

Chapter-4

FOREIGN TRADE POLICY

I. Foreign Trade Policy (FTP): 2004-09

The Government has set a long-term vision of making India a major player in the world trade. Foreign Trade Policy (FTP) provides the basic policy framework of translating this vision into specific goals, targets and strategies to be followed to achieve this basic objective. Keeping in line with Govt.'s basic philosophy of governance of providing an economic environment which is both stable as well as energizing of economic growth, an integrated Foreign Trade Policy for a five year period was announced by the Government on 31st August, 2004. The guiding principle of this policy was complete synergy and harmony between trade policies and other economic and international policies being followed by the country. Trade was viewed as a means to economic growth and development and not an end in itself. Following this philosophy, the two basic objectives identified for FTP (2004-09) were:

- (i) doubling of India's percentage share of global merchandise trade in next five years; and
- (ii) making trade an effective instrument of economic growth by giving a thrust to employment generation, especially in semi-urban and rural areas.

The major thrust areas of strategy spelt out in the FTP (2004-09) to achieve these objectives included unshackling of controls and creating an atmosphere of trust and transparency; simplification of procedures and bringing down the transaction costs; development of India as a global hub for manufacturing, trading and services; upgrading our

infrastructure network and nurturing special focus areas which would generate additional employment opportunities particularly in the semi-urban and rural areas. The policy clearly emphasised the important role of exporters, manufacturers and industry as equal partners of the Govt. in achieving the goals set out in the policy.

Keeping in line with the basic objectives and strategy set out in the Policy and necessary modifications carried out through Annual Supplements to the Policy, the Govt. has undertaken a number of initiatives to achieve the basic objectives of the Policy. Some of the major policy initiatives undertaken during the last five years are summarised in box 4.1

The Foreign Trade Policy (2004-09) has been instrumental in giving a new direction and stability to India's foreign trade regime. The Policy, with clearly enunciated objectives and strategies and necessary initiatives taken by the Govt. during the last five years has been very effective in putting India's exports on a higher growth trajectory. The target of doubling India's percentage share in the world merchandise trade during the five year period (2004-09) was an ambitious target by any standard. The Indian exports witnessed an unprecedented and consistently high growth during the five year period from 2003-04 to 2007-08. During this period, the exports grew at an average annual growth rate of more than 25%; increasing from US\$ 63.8 billion in 2003-04 to US\$ 163.0 billion in 2007-08. In spite of the global financial crisis and subsequent slowdown, the success story of high growth of exports was carried into the first

Box 4.1

Major Policy Initiatives under FTP (2004-09)

- Introduction of ‘Vishesh Krishi Upaj’ and ‘Gram Udyog Yojana’ for boosting exports of fruits, vegetables, flowers, minor forest produce and their value added products, poultry, dairy and gram udyog and other products.
- Introduction of a scheme for incentivizing agro processing units.
- Introduction of ‘Focus Product’ and ‘Focus Market’ schemes.
- Giving Export Promotion Council status to Khadi & Village Industries Commission as well as setting up of new Export Promotion Councils namely, Electronics and Computer Software EPC, Indian Oil Seeds and Produce Exporters Association, Services Export Promotion Council and Telecom Equipment Manufacturers Association of India EPC.
- Introduction of a single set of common forms called ‘Aayaat Niryaat’ Forms.
- ‘Manufacturing’ is being clearly defined in the new Income Tax Code to ensure greater predictability and stability in determining direct tax liability of domestic manufacturers.
- Allowing payment of interest on delayed payments of Terminal Excise Duty and Central Sales Tax.
- Extension of DEPB scheme till 31st December, 2009.
- Extension of IT exemption for 100% EOUs till 31st March, 2010.
- Duty free import upto 5% for sectors like gems and jewellery, handloom, handicrafts, leather and footwear, etc.
- Reduction in customs duty under EPCG scheme from 5% to 3%.
- Extension of Export Obligation period under EPCG scheme for cottage and tiny sector from 8 years to 12 years.
- Launching of a Duty Free Tariff Preference (DFTP) Scheme in 2007-08 for least developed countries giving preferential market access for 50 LDCs, 34 of which are in the African continent. The exports from LDCs under the scheme cover 85% of India’s total tariff lines and another 9% would obtain preferential access on applied rates.

half of 2008-09 wherein exports grew at the rate of about 31% between April – September. Thereafter, the exports were hit hard as the world economy and demand continued to contract. However, India still managed to record a growth of 3.5% in dollar terms and 16.9% in rupee terms for 2008-09. As per WTO trade data, the growth of Indian exports was higher in 2008 at 21.8% as compared to 21.5%

in 2007. This is against a sharp decline in exports growth recorded by China and other leading exporting countries. Export growth of China, the fastest growing economy in the world, in 2008 was 17.2% as compared to 25.8% in 2007. According to the “International Trade Statistics, 2008” of WTO, India’s share in global merchandise trade has increased from 0.8% in 2003 to 1.4% in 2008.

India's increasing integration with the rest of the world is reflected in the growing trade to GDP ratio that has increased from 24.4% in 2003-04 to 35.3% in 2007-08.

India's exports have also diversified. Engineering and high technology products have emerged as a major segment of exports. Today, India is exporting to almost all the countries in the world including such places like Marshall Islands, Greenland, Barbados, Costa Rica, Nicaragua, Burundi and Somalia. The high growth of exports along with diversification has been achieved despite the difficulties on exports due to adverse factors like depreciation of Rupee in 2007, hardship due to global financial crisis & economic slowdown impacting the growth of Indian exports and fallouts of some anti inflationary pressures that resulted in high cost of capital, ban/restriction on exports of certain products, withdrawal of duty neutralization & incentive schemes on these products etc.

Keeping in view the second objective of making trade an effective instrument of economic growth by giving special thrust to employment generation, sectors with significant exports prospects coupled with employment generation in semi-urban and rural areas were identified as thrust sectors and specific sectoral strategies have been prepared. Special focus initiatives have been prepared for Agriculture, Handicrafts, Handlooms, Gems & Jewellery and Leather & Footwear sectors. The high growth in exports resulting from various initiatives during the last five years has resulted in generation of a large number of new jobs in the export sector.

