CHAPTER - 3

AN OVERVIEW OF FOREIGN TRADE POLICY

Foreign trade policy is a set of guidelines or instructions by the Government in matters related to import and export of goods viz, foreign trade. In India, Ministry of Commerce and Industry governs the affairs relating to the promotion and regulation of foreign trade. Main Legislation concerning foreign trade is the Foreign Trade (Development and Regulation) Act, 1992. This Act replaced the earlier Act namely, Import and Export (Control) Act 1947. The Foreign Trade (Development, and Regulation) Act 1992 provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India and for matters connected therewith or incidental thereto in exercise of the powers conferred by the Foreign Trade (Development, and Regulation) Act, the Union Ministry of Commerce and Industry. Government of India generally announces the integrated Foreign Trade Policy (FTP) in every five years with certain underline objectives. Foreign Trade Policy was earlier called as Export Import Policy i.e., EXIM Policy. However export import policy is now referred to as Foreign Trade Policy (FTP) of the country as it covers areas beyond
export and import. This policy is updated every, in addition to changes that are made throughout the year.

For many years, after India’s independence, India’s trade policy was based on the assumption that it was not feasible for the country to achieve a very high rate of growth in exports. Main emphasis in the initial year of planning was on import substitution. Trade policy reforms over the last two decades have aimed at creating an environment for achieving rapid rise in exports, raising India’s share in world exports and making exports an engine for achieving higher economic growth. Period of 1990s witnessed a perceptible change in the trade policy. Focus of these reforms have been on liberalization, openness, transparency and globalization with a basic thrust on outward orientation focusing on export promotion activity, moving away from the quantitative restrictions and improving competitiveness of Indian industry to meet global requirements. The entire foreign trade policy of India can be reviewed in two category- Pre-reform Period Trade Policy and Post-reform Period Trade Policy.

**Pre-reform Trade Policy:-**

The pre-reform Period trade policy of India can be analyzed by classifying the entire period (1951-1991) in to distinct phase namely-

**Phase I (1951-52 to 1967-68):**

During this phase, import policy continued to be restrictive and many restrictions were placed on exports in view of domestic shortage. In this phase, government imposed severe controls on imports through various licensing procedures and accorded least priority to export promotion. In 1956-57, trade policy was re-oriented to meet the requirements of planned economic development. Industrialization process initiated in the second five year plan required heavy imports of capital goods and machinery. The idea was to achieve self-sufficient in heavy capital goods industry and build up a strong industrial base for economic growth and development. Accordingly a very restrictive import policy and a vigorous export promotion policy were adopted. Trade policy was seen as the long lasting solution to the balance of payment problem and diversification of export trade was encouraged. Inspite of adoption of this policy, there was phenomenal increase in India’s import during this period. This was mainly occurred by Indo-China war (1962), Indo-Pak war (1965) and drought, which occurred in the year 1965-66. Since export could not increase with same pace, so government introduced
various export incentive schemes like: cash compensatory support, import replenishment, Duty drawback, Import Entitlement schemes etc during this period.

**Phase II (1969-70 to 1974-75):**

During this phase exports were accorded priority next only to food and defense. Exports having been linked with imports, principle of trade policy were “export more and import more”. Policy framework was given a definite shape in form of Export Policy Resolution in 1970. It was realized that export expansion was dependent to a great extent on liberalized imports. During this period, policy makers have realized that country have already achieved import substitution in the major sectors of the economy. Therefore, scope of further success in this direction is limited. Inspite of wide scale success in import substitution, country’s imports have grown at steady rate which was logical when the Indian economy was poised to grow at a higher rate. In these circumstances the only alternative left was to give thrust to the export sector, and for this to liberalize imports of machinery and equipment, technology and critical inputs so that country can create an efficient export sector which could stand on its own feet on the basis of comparative cost and marketing advantage. For the purpose, to promote export from country, Export
Processing Zone (EPZs) at Kandla was set-up in the year 1969 and another EPZs was established at Santakrutz in the year 1972. These EPZs were established with a view to attract foreign companies to establish 100% export oriented units (EOUs) in our country. Though the late sixties and early seventies were marked by introduction of a number of export incentive schemes, yet these incentives were not sufficient enough to offset the high cost of production of our export products. As a result, exports from the country could not increase sufficient enough to reduce the increasing deficit in trade balance.

