverse the persistent trade deficit of India.

5.3.8 EXIM Policy 2001-2002

This is also an annual policy which was characterized as export oriented import policy. The Union Commerce and Industry Minister unveiled on March 31, 2001, the Export-Import Policy for the year 2001-2002 with following specific initiatives.

5.3.8.1 Removal of Quantitative Restrictions:

The process of removal of import restrictions, which began in 1991, was completed in a phased manner by the Export-Import Policy 2001-2002 with the removal of restrictions on the remaining 715 items. This was in tune with the commitments made to the WTO. Out of those 715 items, 342 were textile products, 147 were agricultural products and 226 were other manufactured products. However, import of agricultural products like wheat, rice, maize, copra and coconut oil was placed in the category of state trading. In all 27 out of 715 items taken off the quantitative restrictions and list were put under the State Trading Category.

The Government was confident that the Indian market will not be swamped by imported brands of commonly used articles. To prevent dumping, Government will take recourse to anti-dumping duties and other non-tariff barriers. Arrangements have been made to track, collate and analyses data on 300 sensitive items which mainly comprise familiar goods and items produced by small scale sector.

5.3.8.2 Agricultural Export Zones:

With a view to boost agricultural exports and provide remunerative returns to the farming community, the Export-Import Policy proposed the setting up of agricultural export zones. Three such zones are proposed to be set up in Himachal Pradesh, Jammu and Kashmir (to promote export of apples) and Maharashtra. Government will make efforts to provide improved access to the produce/products of the agriculture and allied sectors in the international market. State Governments have been asked to identity
product specific agricultural export zones for development for export of specific products from a geographically contiguous area.

This EXIM Policy was concluded that this policy was emphasized on liberalization policy so the Government removed some quantitative restriction on major imports and exports commodities as well as other rules and regulations of Foreign Trade. Under this policy, Government also expanded the list of items imported, to facilitate easy access to import of items that are not available within the country before. The Government was also permitted to import canalized items in order to promote exports.

5.3.9 EXIM Policy 2002-2007

EXIM policy for the five year period from 2002 to 2007 was unveiled on March 31, 2002 by the Union Commerce and Industry Minister. The policy entailed several institutional, infrastructural and fiscal measures intended to promote exports which are conducive to the economic development of the country. It emphasized export market diversification with special focus on unexploited regions like Sub-Saharan Africa and the CIS. It also stressed on a farm to port approach for exports of agricultural products, special thrust on cottage sectors, gems and jewellery, electronic, hardware and handicrafts and beefed up Assistance to States for infrastructural Development for Exports.

The EXIM policy 2002-2007 took a number of initiatives by providing tax concessions, streamlining certain procedures and removed quantitative restrictions. Moreover the policy was to have, “Focus Africa” so that Indias’ exports to African countries’ can be developed. The EXIM policy 2002-2007 was permitted off shore banking units which would help to develop foreign branches of Indian banks. Its main objective was to provide international finance at international rates. As a result, lower the cost of credit to our exporters to make them more competitive in Foreign Trade. The very special positive feature of the EXIM policy 2002-2007 was directed at special economic zones.

Besides, the present policy aimed to reduce transaction cost to trade through a number of measures to bring about procedural simplifications. The Government announced a medium-Term Export Strategy (MTES) for 2002-2007, providing a vision for creating a stable policy environment with indicative sector-wise targets for achieving 1
percent share for India in world trade by 2007. This EXIM policy 2002-2007 sought to usher in an environment free of restrictions and control.

5.3.9.1 Salient Features:

The following were the salient features of the EXIM policy 2002-2007:

1) Special Economic zones (SEZs):

Indian banks were permitted to setup off shore Banking Units (OBUs) in SEZs. Units in SEZs were permitted to undertake hedging of commodity price risks, provided such transactions are undertaken by the units on stand-alone basis. Thus, will impart security to the returns of the unit. These units are working as foreign branches of Indian banks but located in India. It has also been decided to permit External Commercial Borrowings for tenure of less than three years in SEZs. The detailed guidelines will be worked out by RBI. This will provide opportunities for accessing working capital loan for these units at international competitive rates.

2) Employment Generation:

In an effort to generate additional employment, the following announcement were made pertaining to agricultural and small industry sectors in EXIM policy 2002-2007.

a) Export restrictions like registration and packaging requirement were removed forthwith on butter, wheat and wheat products, oars grains, groundnut oil and cashew to Russia. Quantitative and packaging restrictions of wheat and its products, butter, pulses, grain and flour of barley, maize, bajra, ragi and jowar had already been removed on March 5th, 2002.

b) To remove all quantitative restrictions on export of all agricultural products, except jute and onion.

c) To promote export of agriculture and agriculture based products 20 agriculture export zones were notified.

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

e) 3 percent special DEPB rate was announced for primary and processed foods exported in retail packaging of 1 kilogram or less.
f) An amount of Rs.5 crores under Market Access Initiative (MAI) was earmarked for promoting cottage sector exports coming under the KVIC.

g) The units in the handicrafts sector can also access funds from MAI scheme for development of website for visual exhibition of their products.

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

i) These units shall be entitled to the benefit of Export House Status on achieving lower average export performance of `5 crores as against `15 crores for others.

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

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

i) Common service providers in these area shall be entitled for facility of EPCG scheme.

ii) The recognized associations of units in these areas will be able to access the funds under the market access initiative scheme for Creating focused technological services and marketing abroad.

iii) Such areas will receive priority for assistance for identified critical infrastructure gaps from the scheme on Central Assistance of States.

iv) Entitlement for Export House Status at `5 crore instead of `15 crore for others.

3) Technology Up gradation:-

Under this EXIM policy, Electronic Hardware Technology Park (EHTP) scheme was modified to enable the sector to face the zero duty regime under ITA (Information Technology Agreement).

i. The units shall be entitled to following facility:

- Net Foreign Exchange as a percentage of Exports (NFEP) positive in 5 years.
• No other export obligation for units in EHTP.

• Supplies of ITA-1 items having zero duty in the domestic market to be eligible for counting of export obligation.

4) Growth – Oriented:-

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

a) License/certificate/permissions and customs clearances for both imports and exports on self-declaration basis.

b) Fixation of input-output norms on priority.

c) Priority finance for medium and long-term capital requirement as per conditions notified by RBI.

d) Exemption from compulsory negotiation of documents through banks. The remittances, however, would continue to be received through banking channels.

e) 100 percent retention of foreign exchange in Exchange Earner’s Foreign Currency (EEFC) account.

f) Enhancement in normal repatriation period from 180 days to 360 days.

g) For the diversification of markets focus LAC (Latin American Countries) and Focus Africa was launched in November, 1977 and April, 2002, in which Focus LAC was extended upto March, 2003.

5) Textile :

This EXIM policy 2002-2007 also permitted Duty Entitlement pass book rates for all kinds of Blended fabrics.

Thus, it is very clear that while the FIP 2002-2007 is designed to tap India’s export potential, a lot depends on how FTP is going to be implemented. Therefore, these are needed to concentrate on implementation. In addition, the 2002 survey by the CII has painted a grim picture of exports. Only 5 of the 48 export industries had ‘excellent’ growth as compared to 9 in the previous year. High growth was achieved by 9 industries compared to 11 in the previous year while 34 industries registered moderate growth or a decline. Hence, there is no doubt that Foreign Trade holds the key to India’s
long term growth.

5.3.10 EXIM Policy – 2003-2004

It had the following provisions:-

1) The policy provided a massive thrust to export of services by introducing duty free import facility for the service sector units having a minimum foreign exchange earning of `10lakh.

2) Encouragement of corporate sector with proven credential to sponsor Agri- Export Zones for boosting farm exports.

3) EPCG scheme make more flexible and attractive so that even the small scale sector could set up and expand its manufacturing base for exports.

4) Fixing of input-output norms for status holders on priority basis within a period of 60 days and permission to status holders in Software Technology Parks India (STPI) for free movement of professional equipment.

5) Simplification and codification of rules, regulations and procedures applicable to SEZ and EOU units by putting all these rules and regulations in one place, thus greatly facilitating both potential investors and existing units.

6) To increase the overall competitiveness of export clusters, a scheme for upgradation of infrastructure in existing clusters/industrial locations would be implemented.

7) Extension of Duty Free Replenishment Certificate (DFRC) scheme to deemed exports and reduction in its value addition norms from 33 percent to 25 percent.