II. Major Policy Initiatives during the Year

The complexity of the trade regime calls for periodic review of the Foreign Trade Policy and initiating necessary changes required to take care of emerging scenario/developments both in the domestic economy as well as in the international markets. This is done by issuing Annual



Hon'ble Minister of Commerce & Industry, Sh Kamal Nath, announcing the Annual Supplement 2008-09 to Foreign Trade Policy on 11th April, 2008

Box 4.2

Trade Facilitation Measures Announced on 26th February, 2009

- Freely transferable duty credit scrips issued under Chapter 3 of FTP and DEPB scheme to be issued without waiting for realization of export proceeds
- Special package of Rs.325 crore for leather and textiles sector
- STCL, Diamond India Ltd., MSTC, GJEPC and Star Trading Houses (Gems & Jewellery exporters) added as nominated agencies for import of precious metals
- Import restrictions on worked corals removed
- Bhilwara and Surat recognized as towns of export excellence for textiles and Gems & Jewellery
- Threshold limit for recognition as Premier Trading Houses reduced to Rs.7500 crore
- Provision of proportionate reduction in average export obligation of EPCG authorization holders in those sectors/product groups where exports have declined by more than 5% extended till 2009-10
- DEPB/duty credit scrip utilization extended for payment of duty for import of restricted items
- Procedure for claiming duty drawback refund & refund of terminal excise duty simplified
- Re-credit of 4% SAD for VKGUY, FPS and FMS allowed
- A new office of DGFT opened at Srinagar
- Value cap under DEPB revised for two products
- Electronic message transfer facility for Advance Authorization and EPCG to be established
- Gem & jewellery units in EOU to be allowed – personal carriage of gold up to 10 kg in a financial year
- Advance licenses issued prior to 1.4.2002 requiring MODVAT/CENVAT certificate dispensed with
- Export obligation period against advance authorizations extended up to 36 months without payment of composition fee.
- Reimbursement of additional duty of excise levied on fuel to be admissible for EOUs
- Early refund of service tax claims & further simplification of refund procedures on the anvil

Supplements incorporating specific measures for the benefit of all the stakeholders. The Annual Supplement for the year 2008-09 was released on 11th April, 2008. It focused on stability of policy regime and building confidence in trade

and industry in the face of difficult international situation. The Supplement incorporated initiatives to give a boost to employment generation, particularly in semi-urban and rural areas by way of incentivizing export of employment oriented

products, deepening the quantum of incentives for certain products, simplification of procedures and trade facilitation by way of enlarging the scope of E-commerce thereby reducing transaction cost & time.

Pending general elections and formation of a new Government, no full fledged Annual Supplement, 2009-10 was prepared by the Department. However, some specific trade facilitation measures that were found to be too important to be postponed given the current economic slowdown were announced on 26th February, 2009. The measures included opening of new office of DGFT at Srinagar, special package of Rs.325 crore for leather and textile sector, provision of proportionate reduction in average export obligation of EPCG authorization holders in those sectors/product groups where exports have declined by more than 5% has been extended till 2009-10, early refund of service tax claims etc.

Some of the major initiatives announced in the Annual Supplement to FTP in April, 2008 and the Trade Facilitation Measures announced on 26th February, 2009, are given below.

A. Focus Market Scheme (FMS)

For offsetting high freight cost and other externalities in select international markets, a new scheme called “Focus Market Scheme” has been launched since 1.4.2006. This allows exporters to get an incentive in the form of freely transferable duty credit scrip @2.5% of the FOB value of exports of such products. The initiative aims at enhancing India’s competitiveness for export to identified Focus Markets. To begin with, 8 countries in Latin America, 49 countries in Africa, 10 CIS countries, 5 countries in Central America and 1 country in Eastern Europe were notified as Focus Markets.

In order to give further boost to this Scheme, 10 new markets have been notified in Appendix 37C



Hon'ble Minister of Commerce & Industry, Sh Kamal Nath, announcing Trade Facilitation Measures on 26th February, 2009

of Hand Book of Procedures (HBP) Vol I and made eligible for benefits under the said Scheme w.e.f. 1.4.2008. These markets are: Mongolia, Djibouti, Sudan, Ghana, Colombia, Honduras, Albania, Macedonia, Bosnia-Herzegovina and Croatia. Thus, a total of 83 countries have, so far, been identified as Focus Markets.

During the period April – March 2008-09, a total of 4826 authorizations having CIF value of Rs.347 crore and FOB value of Rs.17697 crore have been issued under the scheme.

B. Focus Product Scheme (FPS)

Products originating from rural and semi-urban areas have high employment potential. These products suffer from high inherent infrastructure bottlenecks and other associated costs involved in marketing of such products. To offset a portion of this unwarranted cost, a new scheme namely, “Focus Product Scheme” has been introduced w.e.f. 1.4.2006. This allows the exporters to get an incentive in form of freely transferable duty credit scrip @1.25% of the FOB value of exports. Products/items as identified for benefits include value added fish and leather products, stationery items, fireworks, sports goods, handloom products bearing handloom mark, handicraft items and Coir products, in addition to new products included from time to time.

In order to give further boost to the Scheme, for exports made with effect from 1st April, 2008, toys and sports goods are entitled to higher duty credit scrip equivalent to 6.25% of FOB value of exports. Also, special rate of 5% has been granted for export of handmade carpets.

Also, under FPS, a variant called ‘High Value Added Manufactured Goods Scheme’ has been introduced w.e.f 1.4.2008. Under this, an enhanced duty credit scrip of 2.5% (instead of the normal

1.25% under FPS) would be allowed for export of high value added manufactured goods. So far, the following items have been notified under this scheme which include Bullet proof glass, Crank shaft for engines, Instruments and Appliances used in medical, surgical, dental or veterinary sciences including scientific apparatus, other electro-medical apparatus and sight-testing instruments, Optical fibres & Optical fibre bundles and cables, Original sculptures and statuary, in any material and Liquid Crystal Display Television Set.

During the period April – March 2008-09, a total of 6366 authorizations having CIF value of Rs.215 crore and FOB value of Rs.16775 crores have been issued under the scheme.