**Phase III (1976-77 to 1987-88):**

During this phase, primary thrust of the trade policy was import liberalization along with the export promotion. This was due to the fact that, during this period, prices of imported goods were rising much faster and foreign markets for Indian goods were depressed, resulting huge adverse balance of payments from 1979-80 onwards. In this period, government introduced a new feature that would grant stability to country’s trade. In fulfilling the long outstanding demand of the importing and exporting community and more stable policy, in March 1985 government announced the first three yearly Import-Export Policies in pursuance of the “objective of bringing continuity and stability in the
import and export policy”. In this phase government continued with its earlier policy of import liberalization. It put the import of machinery and equipment not domestically available on OGL (open general licenses). Government also exposed capital goods industries to international competition by reducing their protection. Duty on project import, fertilizer, machinery imports and power plants brought down. But under the pressure of domestic manufacturers, government hastily retraced its steps. Among the other significant measures adopted by the government during this period were: soft treatment to 100% EOUss (export oriented units) who were allowed to sell 25% of their production in tariff areas, liberalized scheme to encourage technology imports to modernize the thrust industries and parallel developments in the industrial policy. Through adoption of all these measures, government hoped to stimulate production for international markets and thereby increasing its foreign exchange reserves.

Phase IV (1989-90 to 1990-91):

In this phase, government modified the procedure for import of capital goods for manufactures exporting 25% of their production subject to minimum of Rs. 1 crore and for exporting minimum of Rs 10 crores. Government also modified the scheme for recognition of export
houses and trading houses and dropped the earlier distinction between traditional and non-traditional items. The criteria evolved therefore included only net foreign exchange earnings. Government in this phase introduced such schemes like im-passbook, free transferability of REP (replenishment licenses), granting export benefits to ‘deemed exporters’. These policy measures were aimed at promoting the foreign exchange earnings and developing a strong export base by providing comparative advantage to Indian exporters.

**Post-reform Trade Policy:-**

Economic crises of June 1991 prompted Indian policy makers to undertake long term structural reform measure for every sectors of the economy. New Trade Policy, announced in July 1991, aimed at export promotion and import liberalization by providing export incentives, eliminating substantial volume of import licensing etc. Major changes introduced under New Trade Policy were following:

- Quantitative restrictions and discriminatory controls were removed. Licensing regulations were restricted only on small negative list i.e. these items are not permitted to be imported.
• Rates of exchange of rupee vis-à-vis major currencies were made more or less market determined. In other words, trade account and current account convertibility were introduced.

• Tariff structure was rationalized. Import duties, which used to be as high as 400% on some were drastically reduced and the peak level of duty has been brought down to 25%.

• Cash compensatory support system was replaced by a scheme of value based advance licensing system which provided to the exporters duty free import of goods needed to produce export goods.

Other major trade policies announced during this period are discussed below:-

**Export-Import Policy (1992-97):**

Fundamental feature of this policy was freedom in the field of foreign trade. All restrictions on import of raw materials and capital goods were removed. Protection to domestic industries was available only through tariffs. Import of second hand capital goods was also allowed for 20 specified sectors including printing, garments, textiles, leather manufacturing, rubber and canvas footwear, sports goods, electric lamps,
electronic components, packaging materials, forged tools, oil field services, writing instruments and sea food. Exporters were entitled to import capital goods at concessional rate of duty under the Export Promotional Capital Goods (EPCG) scheme. These schemes allowed exporters to import capital goods at concessional import duty of 15% against export obligation of four times the CIF value of imports, to be fulfilled within a period of five years. A new scheme called ‘EPCG Scheme for Service Sector’ was introduced for permitting import of capital equipment at concessional duty of 15% by professionals against export obligation. Under duty Exemption Scheme, exporters could import duty-free critical raw materials, intermediates, components and other inputs required for export production subject to fulfillment of time-bound export obligation and value addition specified. EXIM Policy 1992-97 made a conscious effort to dismantle various protectionist and regulatory policies and accelerate India’s transition towards a globally oriented economy. The Export-Import Policy was further liberalized by government on March 31, 1993. Substantial concessions were announced to boost agricultural exports. Government also announced a centrally sponsored scheme to set up Industrial parks in different states.
**Export-Import Policy (1997-2002):**

The new five year Export-Import Policy for the period 1997-2002 aimed at giving a major thrust to acceleration of India’s exports through restructuring and revamping of various export schemes. This policy also aimed at consolidating the achievements made possible during the preceding five year EXIM Policy for 1992-97, while continuing the process of trade reforms and trade liberalization with a view to achieve a higher rate of export growth. This new EXIM Policy focused on the need to allow exporters to concentrate on the manufacture and marketing of their products globally in an environment unhindered by discretionary controls and procedural bottlenecks. The principle objectives of this policy were:-

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

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

- To enhance the technological strength and efficiency of Indian agriculture Industry and services, thereby improving their competitiveness while generating new employment opportunities.
and encouraging the attainment of internationally accepted standards of quality.