5.3.11 Mini EXIM policy, January, 2004:

Preceding the dissolution of the 13th Lok-Sabha on February 6, 2004, the Government of India announced a mini EXIM policy on January 28, 2004. It included facilitation and simplification measures to sustain the momentum of export growth. Specifically, it was aimed at providing boost to exports of gems and jewellery, encouraging tourism (domestic and foreign) and making energy generation cheaper. Highlights of the new policy were:-
1) Free import of gold and silver for export purposes permitted. In other words, gold and silver can now be imported without paying any commission to canalizing agents. (In 1997, the Government authorized three canalizing agencies, viz, MMTC, STC and HHEC, and eight banks to import gold and silver for sale in the domestic market.) Likewise, import of rough, uncut and semi-polished diamonds will not be valued for export obligations. Quantitative restrictions on gold and silver imports have also been lifted. Government also announced the introduction of a gold card for credit-worthy exporters to make available cheaper foreign currency debt on easier terms.

2) Duty-Free import facility available to star hotels extended 1 heritage, one and two-star hotels and stand-alone restaurants. All these hotels have been allowed duty-free import equivalent to 5 percent of their export earnings in three preceding years.

3) Restriction on import of electrical energy lifted.

4) Online licenses and electronic fund transfer facility for exporters. These measures are expected to reduce transaction cost for exporters, and make export administration transparent.

5.3.12 Foreign Trade Policy, 2004-2009

In a radical move, the Government of India announced, on August 31, 2004, a new Foreign Trade Policy (FTP) for the period 2004-2009, replacing the hitherto nomenclature of EXIM policy by Foreign Trade Policy. In The preamble Union Minister for Commerce and Industry Mr. Kamal Nath has written that “For India to become a major player in world trade, an all-encompassing, Comprehensive view needs to be taken for the overall development of the country's Foreign Trade. While increase in exports is of vital importance, we have also to facilitate those imports which are required to stimulate our economy. Coherence and consistency among trade and other economic policies is important for maximizing the contribution of such policies to development. Thus, while incorporating the existing practice of enunciating an annual EXIM policy, it is necessary to go much beyond and take an integrated approach to the developmental requirements of India's Foreign Trade. This is the context of the New Foreign Trade policy 2004-2009.
As well as, a vigorous export-led growth strategy of doubling India's share in global merchandise trade in the next five years with a focus on the sectors having prospects for export expansion and potential for employment generation, constitute the main plank of the policy.

These measures are expected to enhance international competitiveness and aid in further increasing the acceptability of Indian exports. However, annual revision were made by then Government about EXIM policy. The Central Government notified the Foreign Trade Policy for the period of 2004-2009 incorporating the Export-Import policy for the period 2002-2007 as modified first of all. Actually, this policy came into existence with effect from 1st September 2004. But, Central Government still reserved its right to make amendments or modifications in it annually or as and when deemed fit. From the year 2005 to 2009, regularly its annual supplements to these five year policy were brought out by the Government.

5.3.12.1 Objectives of the FTP 2004-2009 :-

Main objectives of the FTP 2004-2009 are as under :-

1) To double India's share of global merchandise trade within next five years of policy and

2) To act as an effective instrument of economic growth and generation of additional employment opportunities.

5.3.12.2 Strategy of the FTP 2004-2009 :-

The above mentioned main objectives are sought to be achieved in the following ways :

1) To develop India as a global hub for manufacturing, trading and services.

2) Making the procedures etc. easy so that the transaction costs can be brought down.

3) To protect the interests of India's domestic sector while entering into Free Trade Agreement, Regional Agreements/Preferential Trade Agreement etc.

4) To upgrade all physical and virtual infrastructural networks, that is related to Foreign Trade chain, to international standards.
5) To help in technological and infrastructural upgradation of all the sectors of the Indian economy.

6) To generate the additional employment opportunities in semi-urban and rural areas.

7) Provision and restructuring of an active role of the board of Trade and Indian Embassies in export strategy.

8) To avoid inverted duty structures.

5.3.12.3 Special Focus Initiatives:

The FTP 2004-2009, has identified certain thrust sectors having prospects for export expansion and potential for employment generation. These thrust sectors include agriculture, handlooms and handicrafts, marine sector, gems and jewellery and leather and footwear sector, which are explain in brief as under:

5.3.12.3.1 Package for Agriculture:

For agriculture sector, introduction of new scheme called “Vishesh Krishi Upaj Yojana” (Special Agricultural Produce scheme) to boost exports of fruits and their value added products. Under the scheme, exports of these products qualify for duty free credit entitlement (5 percent of F.O.B value of exports) for importing inputs and other goods.

5.3.12.3.2 Handlooms and Handicrafts:

The special focus initiative for handlooms and handicraft sector includes extension of facilities like enhancing (to 5 percent of F.o.b. value of exports) duty free import of trimmings and embellishments for handlooms and handicrafts, exemption of samples from countervailing duty (CVD) and establishment of a new Handicraft Special Economic Zone.

5.3.12.3.3 Gems and Jewellery:

Major policy announcements under gems and jewellery sector included permission for duty free import of consumables for metals other than gold and platinum up to 2 percent of F.O.B value of exports, duty free re-import entitlement for rejected jewellery allowed up to 2 percent of F.O.B value of exports, increase in duty free import of commercial samples of jewellery to `1 lakh, and permission to import of gold 180
of 18 carat and above under the replenishment scheme.

5.3.12.3.4 Leather and footwear:

Specific policy initiative in leather and footwear sector is mainly in the form of reduction in the incidence of customs duties on the inputs and plants and machinery. The major policy include increase in the limit for duty free entitlements of import trimmings, embellishments and footwear components for leather industry to 3 percent of F.O.B value of exports and that for duty free import of specified items for leather sector to 5 percent of F.O.B. value of exports, import of machinery and equipment for leather industry exempted from customs duty, and re-export of unsuitable imported materials has been permitted.

5.3.12.4 New Export promotion Schemes:-

A new scheme to accelerate growth of exports called Target Plus has been introduced. Under the scheme, exporters achieving a quantum growth in exports are entitled to duty free credit based on incremental exports substantially higher than the general actual export target fixed. Rewards are granted based on a tiered approach for incremental and can be used for import of a variety of inputs and goods of special agriculture sectors.

- Simplification, rationalization and modifications of ongoing Schemes:

Under FTP 2004-2009, EPCG scheme has been further improved upon by providing additional flexibility for fulfillment of export obligation, facilitating and providing incentives for technological up gradation, permitting transfer of capital goods to group companies and managed hotels, doing away with the requirement of certificate from Central Excise (in the case of movable capital goods in the service sector) and improving the viability of specified projects by calculating their export obligation based on concessional duty permitted to them.

Besides, import of second hand capital goods without any restriction on age has been permitted and the minimum depreciated value for plant and machinery to be relocated into India’s has been reduced from '50 crores to '25 crores. The FTP 2004 has also introduced a new nationalized scheme of categorization of status holders as Star Export Houses, with benchmark for export performance varying from '15 crore to '5,000 crore.
• Simplification of Rules and Procedures and Institutional Measures:

Under FTP 2004-2009, policy measures announced to further rationalizes / simplify the rules and procedures include exemption for exporters with minimum turnover of `5 crores and good track record from furnishing bank guarantee in any of the schemes, services tax exemption for exports of all goods and services, increase in validity of all licenses , entitlements issued under various schemes uniformly to 24 months, reduction in number of returns and forms to be filed, delegation of more power to zonal and regional offices. The FTP 2004-2009 also proposes provision to deserving exporters, on the recommendation of the Export Promotion councils, of financial assistance for meeting the costs of legal expenses connected with trade related matters.

5.3.12.4.1 Annual supplement 2005-06 to the Foreign Trade Policy, 2004-2009:

The Union commerce and Industry Minister announced on April 8, 2005, the 2005-06 annual supplement to the five years 2004-2009 Foreign Trade policy, giving a big boost to exports from agriculture and manufacturing sector. Auto components, pharmaceuticals, gems and jewellery and seafood exports firms stood to gain the most. Highlights of the Annual Supplement 2005-06 were as follows:

1) Push to export of farm, marine, manufacturing and pharmaceutical products.
2) Export cess on farm commodities abolished,
3) Infrastructure initiative to reduce port congestion
4) Imports by hotels, other service industries made duty-free,
5) Setting up of interstate trade council mooted and
6) Procedures simplified to cut transaction costs.