C. High Tech Products Export Promotion Scheme:

For incentivizing export of High Technology products, a new scheme called ‘High Tech Products Export Promotion Scheme’ has been introduced since 1st April, 2007. Under this Scheme, exports of High Technology Products, as notified in Appendix 37E, are entitled for Duty Credit Scrip equivalent to 1.25% of FOB value of exports or 5% of incremental growth in FOB value of exports of notified products for current year over the previous year. Twelve products have been notified under the scheme. These are: PCO using wireless (GSM/Satellite) technology, Point of Sale Terminals/Transaction Terminals (ePOS) using GSM/CDMA/Ethernet/WiFi/Serial/PSTN Technology, SIM cards, Memory cards, Cellular Phones, (with 3G Standard, Wireless internet and GPS), Automatic Bank Note Dispensers, Ultrasonic Scanning Apparatus, Magnetic Resonance Imaging Apparatus, Still Image Video Cameras, Videophones, Hybrid Integrated Circuits, and Solar Cell/Photovoltaic Cells whether or not assembled in modules/panels.

D. Market Linked Focus Products Scheme

To give a significant boost to market penetration of specific products in specified markets, the “Market Linked Focus Products Scheme” has been introduced from 1.4.2008. Under this Scheme, exports of products having high export intensity (which are not covered under the present FPS list) but which have a low penetration in countries (which are also not covered under the present FMS list) would be incentivized and entitled to a duty credit scrip equivalent to 1.25% of FOB value of exports, provided that the product/sector is destined to specified linked market for that particular product/sector. Already, bicycle parts to 5 Specified Markets, auto parts to 7 Specified Markets, and motor cars/motor cycles to other Specified Markets have been notified for benefits. Further, Readymade Garments and leather products have also been incentivized with special rate of 2% from 1.4.2009 till 30.9.2009 if exported to EU & USA. Further, for special sectors like Readymade Garments, exports to Australia, Japan and Brazil made w.e.f 1.1.2009 have been allowed an incentive of 2.5%.

E. Vishesh Krishi and Gram Udyog Yojna (Special Agriculture and Village Industry Scheme)

Keeping in view the objective of Foreign Trade Policy to promote employment generation in rural and semi urban areas, Vishesh Krishi Upaj Yojna has been expanded to include export of Gram Udyog products i.e. village and cottage industry products w.e.f. 1.4.2006. The Scheme provides an incentive upon exports of identified products in the form of freely transferable duty credit scrip @5% of FOB value of exports. To ensure that the products manufactured/processed out of domestic inputs are incentivized at a higher rate in comparison to the imported inputs, duty credit has been reduced to

3.5% of the FOB value of exports in such cases where the exporter avails the benefit under Duty Free import of Agriculture Inputs (other than catalysts, consumable and packing materials).

In order to boost exports of flowers, fruits and vegetables (as listed in Table 13 of Appendix 37A), these products shall be entitled to an additional duty credit scrip equivalent to 2.5% of FOB value of exports, over and above the 5%/3.5% VKGUY entitlement with effect from 1st April, 2008.

During the period April – March 2008-09 a total of 21385 authorizations having CIF value of Rs.2679 crore and FOB value of Rs.73932 crore have been issued under the scheme.

F. Gems & Jewellery

For Gems & Jewellery sector which constitute a major share of our exports, measures undertaken were in terms of reduction of value addition norms based on upward price trend of the precious metal; extension of the facility of export of coloured gemstone on consignment basis, declaring Surat Hira Bourse as Port of export for jewellery, extension of time period for re-import of unsold branded jewellery to 365 days, raising the limit of value of Jewellery Parcel to US\$ 75,000, addition of a few new agencies/entities as nominated agencies for the purpose of direct import of precious metal thereby allowing easy access of precious metal to the Gems & Jewellery exporters, free importability of “Worked Coral” etc.

G. Duty Neutralisation/Remission Schemes

(i) Duty Entitlement Passbook (DEPB) Scheme

To impart continuity and stability to our foreign trade regime, DEPB scheme has been extended till 31st December, 2009. Supplies to SEZ developers

and payment in Indian Rupees, which were not allowed the DEPB benefit, have now been allowed from retrospective effect. As an immediate relief from the impact of Global economic slowdown, DEPB rates for 1267 items (out of 2135 items) which were reduced in November, 2008 have been retained at the old rates with retrospective effect, irrespective of reduction in custom tariff. Further DEPB rates for 26 items have been increased. DEPB scheme has been made flexible by allowing the benefit of the Scheme based on shipping bill details without the requirement of Bank Realization Certificate (BRC) at the time of filing application, thereby allowing availability of liquidity on the sale of DEPB prior to realization of export proceeds. Based on the prevailing prices, value cap of certain products has been revised upward.

(ii) Service Tax Refund

The Government has already announced refund of service tax for almost all prime services, which are directly related to export production and supply. For one point clarity on the refund of Service Tax, specific policy circulars have been issued by the DGFT and the Department of Revenue. A few pending issues regarding refund of service tax have also been resolved recently.

(iii) Advance Authorization

Some changes have been made in the Scheme for facilitating closure of large number of old pending cases by withdrawing the requirement of submission of non-availment of MODVAT certificate in case of quantity based advance licence issued prior to 1.4.2002, specifying for Central Excise to endorse supply invoice within 21 days of supply, thereby facilitating faster clearance of deemed export benefits, dispensing with the requirement of double verification and limiting it to random verification and addition of new ports for the purpose of exports

under Export Promotion Scheme, and allowing direct supply of intermediate goods to the port of Exports by intermediate supplier etc.

(iv) Duty Free Import Authorization (DFIA)

For facilitating transferability on pro-rata entitlement on the basis of part realization, split-up facility has been introduced for DFIA's. Further, to facilitate utilization of DFIA's issued during 2006-07 which would have remained unutilized due to delay in clearance and clarification by the custom authority, all such DFIA's have been allowed revalidation for 12 months, 6 months at a time, from the date of expiry of its validity.

(v) Served from India Scheme

The objective of the scheme is to accelerate the growth in export of services so as to create a powerful and unique 'served from India' brand, instantly recognized and respected world over. This benefit is granted in the form of non-transferable duty credit scrip. During the period April-March 2008-09, a total of Rs 736 crore worth duty credit scrips have been issued under the scheme.