- To provide consumers with good quality products at reasonable prices.

This policy made the existing export promotion capital goods (EPCG) scheme more attractive by allowing import of capital goods at a reduced duty of 10% with export obligations and other conditions remaining the same. Earlier, imports under the EPCG scheme were at a concessional duty of 15% more significantly, this policy extended the zero duty EPCG concessions to the service industry. This policy also seeked to give a boost to agro-based exports under EPCG zero duty scheme. The policy abolished the Value-Based Advance Licenses (VABAL) scheme and passbook scheme, and introduced a Duty Entitlement Passbook (DEPB) scheme. This schemes combined the positive features of both the schemes, besides being easy to administer and more transparent. Under this scheme, exporters, on the basis of notified entitlement rates, were granted duty credits, which entitled them to import goods duty free. The policy shifted 542 items out of the restricted list to the Special Import License (SIL) and the open General License (OGL) list. About 150 items were opened for import against SIL and about 60 items were moved from SIL to the free list. Seventy per cent
of the items shifted from the restricted list were consumer goods while
the rest were other products. But restrictions were placed on five items on
the ground of environmental safety, strategic importance, Public health or
security reasons.

**Modified Export-Import Policy (April 1998):**

Government announced Export-import policy for the year
1998-99 on April 13, 1998. As part of the annual Export-Import Policy
modification, 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 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 had filed a complaint with the
WTO against India’s import regime. The following were the main
provisions of the modified Export-Import Policy-:

- 340 more items were shifted from the restricted list to Open
  General Licenses (OGL). Thus, out of the total number of 10,202
items covered under the Export-Import Policy, only 2,200 remained on the restricted list.

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

- Zero-duty Export Promotion Capital Goods (EPCG) Scheme was extended to all software exports by lowering the threshold limit of importable capital goods from Rs20 crore to Rs10 lakh.

**EXIM Policy (1999-2000):--**

In effort to further dismantle the import control regime and hasten the integration of Indian Economy with the world economy, 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. Physical controls on imports were removed and 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 restricted list, allowing these to be imported against special licenses.
EXIM Policy (2000-2001):-

The Union Commerce and Industry Minister announced on new Export-Import Policy on March 31, 2000 for the year 2000-2001. This EXIM policy, envisaging a 20% 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. On the pattern of Chinese model, government announced setting up of two SEZs, at Positira in Gujarat and Nanguenery in Tamilnadu. Industrial units located in SEZs were exempted from a plethora of rules and regulations governing exports and imports. The entire production was to be exported from these zones. Several Export Processing Zones (EPZs) were proposed to be converted into SEZs. Accordingly, the EPZs located in Kandla, Vizag and Kochi will be converted into SEZs immediately. It was further announced that 100 percent foreign direct investment would be allowed in all products in SEZs.

The Export-import Policy 2000-2001 also announced sector-specific packages for seven core areas to boost exports, VIZ. gems and jewelry, pharmaceuticals, agrochemicals, biotechnology, silk, leather and garments. For gems and jewelry exporters, government announced a diamond-dollar scheme (DDA). Under this scheme, export proceeds could be retained in a dollar account and exporters could use funds in this
account for import of rough diamonds. For agro-chemicals, biotechnology and pharma units, government allowed duty-free import of laboratory equipment, chemicals and reagents up to 1 percent of the FOB value of exports. Similarly, government increased duty-free imports of trimmings, embellishments and other items from 2 to 3 percent of total export values.

This policy also announced financial incentives to State on their export performance. An incentive scheme with an initial outlay of Rs. 250 crore to secure states involvement in the national export drive was unveiled. States could 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 turnovers as public utility services. Apart from export promotion, this policy also announced few import liberalization measures. Accordingly this policy lifted quantitative restrictions on 714 commodity used items which could now be freely imported. Thus, commodities like meat, milk powder, coffee, tea, fish, pickles, cigar and cigarettes, television, radios, tape recorders, footwear and umbrellas could imported freely from April 1, 2000. Lifting of licensing and quota restrictions on 714 import items was in line with India’s WTO obligations. Government promised to abolish licensing and quota curbs
on the remaining 415 items (such as liquor, cars etc.) in April 2001. Many critics of the new policy fear that removal of licensing and quota restrictions would lead to surge in imports of these items, hurting the domestic industry. However, it is noteworthy that import restrictions were 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.

