

*Presentation
on
Foreign Trade Policy*

Of

Directorate General of Foreign Trade

DGFT – Organization

- ▶ Directorate General of Foreign Trade (DGFT) **under** Foreign Trade (Development and Regulation) Act , 1992.
- ▶ **DGFT Headquarter** in Delhi and 35 Regional offices in the country with about 2400 employees.

DGFT – Functions

Major Functions:

- *Formulation of FTP & Import / Export controls;*
- *Export Promotion;*
- *Issuance & monitoring of Certificates / authorisation;*
- *Trade Facilitation AND Grievance Redressal AND RSCQC*
- *Enforcement*

Foreign Trade Policy Documents

- FOREIGN TRADE POLICY (FTP)
 - HANDBOOK OF PROCEDURES
 - VOLUME -I - Procedures; the Appendices & Aayat Niryat forms.
 - VOLUME – II - SION (Standard Input Output Norms) [Last printed in 2009]
 - ITC (HS) CLASSIFICATION OF EXPORT AND IMPORT ITEMS [Last printed in 2012]
- All these Policy documents are available in DGFT website:
dgft.gov.in

Trade Deficit

India's Merchandise Trade Deficit (Trends):

Period	Trade Deficit (Value in US \$ Billion)
2004-05	27.99
2005-06	46.08
2006-07	59.34
2007-08	88.50
2008-09	118.40
2009-10	109.62
2010-11	119.00
2011-12	185.00
2012-13 (April-June)	40.00 (May touch 180-190 in 2012-13)

Major Export Commodities– (2011–12)

	Commodity	% share in Total
1	Engineering Goods	18.13%
2	Petroleum products	15.73%
3	Gems & Jewelry	16.17%
4	RMG of all textiles	6.03%
5	Drugs, Pharmaceuticals and Fine Chemical	4.97%
6	Other basic chemicals	3.79%
7	Iron Ore	3.44%
8	Electronic Goods	3.09%
9	Cotton yarn/ fabrics/made-ups	2.12%
10	Mica, Coal and other minerals	1.50%

Major Export Destinations (2011-12)

S.No.	Country	%Share in total
1	U. ARAB EMIRATES	13.41
2	U S A	10.93
3	CHINA P RP	6.50
4	HONG KONG	4.41
5	SINGAPORE	4.25
6	NETHERLAND	3.58
7	U K	3.48
8	GERMANY	3.03
9	UNSPECIFIED	2.30
10	SAUDI ARAB	2.19
11	FRANCE	2.14
12	BELGIUM	2.10

Major Import Commodities (2011-12)

	Commodity	% share in Total
1	Petroleum, Crude and products	30.63%
2	Machinery, Electrical and non-electrical	8.10%
3	Electronic goods	7.47%
4	Gold and silver	9.84%
5	Fertilizer, crude and manufactured	2.32%
6	Pearls, precious and semi-precious	5.62%
7	Organic and inorganic chemicals	4.33%
8	Coal, coke and briquettes	3.30%
9	Iron & Steel	3.10%
10	Metaliferrous ores and metal scrap	2.47%

Share of Indian Imports Country-wise (2011-12)

S. No.	Country	% Share
1	CHINA P RP	10.69
2	U ARAB EMIRATES	6.76
3	SAUDI ARAB	5.93
4	U S A	5.89
5	SWITZERLAND	5.10
6	AUSTRALIA	4.30
7	IRAN	4.00
8	GERMANY	3.58
9	INDONESIA	3.00
10	KOREA RP	2.97
11	KUWAIT	2.86
12	NIGERIA	2.53

Foreign Trade Policy – 2009–14

➤ Major Objectives:

Short Term Objectives:

- To arrest and reverse the declining trend of exports; and
- To achieve an Annual Export growth of 15% with an Annual Export Target of US\$ 200 billion by March 2011 (**already achieved**).
- To provide additional support to those sectors which have been hit badly by recession in the Developed World.

Medium term Policy Objectives :

- To achieve an Annual Export growth of around 25% by 2014.
- To double India's exports of **goods** by 2014 i.e., to reach US \$ 500 billion.

Long Term Objective :

- To double **India's share** in Global Trade by 2020.