H. Export Promotion Capital Goods (EPCG) Scheme

The Scheme was initially introduced in the Import and Export Policy 1990-93 with import facility of Capital Goods at a concessional rate of Customs duty @ 25%. The Scheme has since undergone many changes. To encourage exports from the tiny and cottage sector, the export obligation period has now been raised to 12 years. The scheme also requires the Service Sector to maintain the average level of exports to avail benefits under new EPCG scheme.

Issue of EPCG authorization for import of spares, tools, spare refractory is also allowed for existing

imported plant and machinery (though not imported under EPCG cover). In order to facilitate augmentation of imports under the Scheme, the concessional rate of duty has been reduced to 3% as against 5% during the previous year. The salient features of the Scheme are:

- (i) Import of capital goods for pre-production, production and post production including import of spares at 3% customs duty.
- (ii) An export obligation equivalent to 8 times of duty saved amount, with an export obligation period of 8 years.
- (iii) In case of agro units, the export obligation is equivalent to 6 times duty saved on imported capital goods to be completed within a period of 12 years.
- (iv) In case of SSI Units, the EO is equivalent to 6 times duty saved over a period of 8 years provided the cif value of such imported capital goods does not exceed Rs. 50 lakh and total investment in plant and machinery after such imports does not exceed the SSI limits.
- (v) For EPCG authorizations with a duty saved amount of Rs. 100 crore or more, the export obligation period is 12 years.
- (vi) Import of second hand capital goods is allowed without any age restriction.
- (vii) Import of motor cars, sports utility vehicles/ all purpose vehicles is allowed only to hotels, travel agents, tour operators or tour transport operators and companies owning/operating golf resorts whose total foreign exchange earning from their respective sectors in the current and preceding three licensing years is Rs. 1.5 crore or more.
- (viii) Vehicles imported under EPCG Scheme are to be so registered that the vehicles are used for tourist purpose only. Parts of cars, such as chassis, cannot be imported under EPCG Scheme.
- (ix) An EPCG Authorization can also be issued for import of capital goods under Scheme for Project Imports notified by the Central Board of Excise and Customs under S. No. 441 of Customs Exemption Notification No. 21/2002 dated 01.03.2002. Export obligation for such EPCG authorizations would be eight times of duty saved. Duty saved would be the difference between the effective duty under aforesaid Customs Notification and concessional duty under the EPCG scheme.
- (x) The scope of the EPCG scheme has been extended to Common Service Providers (CSP) who are designated/certified as a Common Service providers by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence.
- (xi) A person holding an EPCG licence may source the capital goods from a domestic manufacturer instead of importing them. The domestic manufacturer supplying CG to EPCG authorization holder shall be eligible for deemed export benefits under para 8.3 of the Policy.
- (xii) EPCG licence may be issued for retail sector for import of capital goods required by the retailer to create modern infrastructure in the retail sector.
- (xiii) EPCG Authorizations holders can opt for Technological upgradation of existing Capital goods imported under EPCG Authorizations' subject to conditions stipulated in para 5.10(i) to (vi) of FTP.

Box 4.3**Export Obligation (EO) Conditions under EPCG Scheme**

- EO to be fulfilled by export of goods manufactured/service rendered by applicant.
- EO may be fulfilled by exports of group companies' upto 50%.
- Exports shall be physical exports. Certain deemed exports will also be counted towards fulfillment of EO.
- The export obligation under the Scheme shall be over and above, the average level of exports achieved by the EPCG authorization holder in the preceding three licensing years for the same and similar products within the overall export obligation period including extended period, other than the categories exempted for this purpose.
- No average EO condition for certain sectors like handicraft, handlooms, cottage, tiny sector, agriculture, aqua-culture, animal husbandry, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture.
- Extension in EO period may be granted for a period of 2 years + 2 years subject to certain conditions specified in para 5.1 of HBP.
- For BIFR units, EO period can be extended as per BIFR package or 12 years, if not specified by BIFR. Import of Capital Goods shall be subject to Actual User condition till EO is completed.

Capital Goods imported (excepting tools) for manufacturing of export products relating to handicraft, handlooms, cottage, tiny sector, agriculture, aqua-culture, animal husbandry, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture are not transferable for a period of five years from date of import even if EO is fulfilled. However, it can be transferred within group companies after fulfillment of EO but before five years from the date of import under intimation to RA and jurisdictional Central Excise.

I. Export Oriented Units (EOUs)/Electronic Hardware Technology Park (EHTP)/Software Technology Park (STP)/Biotechnology Park

The cap on Domestic Tariff Area (DTA) sale of instant tea has been enhanced from 20% of FOB value of exports to 30%.

Board of Approval (BOA) has been empowered to extend the block period of five years for calculation of Net Foreign Exchange (NFE) suitably, whenever due to prohibition/restriction, unit is unable to export and thus achieve positive NFE.

Some conditions have been introduced in cases of subcontracting abroad. At the time of clearance of goods, the EOU/EHTP/BTP/STP shall declare: transaction value of finished goods, job work charges, value of intermediate goods, along with supporting documents like sale price contract/or invoice of finished goods, job work contract and the basis of arriving at the value of intermediate goods. The EOU/EHTP/BTP/STP shall also ensure full repatriation of foreign exchange declared as the transaction value of the finished goods cleared from the sub-contractor's abroad.

In case of import of spices (other than pepper, cardamom and chillies) for manufacture of spice oils and oleoresins, an export obligation period of 12 months has been stipulated. In case of import of spices (pepper, cardamom and chillies) for Value Added purpose, completed upto 31.12.2008, Export Obligation period has been prescribed as 150 days.

For an Export Oriented Unit (EOU) to continue under the Scheme on completion of approval period, it has to give an option within six months of expiry of approval period. Para 6.3.9 of HBP vol. I has been amended to provide that when units exercise option to continue in the scheme belatedly, approval regarding extension will be given by BOA.

Para 6.29.3 of HBP vol. I has been amended incorporating, as per decision of BOA to allow EOUs to re-import without payment of duty, samples exported by it under intimation to customs authorities for retention with the manufacturer as a statutory requirement.

Provision has been made in Para 6.11 to make reimbursement of additional excise duty (AED) levied on fuel under the Finance Acts admissible to EOUs.