**EXIM-Policy (2001-2002):**

The Union Commerce Minister unveiled, Export-Import policy on March 31, 2001 for the year 2001-2002. The process of removal of restrictions, which began in 1991, was completed in a phased manner by this policy with the removal of restrictions on the remaining 715 items. This was in tune with the commitments made to WTO. However, import of agricultural products like wheat, rice, maize, copra and coconut oil was placed in the category of state trading. Similarly, import of petroleum products including petrol, diesel and ATF was placed in the category of state trading. In all 27 out of 715 items taken off the restrictions list were put under the state Trading category. With a
view to boost agricultural exports and provide remunerative returns to the farming community, this policy proposed the setting up of agricultural export zones. Three such zones were proposed to be set up in Himachal Pradesh, Jammu & Kashmir and Maharashtra. Government was to make efforts to provide improved access to the products of the agriculture and allied sectors in the international markets.

**EXIM-Policy (2002-2007):**

The EXIM-Policy 2002-07 was unveiled on March 31, 2002. This policy entailed several institutional, infrastructural and fiscal measures intended to promote exports which are conductive to economic development of the country. The principal objectives of this policy were:

- To facilitate sustained growth in exports to attain a share of at least 1 percent of global merchandise trade.

- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumable and capital goods required for augmenting production and providing services.
• To enhance the technology strength and efficiency of Indian agriculture, industry and services and to encourage the attainment of intentionally accepted standards of quality.

• To provide consumers with good quality goods and services at internationally competitive prices, while at the same time creating a level-playing field for the domestic producers.

This policy was a continuation of the approach being followed by the government in the post-WTO regime. The salient features of the Policy were as follows:-

• State Governments shall be encouraged to fully participate in pushing up exports from their respective states.

• Under the Market Access Initiative Scheme, financial assistance will be made available to export promotion councils, industry and trade associations for marketing studies, sales promotion, participation in international trade fairs, promotion of select brands etc.

• For the first time, the policy shall encourage towns of excellence which have been exporting a substantial portion of their products which are world class. For example, Tripura is exporting 80 percent of its production of hosiery. Similarly, towns like Panipat for woolen blankets, Ludhiana for Knit wear.
• Special focus will be given to cottage and handicraft sector to make them export competitive. Benefits under Market Access Initiative schemes, EPCG Scheme and grant of special status shall be provided to this sector. Eligibility for Export House Status for this section has been brought down to Rs. 5 crore.

• Agri Export Zones (AEZ) would be increasingly set up for end to end development for export of specified products from a geographically contiguous area. AEZ would be identified by the State Government. Units in AEZ would be entitled for all the facilities available for exports of goods in terms of provisions of the respective schemes.

• Status holders like Export Houses/ Trading Houses/Star Trading Houses/Super Star Trading Houses shall be eligible for some new/special facilities not hitherto provided like 100 percent retention of foreign exchange in EEFC amount, enhancement of normal repatriation period from 180 days to 360 days, etc.

• Services provided shall be entitled for all the facilities mentioned in the policy.

• In an attempt to speed up the transactions, reduce physical interface and to bring about transparency in various activities related to exports, electronic data interchange would be encouraged.
• Special benefits shall be accorded to exporters of gems and jewelry by way of relaxation of provisions of various EXIM-Policy Schemes.
• Units of Special Economic Zones shall be entitled for reimbursement of central sales tax, exemption from payment of central excise duty, reimbursement of central excise duty on specific items. In fact, the Policy provides all-out encouragement to units in SEZs in respect of relaxation of a large number of EXIM policies instruments and describe SEZs was a best of our dream projects.
• The policy continues its thrust on procedural simplification and reduction of transaction costs and has made DEPB and EPCG schemes more flexible.
• Additional benefits have also been provided to EOU/EPZ/EHTP/STP units like rationalization of NEEP norms, permitting sub-contracting of production abroad etc.
• The policy has launched ‘Focus Africa’ to cover, in the first phase, countries like Nigeria, South Africa, Kenya, Ethiopia, Tanzania, and Ghana for pushing up exports.
• Links with CIS countries are to be revived.
• The policy would ensure elimination of all QRs on exports.
EXIM-Policy (2003-04):

This policy provided a massive thrust to export of services by introducing duty free import facility for the service sector units having minimum foreign exchange earnings of Rs. 10 lakh. This policy announced the encouragement of corporate sector with proven credential to sponsor Agri-Export Zones for boosting farm exports. EPCG scheme made more flexible and attractive so that even the small scale sector could set up and expand its manufacturing base for exports. This policy announced the simplification and codification of rules, regulations and procedures applicable to SEZ and EOU units by putting all these rules and regulation in one place, thus greatly facilitating both potential investors and existing units. This policy also aimed to increase the overall competitiveness of export cluster. Accordingly a scheme for upgradation of infrastructure in existing clusters/industries locations would be implemented. Extension of Duty Free Replenishment Certificate (DFRC) scheme to Deemed exports and reduction in its value addition norms from 33 percent to 25 percent were permitted.
Mini EXIM Policy (January 2004):