Foreign Trade policy 2009–14

Strategies for achieving objectives of FTP

- ▶ Stable Policy environment
- ▶ **Fiscal incentives**
- ▶ Diversification of export markets
- ▶ **Technological upgradation**
- ▶ **Procedural rationalization**
- ▶ Institutional changes

Foreign Trade Policy – 2009–14

▶ Major Provisions

- **Special focus areas** (ch.1)
- **Import and Export controls** (ch. 2)
- **Incentive schemes for export promotion** (ch.3)
- **Schemes for Duty remission / neutralisation** (ch.4)
- **Scheme for Technological Upgradation** (ch.5)
- **EOU/STPI/EHTP/BTP.**(ch.6)
- **SEZ/FTWZ** (ch. 7 & 7A)
- **Deemed exports** (ch.8)

Controls on Imports

- ▶ **Import controls:** Less than 4% of India's Tariff Lines (at 8 digit level). 11,100 Lines are free for import.
- ▶ From almost total control on imports in 1991, India removed restrictions in phases over the next 10 years, removing almost all the QRs.
- ▶ **Presently:**
 - Prohibited items – 53 Lines
 - Restricted items – 485 Lines
 - STEs – 33 Lines.

Basis of Import Controls

- ▶ Predominantly on account of: security, Public Health, Public Morals and environment grounds.
- ▶ Prohibited items include beef, beef tallow, products of wild animals and ivory and other wild life products.
- ▶ Restricted items include live animals, birds, vegetable planting material, psychotropic substances, special chemicals, unworked stones, arms and ammunition, aircraft, security printing paper, second hand consumer goods, certain categories of waste and scrap, satellite and communication equipment of certain frequency and products of wild life.
- ▶ Products under STE include foodgrains, coconut oil, certain petroleum products, fertilizers etc.

Export Controls

- ▶ Controls predominantly on account of security, public health, public morals, exhaustible resources and environment grounds.
 - Prohibited items (59),
 - Restricted items (155),
 - Items reserved for STEs (15).
- ▶ Restrictions fall under two Categories
 - General Trading Items – Export Facilitation Committee decides applications for license.
 - Dual Use Items (SCOMET items) – Special provision for these items under WMD Act, 2005.

Current Export Policy of Sensitive Items

▶ Wheat :

- Export Free from 9.9.2011
- Export permitted through EDI ports.
- Permitted from 23.2.2012 from non-EDI Land Customs Stations on Indo-Bangladesh and Indo-Nepal border
- Registration of quantity with DGFT

▶ Wheat Products (Atta, Maida, Suji):

- Export free through EDI ports
- ceiling of 6.5 lakh tons from 3.7.2009 to 31.3.2013

▶ Basmati Rice :

- ▶ Free Export through EDI Ports, condition of grain length. MEP condition removed on 4.7.2012

▶ Non-Basmati Rice:

- Free Export through EDI ports (from 9.9.2011)
- Permitted from 23.2.2012 from non-EDI Land Customs Stations on Indo-Bangladesh and Indo-Nepal border
- Registration of quantity with DGFT

Current Export Policy of Sensitive Items

- ▶ Cotton : Free from 12.3.2012 on Registration of Export Contracts
- ▶ Cotton Yarn : Free from 1.4.2011 on Registration of Export Contracts
- ▶ Edible Oil: Prohibited since 17.3.08 upto 30.9.2012
- ▶ Exceptions: Castor oil, coconut oil from Cochin Port
- ▶ Pulses: Export of pulses (except Kabuli Chana) is prohibited till 31.3.2013.
- ▶ Organic Pulses and lentils allowed up to 10,00 MTs per annum

Various export promotion schemes

- ▶ Cost of Inputs and Capital goods:
 - ❖ Duty components (Duty Neutralisation)
 - ❖ Capital subsidy on Capital goods (Textiles)
 - ❖ EPCG (0% & 3% Schemes) & SHIS (for status holders)
- ▶ Duty on finished product
- ▶ Infrastructure development– ASIDE
- ▶ Concessional Export Credit & Interest subvention
- ▶ Market Development Assistance (MDA & MAI)
- ▶ Export Incentives (FPS, FMS, MLFPS, VKGUY, SFIS)
- ▶ Cost of Trade Dispute settlement etc.

Duties for Neutralisation

➤ PRIME INDIRECT TAXES & DUTIES:

Basic Customs Duty;
Excise Duties (Additional Customs Duties);
Special Additional Duty (@4%)
Education Cess and Higher Education Cess

PRIME DIRECT TAXES :

- Income Tax (Exemption no more available except on certain re-investment and R&D criterion)
- Minimum Alternate Tax (MAT of 18.5% imposed on SEZ units & Developers)
- Fringe Benefit Tax (Withdrawn)

OTHER PRIME DUTIES/CESS

- VAT (refund allowed by State Government on exports) & CST (Exemption/Refund to SEZ and EOUs only)
- Non refunded Sales tax on Petroleum Products; Electricity Duty; Octroi; Mandi tax; Entry Tax etc

IMPACT OF GST (Some of taxes left out of coverage:-Electricity duty, Sales tax on Petroleum products etc)