Amendment has been carried out in Para 6.22 to enable an authorized person of Gems and Jewellery EOU to import gold in primary form up to 10 Kgs in a financial year subject to guidelines of RBI and Customs.

A new clause has been added in Para 6.7 of FTP to provide that application for conversion into EOU/EHTP/STP/BTP from DTA units having an investment of Rs. 50 crore or more in plant and machinery or exporting Rs. 50 crore and above annually would be submitted to BOA for decision.

For clearance of capital goods, including second hand, in DTA shall be allowed as per FTP on payment of applicable duty and import policy in force on date of such clearance.

By amending Appendix 14-I-I, EOUs have been made eligible for reimbursement of CST paid on purchase from DTA irrespective of whether such goods are used for production of goods/services for export or used for goods sold in DTA.

The validity period of the notional rate certificate prescribed in Para 6.5.2 of HBP vol.I for export of jewellery has been increased from 3 working days to 7 working days.

J. Deemed Exports

ANF 8 has been modified to stipulate that excise attested invoices are necessary for refund of Terminal Excise Duty (TED)/duty drawback. As per the existing procedure, applicants have to submit individual invoices certified by the jurisdictional excise authorities for claiming duty drawback. Further, for getting refund of Terminal Excise Duty (TED), forms ER 1/ER 3 are required as documentary proof evidencing payment of excise duty. A simplified provision has now been introduced whereby exporters can now submit a Central Excise certified statement in lieu of individual invoices and a monthly statement confirming duty payment in lieu of ER1/ER3, for the purpose of Deemed Export benefits.

An alternative Bank Certificate has been added at the end of Appendix 22 B of HBP for EOUs for claiming deemed export benefits based on disclaimer certificate. This certificate which has to be produced along with domestic supplier certificate, provides for certification by EOU's bank as against the stipulation for DTA units of certification by Suppliers bank.

The time limit for claiming deemed export benefits have been enhanced from 6 months to 12 months from the date of payment. These claims can be filed in validation Letter/ARO wise, against individual licenses, within the time limit as specified above. 100% TED refund will be allowed after 100% supply has been made physically and payment received up to 90%. Provision has been made in the current Foreign Trade Policy and Procedure that simple interest @ 6% per annum is payable in the case of delayed refund of Duty Drawback and TED under deemed export if the claim is not settled within 30 days after submission of complete application.

Terminal Excise Duty (TED) on High Speed Diesel (HSD)/ Furnace Oil purchased by EOUs from depots of domestic oil PSUs will be refunded on the basis of duty paid certificate issued by concerned domestic oil PSU.

K. Special package for Marine Sector

Some specific steps have been taken to strengthen the marine sector, which is treated a thrust sector in Foreign Trade Policy under special focus initiatives. These are as:

- Duty free import of specified specialized inputs/chemicals and flavouring oils is allowed to the extent of 1% of FOB value of preceding financial year's export.
- To allow import of monofilament long line system for tuna fishing at a concessional rate of duty and Bait fish for tuna fishing at nil duty.
- A self removal procedure for clearance of seafood waste allowed subject to prescribed wastage norms.
- Marine products are considered for VKGUY scheme.

III. Stimulus Package for Exports

The global financial crisis and the resultant contraction in demand have adversely affected India's export performance during 2008-09, especially since Oct., 2008. After showing robust growth over 30% upto September, 2008, India's exports have shown marked deceleration in the subsequent months. It has resulted in job losses in some sectors like textiles, gem and jewellery, handicrafts etc. The government announced a series of fiscal, monetary and export promotion measures from time to time in the form of stimulus packages with the aim of reviving the growth of our exports. The key measures announced in the stimulus package are given in Box 4.4.

IV. EDI Initiatives

The Department is committed to simplifying procedures, facilitating electronic clearances, and putting in place an exporter friendly regime for obtaining authorizations under various export promotion schemes. Towards this end, several steps are being taken under the Electronic Data Interchange (EDI) programme. These are as follows:

- Bring all the community partners dealing with international trade on an EDI enabled platform to reduce transaction costs.
- Extend the online web enabled application procedure for issue of license/ authorization to all categories of licenses/ authorization;
- Consolidate the message exchange system with Customs and extend its scope to cover all shipping Bills relating to different export promotion schemes.
- Doing away with the manual double verification of the authorization system by way of online validation with the Customs Authority, initially at least for the ports having EDI facility.

Box 4.4

Stimulus Package for Exports to Counter Effects of Global Economic Slowdown

- Enhancing the period of pre-shipment and post-shipment Rupee Export Credit by 90 days each (by RBI);
- Enhancing the limit of Export Credit Refinance (ECR) facility for commercial banks to 50% (from 15%) of the outstanding Rupee Export Credit;
- Increasing the time period of export realization for non-status holder exporters to 12 months. This provision shall be valid till 30.6.09._
- Pre and post-shipment export credit for labour intensive exports i.e., textiles (including handlooms, carpets and handicrafts), leather, gems and jewellery, marine products and SME sector has been made more attractive by providing an interest subvention of 2% upto 30/9/2009 subject to minimum rate of interest of 7% per annum;
- Export duty on export of Iron ore fines withdrawn, reduced to 5% on iron pre lumps; and the railway tariff on export of Iron ore brought at par with domestic railway tariff;
- Additional funds of Rs.1100 crore will be provided to ensure full refund of Terminal Excise duty/CST;
- An additional allocation of Rs.1400 crore will be made to clear the entire backlog in TUF Scheme;
- Government back-up guarantee will be made available to ECGC to the extent of Rs.350 crore to enable it to provide guarantees for exports to difficult markets/products;
- Exporters will be allowed refund of service tax on foreign agent commissions of up to 10% of FOB value of exports. They will also be allowed refund of service tax on output services while availing of benefits under Duty Drawback Scheme;
- An additional allocation for export incentive schemes of Rs.350 crore will be made; and
- Handicraft products have been included under ‘Vishesh Krishi & Gram Udyog Yojana’.

- Doing away with the manual verification of Bank Realization Certificates by way of online validation with the software being developed by the Indian Banks Association.