Preceding the dissolution of the 13th Lok Sabah on February 6, 2004, Government of India announced a mini EXIM policy on January 28, 2004. It aimed to boost exports of gems and jewelry, encouraging tourism and making energy generation cheaper. Highlights of the new policy were:

- Free import of gold and silver for export purposes permitted. In other words, gold and silver could be imported without paying any commission to channeling agents. Likewise, import of rough, uncut and semi-polished diamonds will not be valued for export obligations. Quantitative restrictions on gold and silver imports were also lifted.

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

- Restrictions on import of electrical energy lifted.

- Online licenses and electronic fund transfer facility provided for exports. These measures were expected to reduce transaction cost for exports, and make export administration transparent.
Foreign Trade Policy (2004-09):-

Foreign Trade Policy (FTP) for 2004-09, replaced the EXIM Policy 2002-07. This Policy aimed at finding an answer to development needs of the country. Rooted in the belief that trade is not an end itself, this policy aimed at unshackling controls and creating a milieu of thrust and transparency conducive for entrepreneurship to thrive. India as a global hub for manufacturing, trading and services, this policy was viewed as roadmap for the trade sector. This policy announced new initiatives that included the setting up of a Board of Trade and Services Export Promotion Council. This policy given special focus on agriculture to make India a strong exporter. This policy provided Special Economic Zone for Handicraft, a Service Export Promotion Council, a new Free Trade and Warehousing Zone Scheme, Target Plus, Vishesh Krishi UpajYojana, served from India, a new look Pragati Maidan. The duty free entitlement scheme introduced in 2003 was further strengthened to cover more products. The major objectives of this policy were:-

- To double India’s percentage share of global merchandise trade by 2009 and
- To act as an effective instrument of economic growth with a thrust on employment generation.
Key strategies adopted under this policy were:-

- Unshackling of control and creating an atmosphere of thrust and transparency.
- Simplifying procedures and bringing down transaction costs.
- Neutralizing incidence of all levies on inputs used in export product.
- Facilitating development of India as a global hub for manufacturing, trading and services.
- Identifying and nurturing special focus areas to generate additional employment opportunities, particularly in semi-urban and rural areas.
- Facilitating technological and infrastructural upgradation of the Indian economy, specially though import capital goods and equipment.
- Avoiding inverted duty structure and ensuring that domestic sectors are not disadvantaged in trade agreements.
- Upgrading the infrastructure network related to entire foreign trade chain to international standards.
- Revitalizing the Board of Trade by redefining its role.
- Activating Indian Embassies as key players in the export strategy.
Following the above strategies of the policy, various sector specific measures were announced. These are discussed below:

**Package for Agriculture**

- A new scheme called Vishesh Krishi Upaj Yojana was introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products.
- Duty free import of capital goods under EPCG scheme was allowed.
- Capital goods import under EPCG for agriculture permitted to be installed anywhere in the Agri Export Zone. ASIDE funds to be utilized for development for Agri Export Zones also.
- Import of seeds, bulbs, tubers and planting material were liberalized.
- Export of plant portions, derivatives and extracts were liberalized with a view to promote export of medicinal plants and herbal products.

**Served from India scheme**

To accelerate growth in export of services so as to create a powerful and unique ‘Served from India’ brand instantly recognized and
respected the world over, the earlier DFEC scheme for services were revamped and recast into the Served from India scheme. Individual service providers who earn foreign exchange of at least Rs.5 lakh, and other service providers who earn foreign exchange of at least Rs.10 lakh will be eligible for a duty credit entitlement of 10 percent of total foreign exchanges earned by them. In the case of stand-alone restaurants, the entitlement was 20 percent whereas in the case of hotels, it was 5 percent. Hotels and restaurants could use their duty credit entitlement for imports of food items and alcoholic beverages.

**Target plus Scheme**

A new scheme to accelerate growth of exports called ‘Target Plus’ was introduced. Exporters who have achieved a quantum growth in exports would be entitled to duty free credit based on incremental exports substantially higher than the general actual exports target fixed. Since the target fixed for 2004-05 was 16 percent the lower limits of performance of qualifying for rewards was pegged at 20 percent for the year 2004-05.
Export promotion

For promoting exports following steps were taken: Additional flexibility for fulfilment of exports obligation under EPCG scheme in order reduce difficulties of exporters of goods and services.