5.3.12.4.2 Annual supplement 2006-07 to the Foreign Trade Policy 2004-2009:

The Union Commerce and Industry Minister announced on April 7, 2006, the 2006-07 supplement to the five year 2004-2009 Foreign Trade Policy. With a view to doubling India's percentage share of global trade within 5 years and expanding employment opportunities, especially in semi-urban and rural areas, 'Certain Special
focus initiative were identified for the agriculture, handlooms, handicraft, gems and jewellery, leather and marine sectors. Concerted efforts would be made to promote exports in these sectors by specific sectorial strategies that shall be notified from time to time.

5.3.12.4.3 Annual supplement 2007-2008 to the Foreign Trade Policy 2004-2009:

1. Objectives:

Annual supplement 2007-08 to the Foreign Trade Policy 2004-2009 is rooted and built around two major objectives which are as under:

a. To double our percentage share of global merchandise trade within the next five years and

b. To act as an effective instrument of economic growth by giving a thrust to employment generation.

2. Strategy:

The above mentioned objectives are proposed to be achieved by adopting, among others, the following strategies:-

a. Unshackling of controls and creating an atmosphere of trust and transparency to unleash the innate entrepreneurship of our businessmen, industrialists and traders,

b. Facilitating development of India as a global hub for manufacturing, trading and services,

c. Simplifying procedures and bringing down transaction costs.

d. Neutralizing incidence of all levies and duties on inputs used in export products, based on the fundamental principle that duties and levies should not be exported.

e. Identifying and nurturing special focus areas which would generate additional employment opportunities, particularly in semi-urban and rural areas, and developing services of ‘Initiatives’ for each of these.

f. Facility technological and infrastructural upgradation of all the sectors of the Indian economy especially through import of capital goods and equipment, thereby
increasing value addition and productivity, while attaining internationally accepted standards of quality.

g. Avoiding inverted duty structures and ensuring that our domestic sectors are not disadvantaged in the Free Trade Agreements / Regional Trade Agreements / Preferential Trade Agreements that we enter into in order to enhance our exports.

h. Upgrading our infrastructural network, both physical and virtual, related to the entire Foreign Trade Chain to International Standards.

i. Revitalizing the Board of Trade by redefining its role, giving it due recognition and inducting experts on Trade Policy, and

j. Activating our Embassies as key Players in our export strategy and linking our commercial wings abroad through an electronic platform for real time trade intelligence and enquiry dissemination.

3. **Partnership**:

The annual supplement 2007-08 to the Foreign Trade Policy 2004-09 envisages merchant exporters and manufacturer exporters, business and industry as partners of Government in the achievement of its stated objectives, time and goals.

**5.3.12.4. Annual Supplement to the Foreign Trade Policy 2004-09:**

This annual supplement to the Foreign Trade Policy 2004-2009 proposed several innovative steps, which included the following:

1) To promote modernization of manufacturing and services exports, the import duty under the EPCG Scheme was reduced from 5% to 3%.

2) Refund of tax on a large number of services relating to exports had already been announced by the government. A few remaining issues regarding refund of service tax on exports would also be resolved soon.

3) Income tax benefit to 100 percent EOUs available under section 10B of Income Tax Act was extended for one more year, beyond 2009.

4) Sports and toys are mainly produced by our unorganized labor intensive sector. To promote export of these items and also to compensate disadvantages suffered by them, an additional duty credit of 5 percent over and above
credit under focus product scheme was provided.

5) Exports of fresh fruits, vegetables and floriculture suffer from high incidence of freight cost. To neutralize this disadvantage, an additional credit of 2.5 percent over and above the credit available under VKGUY was proposed.

6) Interest relief already granted to the sectors affected adversely by the appreciation of the rupee was extended for one more year, and

7) The DEPB scheme was continued till May, 2009

5.3.13 Trade Facilitation Measures, February, 2009:

A full year trade policy for 2009-10 was not announced by the Government in view of the political uncertainty due to General Election held in the country during April-May, 2009. However, as supplement to Foreign Trade Policy 2004-09, following measures were announced by the Government on February 26, 2009 to further simplify export procedures:

1) Duty Credit Scrip’s and under DEPB scheme shall now be issued without waiting for realization of export proceeds.

2) Export incentives have been provided for certain items like technical textiles, stapling machine, handmade concepts and dried vegetable. In addition, incentives of `325 crore would be provided for leather, textile, etc. for exports w.e.f. April 1, 2009.

3) STCL limited, Diamond India Limited, MSTC Limited, gem and jewellery Export Promotion, Council and Star Trading Houses (only for gem and jewellery sector) have been added under the list of nominated agencies notified under para 4A of Foreign Trade Policy for the purpose of import of precious metals.

4) Import restrictions on worked corals have been removed to address the grievance of gem and jewellery exporters.

5) Bhilwara in Rajasthan and Surat in Gujarat have been recognized as Towns of Export Excellence, for textile and diamonds respectively.

6) At present, Government recognizes Premier Trading Houses based on an export turnover of `10000 crore in the previous 3 years and the current year taken together. In view of the prevailing global slowdown, the threshold limit for
recognitions as Premier Trading Houses is now been reduced to '7500 crore.

7) Under EPCG scheme, in case of decline in exports of a product(s) by more than 5 percent, the export obligation for all exporters of that product(s) is to be reduced proportionately. This provision has been extended for the year 2009-10, for exports during 2008-09.

8) At present, DEPB/Duty Credit Scrip can be used for payment of duty only on items which are under free category. The utilization is now extended for the payment of duty for import of restricted items also.

9) The procedural formalities for claiming duty drawback refund and for getting refund of Terminal Excise Duty for deemed exports are further simplified.

10) Export of blood samples is now permitted without license after obtaining no objection certificate for Direction General of Health Services (DGHS).

11) Supply of an International product by the domestic supplier directly from their factory to the part against Advance Intermediate Authorization, for export by ultimate exporter, has been allowed.

12) Re-credit of 4 percent SAD, in case of payment of duty by incentive scheme scrip’s such as VKGUY, FPS and FMS, has now been allowed.

13) Opening of an independent office of DGFT in Srinagar.

14) In case of Advance Authorization for Annual Requirement where Standard Input-Output Norms are not fixed, the provisions in Foreign Trade Policy have been aligned with the relevant Custom Notifications.

15) Value cap applicable under DEPB have been revised for two products.

16) Export through Krishnapatnam seaport has been included for the purpose of Export Promotion Scheme.

17) Electronic Message Transfer facility for Advance Authorization and EPLG scheme established for shipments from EDI parts w.e.f. April 1, 2009. Requirement of hand copy of Shipping Bills dispensed with these for Export Obligation discharge.

18) Authorized person of Gem and Jewellery units in EOU shall be
allowed personal carriage of gold in primary form up to 10 kilograms in a financial year subject to RBI and customs guidelines.

19) For Advance Licenses issued prior to April 2, 2002, the requirement of MODVAT/CENVAT certificate dispensed with in case the Customs Notification itself prescribed for payment of CVD. This will help in closure of a number of pending advance licenses.

20) Export obligation period against advance authorizations extended up to 36 months in view of the present global economic slowdown.

21) Re-imbursement of additional duty of excise levied on fuel would also be admissible for EOUs.

22) Clarification has been issued by CDEC in respect of architectural services, general insurance services, market research services, storage and warehousing services and knowledge and technology based services so that such services used outside India are treated as export of services. This will remove the existing ambiguity and enable refund of service tax paid in this regard.


In the last five years (2004-2008-09), our exports witnessed robust growth to reach a level of US$ 168 billion in 2008-09 from US$63 billion in 2003-04. Our share of global merchandise trade was 0.83% in 2003; it rose to 1.45% in 2008 as per WTO estimates. Our share of global commercial services export was 1.4% in 2000, it rose to 2.8% in 2008. India’s total share in goods and services trade was 0.92% in 2003, it increased to 1.64% in 2008. On the employment front, studies have suggested that nearly 14 million jobs were created directly or indirectly as a result of augmented exports in the last five years i.e. 2004-05 to 2008-09.

Experts feel that for the first time, an equal thrust has been given to both export promotion as well as import liberalization in the Foreign Trade Policy 2004-2009. The reforms in the trade policy continue on the lines of liberalization, transparency and globalization. This will help to boost Foreign Trade and support overall economic development of the country. The trade friendly environment is also in line with WTO
framework for reducing quantitative restrictions and cutting tariffs. As well as the Government has announced a series of procedural simplifications for exporters in order to reduce transaction costs and introduce transparency into the FTP 2004-2009. The New FTP 2004-2009 is a significant step towards furthering the reforms process started a decade ago. Its main aim is to boost Foreign Trade and double India’s share of Foreign Trade from 0.7 percent in 2003 to 1.5% by 2009.