V. Grievance Redressal Committee

A Grievance Redressal Committee (GRC) headed by the Additional Secretary, Department of

Commerce has been set up to handle grievances of exporters relating to Foreign Trade Policy. The Exporters need to send their grievances to the Committee in Electronic form, besides all other normal modes. Representations to the Committee may be forwarded by post addressed to the Chairman of the Committee. The application of the aggrieved party must contain the name of the applicant, IEC No. address (with contact Nos. and e-mail ID), the

details of reference earlier made to DGFT, if any and the grounds in support of grievances, in brief.

Any decision relating to Foreign Trade Policy i.e. decisions of ALC, EPCG, PIC, PRC, EPZ/EOU etc. i.e. all non- statutory matters relating to Foreign Trade Policy which has caused grievances to the exporter/importer will be heard by the Committee. Grievance Committee functioning in DGFT may be approached in the first instance for redressal of the grievances. The petitioner may thereafter refer the matter to GRC if still aggrieved with the decision of the Grievance Committee of DGFT. During the period April 2008 – March 2009, the GRC met 7 times wherein 89 cases were considered and disposed off. Decisions of GRC are made available on the website of Department of Commerce.

VI. Commodity specific policy decisions taken during the year

The government has also taken several specific measures pertaining to import and export of major commodities like rice, wheat, pulses, sugar, oilseeds etc. keeping in view domestic and international price situation. The import specific measures are given in *Annexure 4.1* and the export specific measures are given in *Annexure 4.2*.

VII. Trends of authorizations issued under Export promotion & duty neutralization schemes of Foreign Trade Policy during the period April, 2008 – March, 2009

During the period April 08 – March 09, a total of 1,90,374 authorizations having CIF/Duty credit value of Rs. 1,50,155 Crore and FOB / Export Obligation of Rs. 5,60,604 Crore have been issued. This represents a growth of 22% in number, decline of 15% in CIF/Duty credit value and increase of 22% in FOB value / EO over the corresponding period of last year. However, category wise, pattern of issuance of authorizations during the period remained the same as in the corresponding period of last year. A statement on total number of authorizations issued and their CIF/duty credit & FOB values during April,08-March,09 and during the corresponding period of last year is given in Table -4.1. Comparative picture of authorizations issued & their CIF values during the period April-March of the years 2007-08 & 2008-09 is depicted through Charts-4.1 & 4.2. Percentage share of authorizations issued & their CIF values by Category during April-March, 2009 is depicted through Charts 4.3 & 4.4.

Table 4.1

Trends of Authorizations Issued Under Export Promotion & Duty Neutralization Scheme

Category	2007-2008			2008-2009		
	April 2007 to March 2008			April 2008 to March 2009		
	Number	CIF / Duty credit (Rs Crore)	FOB (Rs Crore)	Number	CIF / Duty credit (Rs Crore)	FOB (Rs Crore)
Advance Licence/ authorisation	24383	135963	161632	19148	104234	132817
DEPB-Post Export	92932	5499	129469	112781	7714	168769
DFRC for Deemed Export	74	70	113	9	4	6
Served from India scheme	1041	1233	0	785	736	21
DFCE for Status Holder	204	684	0	97	256	0
Duty Free Import Authorization (DFIA)	4346	9137	11800	3820	8766	11825
Duty Free Replenishment Certificate	760	266	401	67	26	38
Import license for negative list of import items	839	5257	0	1155	7775	0
Target Plus Scheme	1274	1009	0	472	335	0
Focus Market Scheme	786	55	2738	4286	347	17697
Focus Product Scheme	1222	49	4973	6366	215	16775
Vishesh Krishi and Gram Udyog Yojana	8778	549	12518	21385	2679	73932
EPCG Concessional Duty 05%	19702	16239	137017	19949	17057	138496
Gem & Jewellery	72	18	114	54	11	227
TOTAL	156413	176030	460775	190374	150155	560604