- Technological up-gradation under EPCG scheme were facilitated and incentivized.
- Transfer of capital goods to group companies and managed hotels now permitted under EPCG.
- In case of moveable capital goods in the service sector, the requirement of installation certificate from Central Excise done away with.
- Export obligation for specified projects was calculated based on concessional duty permitted to them. This would improve the viability of such projects.

Free Trade and Warehousing Zone

- A new scheme to establish Free Trade and Warehousing Zone has been introduced to create trade related infrastructure and to facilitate the imports and export of goods and services with
freedom to carry out trade transactions in free currency. This was aimed at making India into a global trading-hub.

- FDI would be permitted up to hundred percent in the development and establishment of the zones and their infrastructural facilities.
- Units of FTWZs would qualify for all other benefits as applicable for SEZ units.

**Services Export Promotion Council**

An exclusive Services Export Council was set up in order to mop opportunities for key services in key markets and develop strategic, market access programmers, including brand building, in co-ordination with sectoral players and recognized nodal bodies of the services industry. Government was assigned to promote the establishment of common facility centers for use by home based service providers, particularly in areas like engineering and architectural design, multi-media operations, and software developers etc., in state and District-level towns, to draw in a vast multitude of home-based professionals in to the services export areas.
**Procedural Simplification**

- All exporters with minimum turnover of Rs.5 crores and good track record were exempted from furnishing bank guarantee in any of the scheme, so as to reduce their transactional cost.

- All goods and services exported, including those from DTA units, exempted from service tax. The validity of all licenses/entitlements issued under various schemes increased to uniform 24 months.

- Enhanced delegation of powers to Zonal and Regional offices of DGFT for speedy and less cumbersome disposal of matters. Time bound introduction of Electronic Data Interface (EDI) for export transactions. 75 percent of all export transaction to be on FDI within six months.

**Trade Facilitation Measures (February 2009)**

A full year Trade policy for 2009-10 was announced by Government in view of the political uncertainty due to general elections held in the country during April-May 2009. However, as supplement to Foreign Trade Policy, 2004-09, following measures were announced by Government on February 26, 2009 to further simplify export procedures:-
Duty credit scrip’s and under DEPB scheme was to be issued without waiting for realization of export proceeds.

Export incentives were provided for certain items like technical textiles, stapling machine, handmade carpets and dried vegetables. In addition, incentives of Rs. 325 crore were provided for leather, textiles, etc for exports April 1, 2009.

Import restrictions on worked corals were removed to address the grievance of gem and jewelry exporters.

Bhilwara in Rajasthan and Surat in Gujarat were recognized as Towns of Export Excellence, for textiles and diamonds respectively.

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) was proposed to be reduced proportionately. This provision has been extended for the year 2009-10, for exports during 2008-09.

Supply of an intermediate product by the domestic supplier directly from their factory to the Port against Advanced Intermediate Authorization, for export by ultimate exporter, allowed.

Export of blood samples is now permitted without license after obtaining “no objection certificate” from Director General of Health Services (DGHS).
✓ Opening of an independent office of DGFT in Srinagar.

✓ Export of Krishnapatnam seaport included for the purpose of Export Promotion Scheme.

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

✓ At present, DEPB/Duty Credit Scrip could be used for payment of duty only on items which are under free category. The utilization was extended for payment of duty for import of restricted items also.

**Foreign Trade Policy (2009-2014):**

This policy focused on labor intensive sectors such as Toys, Sports Goods, Processed Agricultural Products and Ready-Made Garments. The Supplement also provided for extension of Zero Duty EPCG Scheme (Export Promotion Capital Goods Scheme) till 31st March 2013 with enlarged scope. Other critical initiatives included were: Support for Export of Green Technology Products, Support for Infrastructure for Agriculture Sector, Incentives for Promoting Investment in Labor Intensive Sectors, Encouragement for Manufacturing Sector in Domestic Market, adding three new towns of export excellence, simplification of procedures, focusing on E enabled transmission of
foreign exchange etc. In the view of the strategy of export diversification, 7 new markets were added to the Special Focus Market Scheme (FMS) and 46 new items were added to Market Linked Focus Product Scheme (MLFPS). This policy announced various schemes which are discussed below:-

(i) **Advance Authorization Scheme**

This scheme allowed duty free import of Inputs, along with fuel, oil, and catalyst etc., required for manufacturing export product. Inputs were allowed either as per Standard Input Output Norms (SION) or on adhoc Norm’s basis under Actual User condition. Norms were fixed by Technical Committee i.e., Norms Committee. This facility was available for physical exports (also including supplies to SEZ units & SEZ Developers) and deemed exports including intermediate supplies. Minimum value addition prescribed was 15%, except for certain items. Exporters were required to fulfill export obligation over a specified time period, both quantity and value wise. Certain items which were prohibited for export was allowed for export under advance authorization scheme, subject to stipulated conditions. An option was provided for redemption/regularization of old cases/pending cases of default in meeting Export Obligation (EO) by authorization holder on payment of applicable customs duty, corresponding to the shortfall in export obligation, along
with interest on such customs duty, the interest component to be so paid would not exceed the amount of customs duty payable for this default.