This policy 2004-2009 envisages a doubling of India’s share in world export from 0.75 to 1.5 percent by 2009. To achieve this target, Indian exports may need to exceed US$ 150 billion by 2009 as world exports one also griming fast.

It is concluded that for the first time the country has been presented with almost comprehensive FTP. However, the FTP (2004-09) does not state anything about import development. The new FTP (2004-09) has been applauded for its efforts to improve export production, generating of export surplus removal of quantitative restriction on exports, attempts to reduce transaction costs, simplification in procedures and focused attention on export promotion etc. are main activities attempted with good result under this FTA. In addition, service exports have received due attention under this new policy. But with advantages, some disadvantages also arising in the new FTP (2004-09). These are the state of infrastructure, power tariffs interest rates, traction structure etc. are well known. Also the serious issue of industrial relations is not all addressed under this new FTP. As well as the policy, ambitiously, proposes setting up free-trade warehousing zones to facilitate the emergence of India as a global trading hub. Similarly, permitting 100% FDI in free-trade zones looks an attractive idea but its implementation will depend on various operational conditions more important to labour relations. The new Foreign Trade policy (2004-09) does not say on this.

5.3.14. Foreign Trade Policy, 2009-2014:

The Department of commerce, Ministry of commerce and Industry, Government of India, Formulates, implements and monitors the Foreign Trade Policy which provides the basic framework of a medium-term strategy to be followed for promoting exports and trade. India’s FTP 2009-2014 was announced on August 27, 2009, in the backdrop of economic turmoil of 2008. FTP, 2009-2014 sets out a goal to achieve annual export growth of 15% with an annual export target of US$ 200 billion by March 2001. The short term objective is to assert and reverse the trend of decline in exports
and provide additional support to those sectors that have been badly hit by the crisis.

In order to meet these objectives the government would follow a Ministry of policy measures including fiscal incentives, institutional changes procedural nationalization, enhanced market access across the world and diversification of export markets. Improvement in infrastructure related to exports, bringing down transaction costs and providing full refund of all indirect taxes and levies, would be the three pillars, which will support us to achieve this target. However, from Independence in 1947 till mid-1995, India, with some exceptions, always faced deficit in its balance of payments, i.e. imports always exceeded exports. This was characteristic of a developing country struggling for reconstruction and modernization of its economy. Imports galloped because of increasing requirements of capital goods, defence, equipment, petroleum products and raw materials. Exports remained relatively sluggish owing to lack of exportable surplus, competition in the international market, inflation at home and increasing protectionist policies of the developed countries.

Under the present FIP 2009-2014, Government recognizes exporters based on their performance and they are called "Status holders." The FTP is also committed to support the growth of project exports creating synergies in the line of credit extended through EXIM bank for new and emerging markets. This committee would have representation from the Ministry of External Affairs, Development of Economic Affairs, EXIM bank and the reserve bank of India. The policy also encourage production and export if ‘green products’ through measures such as pared manufacturing programme for green vehicles, zero duty, EPCG scheme and incentives for exports. The present FTP policy also encompassed significant changes in the system of export incentives, moving away from direct-subsidies to indirect export-promotional measures.

To enable support to Indian industry and exporters, we have set an ambitious FTP 2009-2014 for ourselves. Besides, vide paragraph 2.5 of the FTP 2009-2014. i.e. exemption from policy procedure, the DGFT may, in public interest, exempt any person from any procedure and may, while granting such exception, impose such conditions as he may decent fit. Such request may be considered only after Consulting Committees forward it. Further, vide paragraph 3.10.2 of the Foreign Trade policy 2009-2014, Status category:- Applicant shall be categorized depending on his total FOB(For a deemed exports) export performance during current plus previous three
years (taken together) upon exceeding limit below; For export flows Rs 20 core. Star export House Rs. 100 crores, Trading House Rs. 500 crores, star trading house Rs. 7500 crores export performance is necessary in at least two out of four years i.e. Current plus previous three years.

5.3.15 Conclusion:-

In India, the progressive trade liberalization implemented since 1991 has resulted in the completed dismantling of all quantitative controls on import of merchandise and reduction of peak import tariffs on non-agricultural products from 30.05% in 1991-1992 to 10% at present. Liberalization of trade and investment policies over the last 20 years has brought rich dividends in several areas. The automobile components industry and the generic drugs industry are in the process of becoming front-runners internationally. External liberalization has complemented internal liberalization and put Indian manufacturing sector in a strong position.

Commenting on the diversification of India’s Foreign Trade, it observed, “India has made progress in diversifying its export and import markets. The share of Asia and the Association of South East Asian Nations (ASEAN) in total trade increased by 33.3 percent in 2000-01 while that of Europe and America fell from 26.8 percent to 19 percent. This has helped India, whether the global crisis emanating from Europe and America. The USA has been displaced by the UAE as India’s largest trading partner, followed by China, since 2008-09.

Hence, EXIM policies have provided the environment to boost export. It is concluded that the all EXIM policies or Foreign Trade policies of India contative number of provisions and facilities to provide for the regulation and promotion of foreign trade of India. The provisions of all EXIM policy or FTP, enable the entrepreneurs to plan for the establishment of export business. Having understood the broad framework of the international trading environment, these EXIM policies also promote India’s foreign trade i.e. in 1991-92 when first new EXIM policy started there was only export accounted only Rs. 44042 crores while in 2009-10, the export account Rs. 845534 crores (Table 5.1) by offering various incentives schemes to the exporters to boost the exports. We strictly concluded that EXIM policies have provided the environment to boost export in India after economic reforms.

It is also concluded that after the reforms of the Indian Economy and various EXIM
policies or Foreign Trade Policies, to attain and maintain annual growth rate of real 
GDP, which is clearly a step in the right direction of Indian economy. In the Tenth 
Five Year Plan (2002-03 to 2006-07) recorded annual growth rate of 7.2 percent and 
the underway Eleventh Five Year plan (2007-08 to 2011-12) aims to achieve 9.0 
percent growth rate per annum. It is now widely agreed that the Indian Economy is 
capable of achieving high growth rates in response to implementation of appropriate 
and timely EXIM Policies or Foreign Trade Policies and Economic Reform 
Policies.

5.4 India’s Regional Trade Agreement (RTA)

5.4.1 Introduction:

Trade or Foreign trade exists between regions because different regions have a 
comparative advantage in the production of some tradable commodity or because 
different region’s size allows for the benefits of mass production. India’s continued 
growth and development needs both an expanding domestic market as well as across 
to raw materials and large markets of the world, recognizing that Regional Trade 
Agreements (RTAs) materials and large markets of the world.

Regional Trade Agreements (RTAs) are an integral part of India’s foreign trade policy, 
complementing the multilateral trading system. Prior to economic reform process 
initiated in 1991, India had adopted a very cautious and guarded approach to 
regionalism. Recognizing that RTAs would continue to feature prominently in world 
trade, India engaged with its trading partners/block with the intention of expanding its 
export market and began concluding in principle agreements and moving in some 
cases even towards Comprehensive Economic Co-operation Agreements (FTA) in 
goods, services, investments and identified mean of economic co-operation.

Today, many Asian countries have joined together to develop cross-border 
infrastructure to lay the foundation for closer trading relationship and increased 
connectivity among countries. Similar initiatives are underway in South-Asia and in 
Central-Asia, with exciting prospects of further development. After independence India 
had adopted a very cautious approach to regionalism and was engaged in only a few 
bilateral/regional trade agreements mainly through Preferential Trade Agreement. 
Regionalizing the RTAs would continue to feature in world trade for a long time, and
with the intention of expanding its export market, India began principle agreement
with other countries.

Framework agreement have already been entered into number of trading partners
with specific road maps to be followed and specified time frames by which the
negotiations are to be completed. Join study Groups have also been set up for
examining feasibility of various trade agreements for regional and international level.
India has recently signed various regional and bilateral trade agreements with its
neighbors and seeking new ones with the East Asian Countries and the United States.
Its regional and bilateral trade agreements are at different stages of development. So
far, India has concluded 10 Free Trade Agreements (FTAs), 5 Limited scope
Professionals Trades Agreements (PTAs) and is in the process of negotiating /
expanding 17 more agreements. India’s important Trade Agreements are briefly
explained in below:

5.4.2.1 Association of South East Asian Nation (ASEAN):

The ASEAN was established by the five countries namely Indonesia, Malaysia,
Philippines, Singapore, and Thailand in 1967 and extended into six member with
Vietnam in 1995 and Laos and Myanmar in 1997. But India’s engagement with the
Association of South East Nations (ASEAN) started with its ‘look east policy’ in the
year 1991. ASEAN has a membership of 10 countries at present, namely Brunei
Darussalam, Cambodia, Indonesia, Singapore, Thailand and Vietnam. India becomes a
November 2001, the ASEAN India relationship was upgraded to the summit level.