Source: DGFT

CHART- 4.1

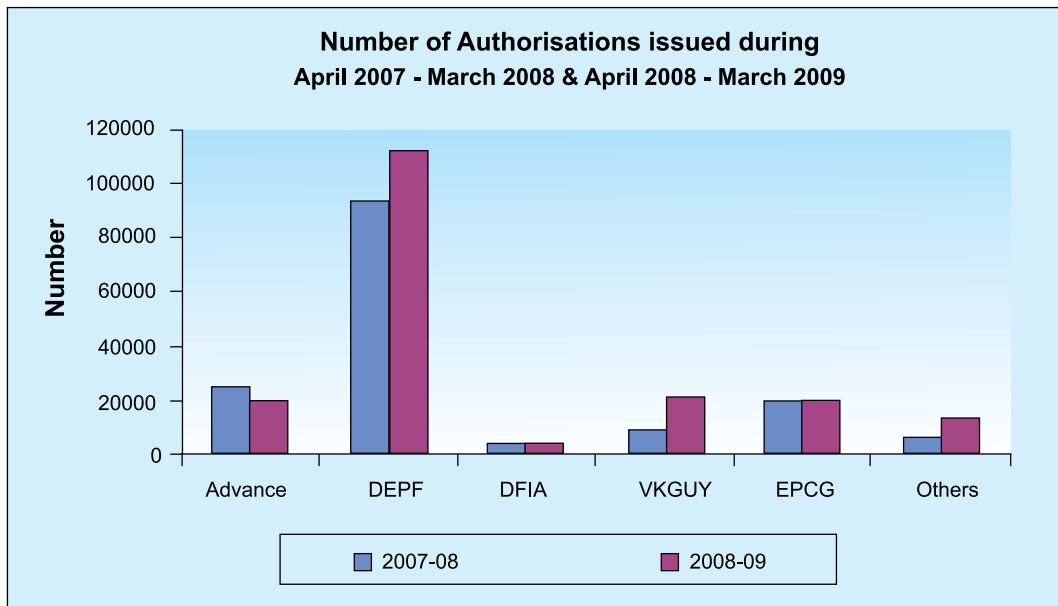


CHART- 4.2

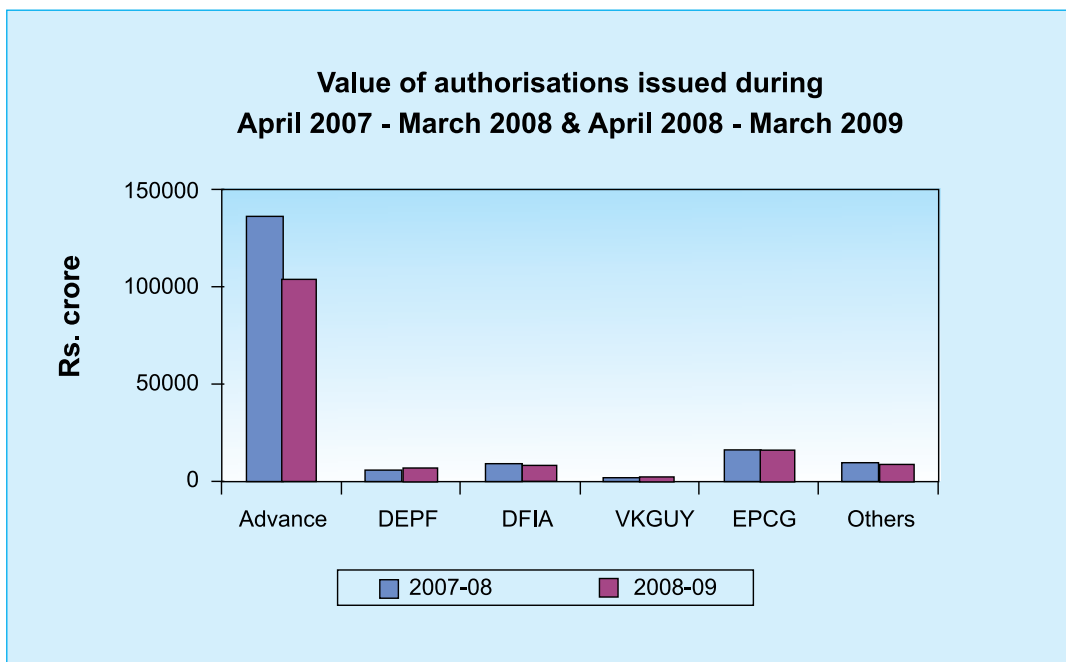


CHART- 4.3

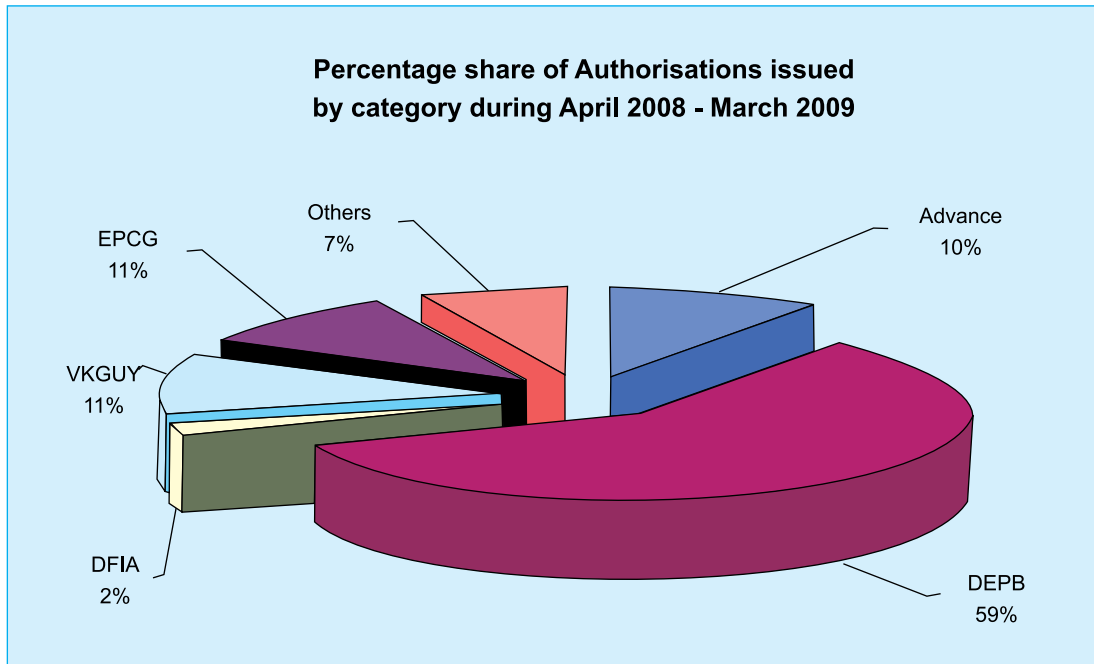
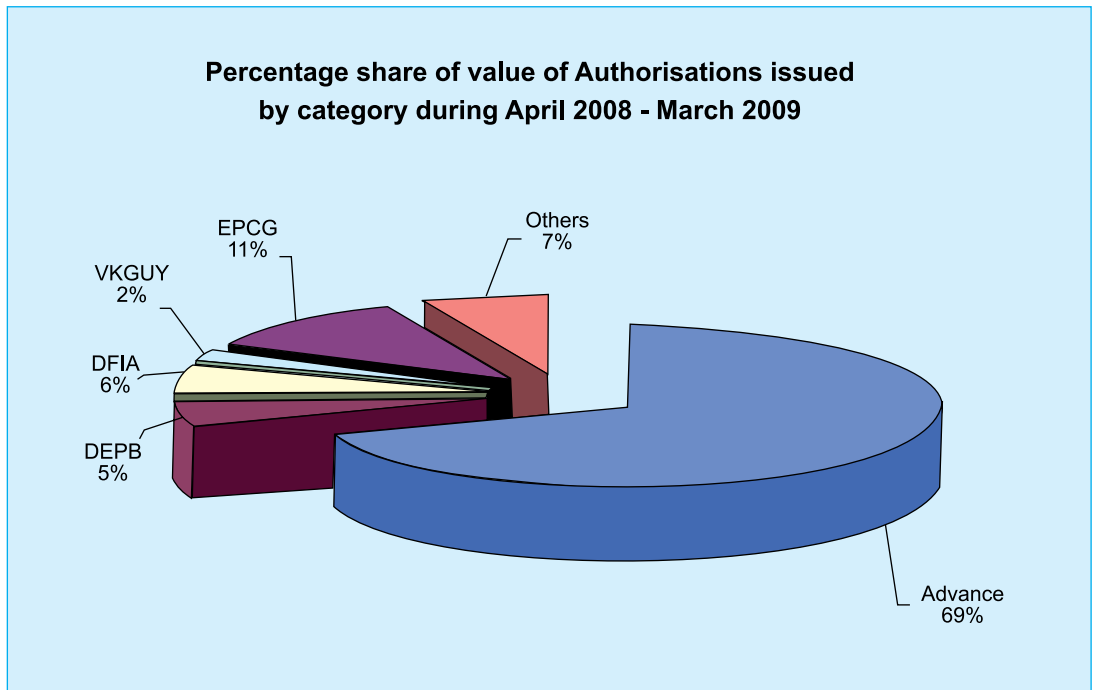