(ii) **Duty Free Import Authorization (DFIA)**

This scheme was made operational from 01.05.2006. One of the objectives of the scheme was to facilitate transfer of the authorization or the inputs imported, once export is completed. Provisions of DFIA Scheme were similar to Advance Authorization scheme. A minimum value addition of 20% was required under the scheme.

(iii) **Schemes for Gems & Jewelry Sector**

Gems & jewelry exports constitute a major portion of country’s total merchandise exports. It is an employment oriented sector. Exports from this sector suffered significantly on account of the global economic slowdown. Duty free import / procurement of precious metal (Gold / Silver / Platinum) from the nominated agencies were allowed either in advance or as replenishment. In addition, exporters of Gems & jewelry items were allowed to access duty Free Import of consumables for export production up to a certain specified percentage of FOB value of previous years’ export. List of items allowed for duty free import by Gems & jewelry sector was expanded by inclusion of additional items.
such as Tags and labels, Security censor on card, Staple wire, and Poly bag.

(iv) **Duty Drawback Scheme**

This scheme allowed refund of customs duty and the excise duty on inputs used in the manufacture of the export product at a specified percentage of FOB value of exports. Service tax on input services was also factored in the all industry rate of Duty Drawback. Duty Drawback Scheme for physical exports was administered by the Department of Revenue and that of deemed exports, by the DGFT.

**Other Policy Initiatives**

Interest subvention scheme was earlier available only to Handlooms, Handicrafts, SMEs and carpets. In June 2012, it was extended to labor intensive sectors, namely, toys, sports goods, processed agricultural products, and readymade garments, in addition to the four sectors benefitting from the scheme earlier. With effect from 1st January, 2013, this scheme was extended to 134 sub-sectors of engineering sector. The validity of this scheme was also extended till March 31, 2014. The scheme was further widened to cover 101 tariff lines of engineering sector and 6 tariff lines of Chapter 63 of ITC (HS) (Textiles Made ups)
w.e.f. 1st April, 2013. Further, Government enhanced the rate of subvention from present 2% to 3% with effect from 1st August, 2013.

**Foreign Trade Policy (2015-2020):**

With an aim to make India a significant partner in global trade by 2020 and for increasing global competitiveness of domestic products and aligning India’s tariff framework with the long term commitment at World Trade Organization, government formulated Foreign Trade Policy (FTP) for the term of 5 years commencing from 2015. The new policy was formulated product wise and location wise and tried to maximize foreign trade from the country. This policy aimed at boosting India's exports and Central Government’s pet projects, 'Make in India' and 'Digital India' is being integrated with the new FTP 2015-2020. This policy mainly focuses on an ambitious export target of 900 billion dollars by year 2020 highlights a visible push to ‘Make in India‘. This foreign trade policy is based on two major objectives, they are as follows:

(i) To double the percentage share of global merchandise trade within the next five years.

(ii) To act as an effective instrument of economic growth by giving a thrust to employment generation.
Under this policy, two schemes namely; Merchandise Exports from India Scheme (MEIS) and Services Exports from India scheme (SEIS) were introduced. These two schemes replace the gamut of old norms and reward for the exporters on the basis of the importance attached to the exported items and the targeted market. Objective of Merchandise Exports from India Scheme (MEIS) is to offset infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced / manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India’s export competitiveness. The 'Services Exports from India (SEIS Scheme') is for increasing exports of notified services.

Key highlights of this policy are as below:-

- The Policy spells out measures for increased digitalization of exports and imports with the aim to gradually move towards a paperless office in 24×7 environment and self-certification by established exporters and importers.
- The schemes (MEIS and SEIS) replaced multiple schemes earlier in place, each with different conditions for eligibility and usage. Incentives (MEIS & SEIS) are available for SEZs also. E-Commerce of handicrafts, handlooms, books etc., eligible for benefits of MEIS. SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'.
Government has extended tax breaks to exporters of defense, pharma, farm produce and environment-friendly products. Export obligation period for items related to defense, military stores, aerospace and nuclear energy will be 24 months instead of 18 months.