The ASEAN has three major objectives to promote the economic, social and cultural
development of the region through comparative programs, to safe guard the political
and economic stability of the region against big power rivalry; and to serve as forum
for the resolution of intra-regional differential. The first ASEAN Economic Ministers
(AEM) India constellations were held on September 15, 2002 in Brunei Darussalam
where the Ministers, after discussing the Joint study Report decided to establish an
ASEAN-India Economic Linkages Task Force (AIELTF). The AIELTF was asked to
prepare a draft Framework agreement to enhance the ASEAN-India trade and
economic co-operation before the 2nd AEM-India consultations. Subsequently,
at the first ASEAN-India summit held on November 5, 2002 in Phnom Penh,
Cambodia, the Prime Minister of India made the following major
• India will extend special and differential trade treatment to ASEAN countries, based on their levels of development to improve their market access to India.

• FTA within 10 years timeframe.

A framework Agreement on comprehensive Economic cooperation between the ASEAN and India was signed by the Prime Minister of India and the Heads of Nation / Governments of ASEAN –India members during the second ASEAN-India summit on October 8, 2003 in Bali, Indonesia. The key elements of the Framework Agreement on Comprehensive Economic cooperation between ASEAN and India cover FTA in goods, services and investment, as well as Areas of Economic cooperation. The Agreement also provided for an early Harvest Programme (EHP) which covers area of Economic cooperation and a common list of items for exchange of tariff concessions as a confidence building measure. Presently, the ASEAN – India Trade Negotiating Committee (TNC) is undertaking negotiations for a comprehensive Economic cooperation agreement (CECA) which includes a Free Trade Area in goods, services and investment. Agreement has been reached on the Rules of origin and Dispute settlement Mechanism. The TNC is now negotiating the modalities for tariff reduction and elimination.

On August 13, 2009, India and ASEAN signed the Trade in goods Agreement under the broader framework of a comprehensive Economic cooperation Agreement (CECA) between India and ASEAN. The trade in Goods Agreement provides for elimination of basic customs duty on 80 percent of the tariff lines accrediting for 75 percent of the trade in a gradual manner starting from January 1, 2010. India has excluded 489 HS 6 digits lines from the list of tariff concessions and 590 HS 6 digit lines from the list of tariff eliminations to address sensitivities in agriculture, textiles, auto, chemicals, crude and refined palm oil, coffee, tea, paper etc.

The bilateral trade and investments between India and ASEAN have considerably increased touching US$44 billion in 2009-10, compared to US$13.25 billion in 2003-01 (in 2009-10, the value of our exports was US$ 26 billion) PM announced a target of bilateral trade of US$70 billion by 2012, which can be achieved despite the fragile global economic recovery. (INDIA 2012- A reference Annual, MOIB, New Delhi 2012 p.625)
The Asia Pacific Trade Agreement (APTA), previously named the Bangkok Agreement, signed in 1975 as an initiative of ESCAP, is a preferential tariff arrangement that aims at promoting intra-regional trade through exchange of mutually agreed concessions by member countries. APTA has 5 members, namely Bangladesh, China, India, Republic of Korea, Lao people’s Democratic Republic (PDR) and Sri Lanka, ESCAP functions as the secretariat for the agreement. The second Ministerial council meeting of APTA was held, in Goa on October 26 2007. The ministerial council adopted, through the ministerial declaration, a common set of “operational procedure for the certification and verification of the origin of good under the Asia-Pacific Trade Agreement”, as recommended by the 27th session of the standing committee and agreed to implement these procedure with effect from January 1, 2008. The important decision taken in the meeting were as follows:

1) An announcement to launch the 4th round of negotiations was made. The standing committee has been directed to conclude the negotiations by the third ministerial council meeting (scheduled to be held in October, 2009)

2) The standing committee is to adopt modalities for extension of negotiations in other area such as non-tariff measures, trade facilitation services and investment. To this effect the prospects of APTA have been widened by the Minister.

3) A common set of Operational Procedures for the certification and verification of the origin of goods for APTA was approved and it was decided that the same would be implemented w.e.f January 1, 2008;

4) The standing committee and the secretariat would take necessary action to expand the membership of this agreement and member countries to give positive consideration to support the secretariat’s activities relating to APTA.

As well as to move forward the 4th round of negotiations, the APTA sub regional seminar on February 24th, 2009 and 31st session of the standing committee were held on February 25-27, 2009 in Bangkok. The third meeting of Ministerial Council and the 35th session of the standing committee held on December 15, 2009 and December 13-14, 2010 respectively in Seoul, South Korea.
5.4.2.3 Global System of the Trade Preferences (GSTP):

The agreement establishing the global system of Trade Preferences (GSTP) among Developing counties was signed on April 13, 1988 at Belgrade following the conclusion of the First round of negotiation. The GSTP came into being after a long process of negotiations during the Ministerial Meeting of the Group of 77, notably at Mexico city in 1976, Arusha in 1979 and Caracas in 1981. The Ministers of Foreign Affairs of the group of 77 in New York set up the GSTP negotiating Committee in 1982. The New Delhi ministerial meetings, held in July 1985 gave further impetus to the GSTP negotiation process. The Brasilia Ministerial meeting held in May 1986 launched the First Round of GSTP negotiations. At the conclusion of the first round in April 1988 in Belgrade, GSTP Agreement was signed on April 13, 1988. The agreement entered into force on April 19, 1989. 44 countries have ratified the agreement and have become participants.

The GSTP establishes a framework for the exchange of trade concessions among the member of the group of 77. It lays down rules, principles and procedures for conduct of negotiations and for implementation of the results of the negotiations. The coverage of the GSTP extends to the arrangement in the area of tariffs, para-tariff, non-tariff measures, direct trade measures, including medium and long term contract and sectorial agreements. One of the basic principles of the agreement is that it is to be negotiated step by step improved upon and extended in successive stages.

5.4.2.4 Bay of Bengal initiative for Multi-Sectorial Technical and Economic cooperation (BIMSTEC):

The initiative to establish Bangladesh-India- Sri Lanka – Thailand economic cooperation (BIST-EC) was taken by Thailand in 1994 to explore economic cooperation on a sub-regional basis involving countries of South East and South Asia grouped around the Bay of Bengal. BIMSTEC is another sub-regional organization across two regions, ASEAN and South Asia. This organization was established by Bangladesh-India- Sri Lanka – Thailand on 6 June 1997. Myanmar was admitted in December 22, 1997 and the initiative was renamed as BIMSTEC. It may be mentioned that the initiative involves 3 members of SAARC (India, Bangladesh and Sri Lanka) and two members of ASEAN (Thailand and Myanmar). BIMSTEC is visualized as bridging link between two major regional groupings, i.e. ASEAN and SAARC.
BIMSTEC is an important element in India’s Look East Strategy and adds a new dimension to our economic cooperation with South East Asian Counties. An objective of BIMSTEC declared by Bangkok inaugural meeting in December 22, 1977 are to create an enabling environment for rapid economic development, accelerate social progress in the sub-region, promote active collaboration and mutual assistance on matters of common interest, provide assistance to each other in the form of training and research facilities, cooperate more effectively in joint efforts that are supportive of, and complementary to national development plans of member states, maintain close and beneficial cooperation with existing international and regional organizations, and cooperate in projects that can be dealt with most productively on a sub-regional basis and which make best use of available synergies.

The 2nd BIMSTEC summit was held on November 13th, 2008 in New Delhi the summit took place four years after 1st BIMSTEC summit in Thailand.

In conclusion, the leaders expressed their satisfaction at the progress that has been made in the negotiations for a Free Trade Agreement in trading goods and called for their early conclusion. They welcomed the establishment of the centers for energy and weather and climate in India and the BIMSTEC cultural observatory in Bhutan. They also expressed concern at the threat which terrorisms possess to the region and satisfaction with the finalization of the BIMSTEC convention on Combating International Terrorism Transnational Organized Crime and Illicit Drug Trafficking.