CHART- 4.4



ANNEXURE 4.1

Commodity Specific Measures - Imports

- Import of Betel Nuts subject to ceiling of floor price. [Notification No. 15 dated 4.6.2008].
- Import of rough/unprocessed blocks and slabs of agglomerated/ artificial stones restricted. Import of processed tiles/ slabs of agglomerated/ artificial stones subject to ceiling of floor price. [Notification No. 41 dated 18.9.2008].
- Import of certain items under ITC (HS) Code Nos. 7208, 7304, 2803 00 10, 4011 20 10, 5402 47 00, 7326 90 99, 8483 10 99 and 8708 10 90 restricted [Notification Nos. 63 dated 21.11.2008 and 64 dated 24.11.2008].
- Import / export of rough diamond from / to Venezuela prohibited. [Notification No. 65 dated 1.12.2008].
- Import of milk and milk products from China prohibited upto 23.6.2009. Import from China of chocolates and products and candies/ confectionary/ food preparations with milk or milk solids as an ingredient also prohibited for six months. [Notification No. 67 dated 1.12.2008].
- Import of item under Exim Code No.8483 10 99 has been made freely importable (instead of restricted) (Notification No.76 dated 07.01.2009).
- Import of rough blocks slabs of agglomerated/artificial stones has been restricted. Import of processed tiles/slab agglomerated/artificial stones has been permitted freely provided CIF value is US \$ 50 and above per sq.meter) (Notification No.77 dated 09.01.2009).
- Import of item under Exim Code No.2803 00 10 has been made free provided CIF value is Rs.80,000/- PMT and above. However, import of items under this code priced below Rs.80,000/- PMT shall continue to be restricted.
- Import of Seamless Tubes/Pipes under 4 digit Exim Code 7304 has been made free. Import of items under Exim Code 8708 has also been made free (Notification No.81 dated 16.01.2009).
- Import of Toys from China has been prohibited for six months with immediate effect and until further orders (Notification No. 82 dated 23.01.2009).
- Import of Toys from China allowed subject to certain certificate to be accompanied with the import consignment regarding conformance to the prescribed standards mentioned in notification no. 91 dated 02.03.2009.
- Import of Antiques of an age exceeding hundred years, antiquarian books has been made free. (Notification No.97 dated 17.03.2009).

Commodity Specific Measures - Exports

(i) Edible oil

- Export of edible oils prohibited w.e.f. 17.3.2008.
- Export of edible oil from Domestic Tariff Area (DTA) to Special Economic Zone (SEZ) to be consumed by the SEZ units for manufacture of processed food products was freely allowed w.e.f. 19th August, 2008.
- With effect from 20th November, 2008, export of edible oils is permitted in branded consumer packs of up to 5 Kgs, subject to a limit of 10,000 tons during the next one year up to 31st October, 2009: Such exports shall be allowed only from Customs EDI Ports. Export of fish oil was also made freely exportable with effect from 20th November, 2008.
- Vide Notification No. 98 dated 17.03.2009, ban on export of Edible Oil has been extended up to 16.03.2010.

(ii) Rice

- Export of non-basmati rice was completely prohibited vide Notification No.93 dated 1st April, 2008. However, export of PUSA-1121 variety of non-basmati rice was allowed w.e.f. 3.9.08. With effect from 5th November, 2008, PUSA-1121 variety of non-basmati rice was categorized as ‘Basmati rice’ and it became exportable as basmati rice subject to applicable MEP and other conditions.
- Export of Basmati rice is permitted with MEP of US \$ 1100 or Rs. 49,500/- per ton FOB and from six ports and subject to other conditions. MEP of Basmati rice was revised to US \$1100 per ton FOB or Rs. 49,500/- per ton FOB vide Notification No. 83 dated 27.1.2009 from earlier MEP of US \$1200.
- With effect from 19th August, 2008, rice of seed quality, chemically treated and not fit for human consumption, was made freely exportable, subject to certain conditions.
- In a meeting of EGOM held on 5.3.2009, it was decided that ban on export of non- basmati rice may continue till 30.06.2009 and a decision may be taken after assessing the progress of monsoon and production scenario in Rabi crop of KMS 2008-09.

(iii) Pulses

- Export of pluses except Kabuli Chana is prohibited till 31.3.2010. (Vide Notification No.99 dated 27.03.2009).

(iv) Cement

- Export of cement was prohibited w.e.f. 11.4.2008, except exports to Nepal and exports through Gujarat ports. However, vide Notification No. 73 dated 19th December, 2008; prohibition on export of cement has been lifted.

(v) Maize

- Export of maize was prohibited w.e.f. 3.7.2008 till 15.10.2008.
- With effect from 19th August, 2008, maize of seed quality, chemically treated and not fit for human consumption, was also made freely exportable, subject to certain conditions.

(vi) Honey

Vide Notification No. 66 dated 1st December, 2008, in respect of export of honey to USA, export of “wholly obtained “ Indian origin honey only shall be allowed and no export of Indian honey blended with honey originating from any other country shall be allowed.

(vii) Wheat

- Export of wheat and wheat products is prohibited vide Notification No. 33 dated 8th October, 2007.
- Export of Durum wheat of seed quality, wheat of seed quality and Meslin of seed quality, chemically treated and not fit for human consumption, were made freely exportable, subject to certain conditions, with effect from 17.09.2008.
- In a meeting of Empowered Group of Ministers (EGOM) held on 5.3.2009, it was decided that export of wheat and wheat products (atta, maida and suji) on private account may be allowed after 15th May, 2009 with a cap of 2 million tonnes in 2009-10. Modalities for export are to be decided by Committee of Secretaries.