This policy has also reduced the exports obligation for those procuring capital goods domestically to 4.5 times imports as against six times under the export promotion of capital goods scheme (EPCG), which will encourage the domestic capital goods industry. This will help exporters to develop production capacities for both local and global consumption.

Manufacturers that are also status holders will be enabled to self-certify their manufactured goods as originating from India.

Export of handloom products, books & periodicals, leather footwear, toys and customized fashion garments through courier or foreign post office for value up to Rs. 25,000 would also be able to get benefit of Merchandise Exports from India Scheme (MEIS).

Duty credit scrip’s will be freely transferable and usable to facilitate payment of custom duty, excise duty and / or service tax. Debits against scrips would be eligible for CENVAT (central value added tax) credit or drawback also. Unlike annual reviews, Foreign Trade Policy will be reviewed after two-and-half years for its impact on business climate. Enhanced focus will be placed on export of high value products to traditional market in developing world. Similarly there will be strong
emphasis to supply high quality inputs for the manufacturing sector in these markets. Custom duties applied on inputs for India’s manufacturing sector will also be fully optimized. The realignment of tariff structure will put India in advantageous position in regional trade pacts being negotiated. So far India was excluded from pacts such as the Trans-Pacifica Partnership (TPP) partly because its tariffs are not competitive. The experts feel the policy will benefit the exporting community, with special focus on services exporters. Simplification of procedures will go a long way in integrating India in the global value chain; improving India’s ranking in ease of doing business index and reducing the transaction cost in international trade. E-Commerce sector stands to gain from the Foreign Trade Policy. Intensive focus on higher value additions and technology infusion, quality and standards will lead to zero defect products. Lower tariffs on inputs and raw material will have a cascading impact on the economy.

- Measures are adopted to nudge procurement of capital goods from indigenous makers under the EPCG scheme by reducing specific export obligation to seventy fifth i.e. 4.5 times imports as against six times of the normal export obligation. This will promote the domestic capital goods producing industry.

- These measures will create more employment avenues in manufacturing and services.
➢ In order to provide a boost to exports from Special Economic Zones (SEZs), Government has currently decided to extend benefits of both the reward schemes (MEIS and SEIS) to units situated in SEZs. Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new Foreign Trade Policy. One of the major objectives of new Foreign Trade Policy is to move towards paperless working in 24×7 environment.

➢ Recently, government has reduced the number of necessary documents needed for exports and imports to three, which is comparable with international benchmarks. Now, a facility has been created to upload documents in exporter/importer profile and the exporters won't be required to submit documents repeatedly.

➢ Government has also simplified numerous Aayat- Niryat Forms, bringing in clarity in different provisions, removing ambiguities and enhancing electronic governance.

➢ Manufacturers will currently be enabled to self-certify their factory-made goods in phases, as originating from India with a view to qualifying for preferential treatment under numerous forms of bilateral and regional trade agreements.

➢ This new System will help these manufacturer exporters considerably in getting quick access to international markets.
A number of steps are introduced for encouraging manufacturing and exports. The steps include a quick track clearance facility for these units, permitting them to share infrastructure facilities, allowing inter unit transfer of goods and services, permitting them to set up warehouses near the port of export and to use duty free equipment for training purposes.

Nomenclature of Export House, Star Export House, Trading House, Premier Trading House certificate changed to 1,2,3,4,5 Export House.

Criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings.

Reduced Export Obligation (EO) (75%) for domestic procurement under EPCG scheme.

Online procedure to upload digitally signed document by Chartered Accountant/Company Secretary/Cost Accountant to be developed.

Inter-ministerial consultations to be held online for issue of various licenses.

No need to repeatedly submit physical copies of documents available on Exporter Importer Profile. Validity period of SCOMET (nomenclature of special Chemicals, Organisms, Materials, Equipment and Technologies) export authorization extended from present 12 months to 24 months.

Government is pitching India as a friendly destination for manufacturing and exporting goods, and the new policy is being seen as an important step towards realizing that goal.
Branding campaigns planned to promote exports in sectors where India has traditional Strength.

On the basis of above discussion it can be concluded that India’s trade policy since Independence has been used as a part of general economic policy to develop the country and to diversify the economy. It is a direct off shot of dynamic economic philosophy and shifting strategy of economic development. Initially development strategy was directed towards achieving self reliance through import substitution and therefore it look the form of restricting imports and boosting exports. The primary aim was an economized use of scare foreign exchange reserves by limiting imports. In the later year trade policy has taken the form of export promotion through import liberalization.