5.4.2.5 India – Sri Lanka Free Trade Agreement (ISLFTA):

India and Sri Lanka have close and friendly ties with shared eco-social, cultural and civilizational heritage. The friendly relations between two counties to strengthen further across all sectors. Regular bilateral exchanges between two countries took place at all levels contributing to the close relations. Under bilateral relation, India will be taking up several projects in Sri Lanka.

India – Sri Lanka Free Trade Agreement signed in 28th December 1998 and in operation since March 2000, provides for tariff reduction / elimination in a phased manner on all items except the negative list and tariff rate quota (TRQ) items. While India has already completed the tariff elimination programmed in March 2003. Sri Lanka was scheduled to reach zero duty by 2008. Now, both sides are in advanced stage of negotiation on having a comprehensive economic partnership agreement.
(ECPA) which would encompass trade in goods as well as trade in services and economic cooperation.

5.4.2.6 India–Thailand Comprehensive Economic Cooperation Agreement (CECA):

In November 2001, The Prime Minister of Thailand, Dr. Thanksin Shinawatra and the Prime Minister of India agreed to set up a Joint working Group (JWG) to undertake feasibility study on a free trade agreement between India and Thailand. The JWG observed that the present policy regimes in both the countries were conductive to more intensive bilateral economic integration and a Free Trade Agreement could prove to be building block for other sub-regional, regional and global economic integration processes of which both the counties are a part. Having observed rich potential of trade expansion, the study concludes that the proposed FTA between India and Thailand is feasible, desirable and mutually beneficial. Accordingly a Joint Negotiating Group was set up to draft the framework agreement on India - Thailand FTA.

During the visit of Indian Prime Minister to Thailand a framework Agreement for establishing Free Trade between India and Thailand areas signed by the commerce Minister of the two sides on October 9, 2003 in Bangkok, Thailand. The Framework Agreement Cover FTA in Goods, services and Investment and areas of economic cooperation. The Framework Agreement also provided for an Early Harvest Scheme (EHS) under which 82 common items of the export interest to the sides have been agreed for elimination of tariff on a fast track basis. The tariff concessions on 82 items of EHS list began from September 1, 2004. The tariffs on their items become zero for both sides from September 1, 2006.

India-Thailand Trade Negotiating Committee (TNC) has been constituted and discussions are being held of the text of FTA, Rules of Origin, dispute settlement Mechanism and Sensitive List. 17 Rounds of negotiations for FTA in Goods have so far been held. Negotiation For FTA in services and investment have also began.

5.4.2.7 India – Nepal Treaty of Trade:

India and Nepal have close friendly relation with shared economic, social and cultural level. India continued to work closely with the Government of Nepal. India is Nepal’s largest trade partner and the largest source of foreign investment and tourist arrivals.
The tradition of interaction and high-level visits between two counties further strengthened the bilateral relationship. India continued to provide and extend support to developmental activities in Nepal.

1. Treaty of Trade:

The bilateral trade between India and Nepal is regulated by the Treaty of Trade. The current Treaty has been in force for a period of 5 years with effect from March 6, 2002. Presently, this Treaty was to expire on March 6, 2007. Hence, both Governments of India and Nepal have decided to renew the Treaty in its current form with effect from March 6, 2007. Both sides are also engaged in mutual consolation process to amend the treaty of trade and once this process is over, the amended Treaty of Trade shall replace the existing Treaty, after necessary approval. Pending completion of the process for its renewal with certain amendments proposed, the validity of the agreement would continue till a new Treaty comes in to force.

Under this Treaty, these are free trade on mutually agreed to primary products from each other as indicated in Protocol to Article IV of the Treaty. In the case of industrial goods produced in Nepal, Article V of the Treaty provides for India to give, on a non-reciprocal basis duty-free access to Nepalese goods without any quantity restriction. This is subject to fulfilling the twin criterion of four digit tariff head change and value addition of 30 percent at an ex-factory price in Nepal. The routes for bilateral trade can be mutually decided; in the present Treaty, 22 mutually agreed routes are prescribed for bilateral trade. The Treaty provided for setting up Joint committee in the event the imports under the Treaty result in injury to the domestic industry in each country.

2. Treaty of Transit:-

India provides transit facilities to the landlocked Nepal under the Treaty of Transit. The current a Treaty which was renewed in January 2006 would be in force for a period of seven years up to January 5, 2013. This Treaty provides for free movement of traffic-in-transit across territories of each other through mutually agreed routes for trade with third counties subject to taking measures to ensure that this does not infringe legitimate interest / security interest of each other. Traffic in Transits is exempted from customs / all transit duties. The Treaty provides for exit entry points as may be mutually agreed upon. India has allowed 15 transit routes to Nepal but
so far not availed of this facility from Nepal. Merchant ships of Nepal are accorded
treatment no less favorable that accorded to ship of any other foreign country.
Presently Kotkota/ Hadia are the operational entry points for Nepal’s trade with third
counties, Nepal has requested for similar facilities at Mumbai and kandla.

3. Agreement of Cooperation to control unauthorized Trade:

India and Nepal also signed an Agreement of cooperation to control Unauthorized
Trade between the two countries. This Agreement was last renewed for 5 years with
effect from 27th October 2009. The objective of this agreement is to check illegal trade
(smuggling) between the two counties.

4. Inter-Government committee (IGC) at commerce secretary:

Both counties have established as a forum known as Inter-Governmental committee
at commerce secretary –level to address the problems relating to bilateral trade, transit
facilities and prevention of unauthorized Trade which meet as often as required.

5.4.2.8 India-Singapore Comprehensive Economic Cooperation Agreement
(CECA):

A Joint Study Group (JSG) for establishing a comprehensive Economic
cooperation Agreement (CECA) between the two countries was set up on April
8,2002. The JSG submitted its report on April, 2003. The JSG submitted its reports on
April 8, 2003. The JGS identified areas to increased economic engagement between
the two countries and also recommended measures to be taken. The JSG
recommended the early launching of negotiations for a CECA to be structured as an
integrated package of agreement between India and Singapore including the
Following :-

1) A Free Trade Agreement, which would include, inter alia, trade in goods and
services and investment;

2) A bilateral Agreement on investment promotion, protection and cooperation.

3) An improved Double Taxation Avoidance Agreement.

4) A more liberal Air Services Agreement and Open Skies for charter flights.

5) A work programme of cooperation in a number of areas including health care
education, media, tourism and the creation.
‘Declaration of Intent’ was signed between the two counties on April 8, 2003. Negotiations on CECA were launched in New Delhi on May 27, 2003. The comprehensive Economic cooperation Agreement (CECA) between India and Singapore was signed on June 29, 2005 by the Prime Minister Dr. Manmohan Singh and Mr. Lee Hsien Loong, Prime Minister of Singapore. The CECA has become operational with effect from August 1, 2005. In December 2007, India granted market access on additional 539 tariff lines through ha protocol amending the India – Singapore CECA.

The implementation of CECA is reviewed regularly at the level of secretaries. The 2nd Review of India –Singapore CECA was launched by the commerce and Industry minister, India as May 11, 2010. The 1st Secretary level meeting of the 2nd Review was held in Singapore on 3rd August 2010. Thereafter, working group meetings on Goods and services and Investment were held time to time, with the last meeting held in Singapore in September 2011.

5.4.2.9 South Asia Free Trade Area (SAFTA) :

The Agreement on SAFTA was signed during the 12th SAARC summit on January 6, 2004 in Islamabad. The tariff liberalization Programme under the Agreement came into force form July 1, 2006. India, Pakistan, and Sri Lanka are categorized as Non-Least developed contracting states (NLDCS) and Bangladesh, Bhutan, Maldives and Nepal are categorized as least developed contracting states (LDCS). Afghanistan which become the eight member of SAARC during the 14th SAARC summit held on April 3-4, 2007 in New Delhi is due to become a party to the SAFTA Agreement as an LDC member.

In order to promote trade among SAARC countries, India unilaterally removed all quantitative restrictions on imports of around 2300 items from SAARC countries with effect from 1st August, 1988. A free Trade agreement was signed between India and Sri Lanka which reduced tariff to zero by 2007 on most commodities. In addition, Article 7 of the SAFTA agreement provides for a phased tariff liberalization programme (TLP) under which, in two years, NLDCS would bring down tariffs to 20 percent while LDCS will bring them down to 30 percent. Non –LDCS will then bring down tariffs from 20 percent to 0-5 percent in 5 years (Sri- Lanks 6 years), while LDCS will do so in 8 years. NLDSce will reduce their tariffs for LDC products to
0-5 present in 3 years. The TLP would cover all tariff lines except those kept in the sensitive list (negative list) by the member states.

The salient features of the four Annexes of SAFTA Agreement are as under:

1. **Rules of Origin:** For giving preferential access to the member countries under SAFTA, the goods shall have undergone substantial manufacturing process in the exporting counties. The substantial manufacturing process are defined in terms of twin criteria of Change of Tariff Heading (CTH) at four-digit Harmonized coding system (HS) and value content at 40 percent (30 percent for LDCSs).

Apart from the general rules, to provide for products – Specific Rules (PST) for 191 tariff lines to accommodate the interest of LDCSs giving, their limited base for natural resources and undiversified industrial structure. The Products specific rules have been provided clearly on technical grounds i.e. where both inputs and outputs are at the same four-digit HS level.

2. **Mechanism for compensation of Revenue Loss (MCRL) for the least development contracting states:** The compensation non LDCSs except to Maldives, would be available for four years, to Maldives it would be for six years. The MCRL to Afghanistan, which is due to become a party to the SAFTA, will also be at par with Maldives. The Compensation would be in the form of grant in US dollar. The compensation shall be subject to a cap of 1 percent, 1 percent, 5 percent and 3 percent of customs revenue collected on non-sensitive items under bilateral trade in the base year, i.e. average of 2004 and 2005.

The compensation shall be administered by the SAFTA Committee of Experts as per the Administrative Arrangements.

3. **Technical Assistance to Least Developed Contracting States in Agreed Areas:** The main areas covered are capacity building in standards, products certification, training of human resources, data management, institutional upgradation, improvement of legal systems and administration, customs procedures and trade facilitation, market development and promotion.

4. **Implementation of SAFTA Agreement:** Tariff Concession granted under the SAARC Preferential Trading Arrangement (SAPTA) would cease for the LDC Member States once the Non-LDCS, complete the Trade Liberalization Programme.
(TLP) for LDCSs within three years. If any items, on which SAPTA concessions are available to LDCSs, appear in the sensitive list of Non-LDCSs. The base rate for the purpose of tariff reduction would be MFN applied rate existing as on January 1, 2006.

India, with a view to providing greater market access to its neighboring least developed countries, unilaterally reduced tariffs to zero percent of LDCS countries of SAFTA with effect from January 1, 2008 thereby completing the SAFTA tariff liberalization for these countries one year ahead of December 31, 2008 stipulated in the SAFTA Agreement.

5.4.2.10 India – SACU Preferential Trade Agreement (PTA) Negotiations:

South Africa, Lesotho, Swaziland, Botswana and Namibia have formed the South Africa Customs Union (SACU) with a common Custom Tariff Policy. A Joint Working Group (JWG) consisting of Government representatives from both sides was set up to examine the proposal to prepare a draft Frame Work Treaty for the Preferential Trade Agreement (PTA) between India and SACU countries. In a meeting of JWG held in Namibia on September 6-7, 2004 the draft framework agreement was finalized.

The sixth session of the India, South Africa Joint Ministerial Commission meeting held in New Delhi on December 5-6, 2005. Both side agreed that a Comprehensive Free Trade Agreement with in a reasonable time and in the interim a limited scope arrangement providing the exchange of tariff concession on select list of products, between India and SACU would give further impetus to bilateral trade and urged its early conclusion. As well as India and SACU have commenced negotiations for PTA in October 2007 and five meetings place so far. Fifth round of negotiations on India – SACU PTA was held in New Delhi, on 7-8 October, 2010.

5.4.2.11 India-South Korea Comprehensive Economic Partnership Agreement (CEPA):

The friendly relations between India and South Korea have continued to grow. India and South Korea have continued to maintain the momentum in bilateral relations with the exchange of high level visits. A MoU between the EXIM banks of the two countries for promoting trade and investment was also signed. On October 6, 2004 India and South Korea agreed to establish a JSG to take comprehensive view of
bilateral economic linkages between the two countries. In particular the JSG was mandated with the task of examining the feasibility of a comprehensive Economic Partnership Agreement (CEPA) between the two countries. The JSG recommended that the India-South Korea, CEPA should cover among other things. These are:

1) Trade in goods
2) Trade in Services
3) Measures for trade facilities.
4) Promotion, facilitation and liberalization of investment flows.
5) Measures for promoting bilateral economic cooperation in identified sectors.
6) Other areas to be explored for furthering bilateral partnership.

In pursuance to the recommendations of JSG, A Joint Task Force (JTF) composed of Government officials was constituted Negotiations for a Comprehensive Economic partnership between India and South Korea commenced on March 23, 2006 and were substantially concluded in the 12th meeting of the JTF held during September 22-25, 2008 in Seoul.

An India-South Korea CEPA was signed on August 6, 2009 and implemented with effect from January 1, 2010 covering trade in goods, services, investment and bilateral cooperation in areas of common interest. Under the CEPA tariffs will be reduced or eliminated on 93 percent of South Korea’s tariff lines and 85 percent of South Korea’s tariff lines and 85 percent on India’s tariff lines. It will facilitate trade in services through additional commitments made by both countries to ease movement of independent professional and contractual service suppliers.

5.4.2.12 India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA):

A Joint Study Group (JSG) constituted in November, 2003 to study the modalities of the CECPA discussed in detail the complementariness and potential synergies between the two economies and in its report of November, 2004 identified investment, trade in goods and services and general economic cooperation for developing modalities of CECPA. Accordingly, an empowered team was constituted for negotiating a Comprehensive Economic Cooperation and Partnership Agreement
(CECPA) with Mauritius for that five rounds of talks have so far been held by the empowered team.

The following MoUs / Agreements were signed by India and Mauritius in October 2005 under the aegis of CECPA:

1) MoU in the field of Consumer Protection and Legal Metrology.
2) MoU between Bureau of Indian Standards (BIS) and Mauritius Standards Bureau (MBS).
3) MoU between Indian Institute of Public Administration (IIPA) and Government of Mauritius.

Negotiations are being held on the liberalization of Trade in Services with a view to create a more liberal, facilitative, transparent and competitive service regime in two countries and to strengthen cooperation in service sector. Issues relating to improvement of the effectiveness of the existing Double Taxation Avoidance Agreement for the mutual benefit of the two countries and review of the existing Bilateral Investment Protection Agreement to enhance its scope and effectiveness are being deliberated upon. Discussion has been held for improving the existing legal framework in both countries related to facilitation of investment.

As well as cooperation in the fields of health, standards, SMEs development, education, information technology and telecommunication, seafood industry and cooperation between private sectors of the two countries have been deliberated upon for investment capacity building, training, technology transfer and related activities.

5.4.2.13 India-Chile Preferential Trade Agreement (PTA):

A Framework Agreement to Promote Economic Cooperation between India and Chile was signed on January 20, 2005. The Framework Agreement envisaged a Preferential Trade Agreement (PTA) between the two countries as a first step. The Framework Agreement also provides for a Joint Study Group (JSG) to go into the issues relating to a Free Trade Agreement between the two sides. As a follow up to the Framework Agreement, a PTA was finalized after four rounds of negotiations between the two sides. The last round of negotiations was held in New Delhi in
November 2005. The Framework Agreement to Promote Economic Cooperation, signed between India and Chile on January 20, 2005 provided for a JSG to identify the potential for cooperation between the two sides in trade in goods and services, investments and other areas of economic cooperation. The Terms of Reference for the JSG were finalized during the negotiations held with Chile in June 2005. The Chilean side submitted a draft report of its part of the JSG recommending the feasibility of an FTA between India and Chile.

5.4.2.14 India-Pakistan Trading Arrangement:

India and Pakistan have no formal trade agreement. India is committed to solve all outstanding issues with Pakistan through meetings and dialogues which were aimed to reviewing India’s bilateral relationship with Pakistan and to build trust and confidence between the two countries. India has granted Most Favoured Nation Status to Pakistan, whereas Pakistan maintains a list of Importable Item from India called ‘Positive List’ which now consists of 1938 items.

There is a lack of formal trade agreement between two countries, the transport links continued to operate successfully, facilitating the movement of people and bilateral trade. Both countries had constituted a Joint Study Group (JSG) at the level of Commerce Secretory. Its first meeting was held in February 2005 and the last (third meeting) in New Delhi in August 2, 2007. In this meeting, both sides are in the process of discussions to address the issues concerning customs cooperation, sanitary measures and technical barriers to trade, standards and performance to the extent feasible.

Bilateral trade and commerce talks were held between Commerce Secretaries of India and Pakistan on April 27-28, 2011 in Islamabad. The two sides, inter alia agreed to improve trade infrastructure and expand trade through Attariwagah land route. Both sides agreed to undertake new initiative to enable trade in electricity. Cotton seeds and petroleum products. It was agreed that cooperation in Information Technology Sector would be encouraged through the private sector. Both sides agreed to facilitate grant of business Visas to encourage expansion of trade. Pakistan recognized that grant of MEN status to India would help in expanding bilateral trade relations. It agreed to replace its present ‘Positive List’ with ‘Negative List’ by October, 2011.
5.4.2.15 *India-Japan Comprehensive Economic Cooperation Agreement (CECA)*:

India-Japan relations have under gone a significant and qualitative side in recent years. In April, 2005, the Prime Ministers of the two countries directed that the India-Japan Joint Study Group be launched by June, 2005 to submit its report within a year, focusing on measures required for a comprehensive expansion of trade in goods, trade in services, investments flows and other areas of economic relations between the two countries.

Besides, JSG was constituted to focus on measures required for comprehensive expansion of trade in goods, trade in services investment flows and other areas of economic relations between the two countries. The JSG finalized its report which was submitted to the two prime Ministers at St. Petersburg on July 17, 2006. The JSG recommended that the Governments of India and Japan launch an inter-governmental negotiation to develop an Economic Partnership Agreement (EPA)/Comprehensive Economic Partnership Agreement (CEPA), within a reasonable period of time.

A Joint Ministerial Statement on the launching of a JTF to develop an Economic Partnership Agreement (EPA/Comprehensive Partnership Agreement (CEPA)) between India and Japan was issued on December 15, 2006 during the Prime Minister’s visit to Japan. Eleven meetings of the JTF have been held so far (Four at chief delegate level and seven of the working level). In the fifth meeting of the JTF held during January 8-11, 2008 in India both sides agreed to the modalities of negotiations on market access of Trade in goods.

On January 10, 2011 India signed 3rd such agreement (after Singapore and ROK). The agreement is most comprehensive of all the agreements concluded by India so far as it covers more than 90% of the trade on investment IPR trade in services, custom procedures and other related issues various groups have been constituted for negotiations. Besides automobile accounting for the 45 percent of the total FDI in the segment. Of the total FDI flow from Japan in 2000-2004, 64 percent was in this sector.

5.4.2.16 *India-Gulf Cooperation Council (GCC) Free Trade Agreement (FTA)*:

The Gulf Cooperation Council (GCC) is a customs union comprising of Bahrain,
Kuwait, Oman, Qatar, Saudi Arabia and United Arab emirates. They are India’s third largest trading partners, with exports to this region constituting about 3-4 percent of India’s global exports and our imports from his region accounting for over 20 percent of India’s global imports.

India is in the process of negotiating a Free Trade Agreement with GCC and the first round of negotiation was held on March 21-22, 2006. Trade in service and Investment Cooperation as well as General Economic Cooperation is proposed to be synergized with the FTA.

5.4.2.17 India-Malaysia Comprehensive Economic Cooperation (CECA):

On December 20, 2004 the Prime Ministers of India and Malaysia agreed to the setting up of a Joint Study Group (JSG) to explore the feasibility of Comprehensive Economic Cooperation Agreement (CECA) between the two countries. The accordance with the mandate granted by the two Prime Ministers, the JSG was duly constituted in March, 2005. The JSG Report was submitted in January, 2007 and adopted by both the government on August 11, 2007.

India-Malaysia CECA negotiation was launched in February 2008. The negotiations were concluded in September, 2010. The CECA including trade in goods, services, investment and other areas of economic cooperation would be signed as a Single Undertaking. Taking into account, the India – ASEAN trade in Goods Agreement that was implemented in January 2010 between India and Malaysia, both sides have offered ‘ASEAN Plus’ market access in goods. On October 27, 2010, Prime Minister of India and Malaysia announced conclusion of the negotiation with the Agreement Scheduled to be signed by early 2011 and implemented by July 1, 2011.

5.4.2.18 India-EU Broad based Trade and Investment Agreement:

India and the European Union (EU) are strategic partners whose relationship is founded on shared values and principles of democracy, rule of law, respects of human rights and fundamental freedoms. The European Union as a block of 27 countries is India’s largest trading partners and the second largest investor in India. Both the countries had regular interactions at various levels including at the highest level. On June 28, 2007, India and the EU began negotiations on a broad base Bilateral Trade and Investment Agreement (BTIA) in Brussels, Belgium.
These negotiations are pursuant to the commitment made by political leaders at the India-EU summit held in Helsinki on October 13, 2006 to move towards negotiations for a broad based trade and investment agreements. India and EU expects to promote bilateral trade by removing barriers to trade in goods and services and investment across all sectors of the economy. Both parties believe that a comprehensive and ambitions agreement that is consistent with WTO rules and principles would open new markets and would expand opportunities for Indian and EU businesses. The negotiations cover Trade in Goods, Trade in Services, Investment, Sanitary Measures, Technical Barriers and Customs Cooperation, Competition, Trade Defense Mechanism, Government Procurement, Dispute Settlement, IPR and GIs held. The last round was held in India in January, 2011.

5.4.2.19 India-European Free Trade Association (EFTA):

India-European Free Trade Association (EFTA) comprises Switzerland, Iceland, Norway and Liechtenstein. These countries are not part of the European Union (EU). Recognizing the need for enhancing bilateral trade, a Joint Study Group (JSG) between India and EFTA was established and mandated to take a comprehensive view of bilateral economic linkage between India and EFTA, covering among other, trade in goods and services, investment flows, and other areas of economic cooperation and to examine the feasibility of a bilateral broad based trade and investment agreement. Besides, based on the conclusion of JSG negotiations commenced in October 2008 for the India- EFTA broad based trade and investment agreement. Three rounds of negotiations have been held so far.

5.5 Conclusion:

The foreign trade of India is guided by the EXIM policy or Foreign Trade Policy. These policies has regulated by the government for the foreign trade development. EXIM policy contains various policy decisions with respect to foreign trade of India. The Government of India has prepared and announced EXIM policy for the exports and imports of various commodities and goods for foreign trade business. Actually this is an effort towards the encouragement of foreign trade of India and creation of the complimentary balance of payments. The government has updated yearly EXIM policy on 31st of March as followed from 1st April. For the development and better
implementation of foreign trade a proper and adequate EXIM policy or Foreign trade policy. After the independence specially after economic reforms in 1990 the Government was announced various new EXIM policies from 1991 to 2014. This is a big change in the foreign trade policy or EXIM policy of the India. This will put most benefited to every exporters and importers of foreign trade.

Besides, we concluded the India’s regional Trade Agreements (RTAs) are most integral part of India’s Foreign Trade Policy, which is connected with bilateral multilateral trade system of India. Under this agreement various countries have joined together to develop cross-broader relation with India. For future development of Foreign Trade. RTAs are major tool for sound development of world trade. Today, RTAs also lead to a new type of inverted duty structure with duties for final products being lower from RTAs partners compared to duties for the previous stage raw materials imparted from Non-RTA, Countries. In all RTAs, one of the basic principles of the Agreement is that it is to be negotiated step by step improved upon and extended in successive stages.

Hence, RTAs is characterized in the world as the Spaghetti bowl in which trade Criss Crossess in a complex Fashion between countries based on tariff differentials and complicated rules of origin. In recent years, India, two is part of many regional and bilateral groupings. While there are benefits from these RTAs for Indian exports, in some cases the benefits to the partner countries are much more, with net gains of incremental exports from India being small or negative. EXIM policy or Foreign Trade Policy are both co-related so that the EXIM policy or Foreign Trade Policy challenge related to RTAs should take note of specific concerns of the domestic sector and ensure RTAs do not mushroom. Instead they should lead to higher trade particularly higher net experts from India for better future of people o India.

Thus, in this chapter various EXIM Polices or Foreign Trade policies as well as India’s regional Trade Agreements (RTAs) as reforms in the Foreign Trade India were discussed. The next chapter is “The Foreign Trade Performance of India”. Under this chapter, the Foreign Trade performance of India in plan period and the Foreign Trade performance of India during the research period will be discussed.

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