WTO compability

Schemes for Duty remission / neutralisation

- ▶ **Basic Principle:** *Goods & Services are exported & not the taxes & Levies.*
- ▶ *These schemes can be categorised into:*
 - ▶ 100% EOUs/STP/BTP/EHTP
 - ▶ SEZ Scheme
 - ▶ Bonded Warehouses
 - ▶ Customs Clearance Permit
 - ▶ Schemes for DTA units;

Duty remission / neutralisation for DTA units

Purpose: Procure inputs and capital goods without the component of Central Indirect Taxes & Levies

For Inputs

Pre Export Schemes :

Advance Authorisation Scheme (Actual User)
Duty Free Import Authorisation (DFIA) Scheme
Schemes for Gems & Jewellery Sector

Post Export Schemes :

Duty Entitlement Pass Book (DEPB) –scheme was valid for exports till 30 September 2011.

Duty Drawback Scheme
Terminal Excise Duty (TED) Refund.

For Capital Goods:

EPCG Scheme
SHIS Scheme
TEE (Towns of Export Excellence:- Total 27 towns notified)
ASIDE Scheme

Advance Authorisation

Purpose: Scheme for duty free import / procurement of Inputs (physically incorporated in the export product) along with Fuel, Oil, Catalyst etc. required for manufacturing the export product;

➤ Inputs allowed on the basis of:

A. Quantity-wise Entitlement for individual inputs as per:

1. **Standard Input Output Norm** (SION)- about 7500 SIONs notified;
2. **Adhoc Norms** ratified by the Technical Committee;
3. Adhoc norms valid for two year.

B. Value-wise Limitation: Minimum prescribed VA: 15%. With Exceptions

Actual User Condition: Inputs are with Actual User Condition even after fulfilment of Export Obligation.

D. Except prohibited items, all other inputs allowed either direct import/procurement or through the concerned STEs

E. Validity period of Imports and Exports reduced in 2012-13 Annual Supplement.

F. Clubbing Facility: For redemption / regularisation of cases subject to import validity and exports within EOP. No further imports/exports allowed.

Advance Authorisation (Contd..)

➤ Who can apply:

- Manufacturer Exporter
- Merchant Exporter tied up with Manufacturer
- Regd office/Head office or branch office/unit can apply.

➤ Duty Free access through:

- Imports (BG/LUT to the Customs) at the port of Import;
- Domestic Procurement through instruments like (BG/LUT to the Regional Authority) :

1. Invalidation Letter (Domestic Supplier can avail Advance Authorisation);
2. Advance Release Order (Domestic Supplier can avail Duty DBK on inputs and TED refund on the supplied product- Disclaimer facility available)
3. Back to Back L/C.

Deemed Exports

- Supply of goods manufactured by Domestic Unit to certain authorization holders / recognized projects which are otherwise entitled for Duty Free Imports.
- Purpose is:
 - Import Substitution.
 - Reducing specific project cost .
- Benefits available:
 - Advance Authorisation / DFIA;
 - Deemed Export Duty Drawback and Terminal Excise Duty (TED) Refund.

Schemes for Technological Upgradation

- ▶ **EPCG scheme**– Pre export; For all categories of exporters
- ▶ **Status Holder Incentive Scrip (SHIS) Scheme**– For Status Holders only. Valid till 31.3.2013.

EPCG Scheme

Export Promotion Capital Goods (EPCG) Scheme

- ▶ Import of capital goods for **modernization** and **technological upgradation**;
- ▶ at a concessional import duty of **3%** and at **Zero duty** for certain export sectors. (against normal basic customs duty of 5% to 7.5%);
- ▶ Zero Duty Scheme valid for specified sectors and till 31.3.2013;
- ▶ **E.O. fulfilment: (Average performance plus)**
 - Subject to Export Obligation (EO) of 8 times duty saved to be fulfilled over 8 years (3% duty scheme); and
 - EO: 6 times duty saved to be fulfilled over 6 years (zero duty scheme);
- ▶ **Post Export Duty Credit scheme. (introduced in 2012)**

Status Holder Incentive Scrip (SHIS) Scheme

- ▶ Objective to promote investment for upgradation of technology of specified sectors;
- ▶ Post export scheme since 2009.
- ▶ Status Holders entitled to **incentive scrip @1% of FOB value of exports** in those sectors made during previous year;
- ▶ *Now limited transferability within status holder (Annual supplement 2012-13)*
- ▶ Scheme is valid for exports till 31.3.2013 only.

Towns of Export Excellence

▶ Towns of Export Excellence (TEEs)

- Producing goods worth more than Rs.750 cr. with potential for growth in export
- Lower threshold Rs. 150 cr. For handloom, handicrafts, agriculture and fisheries.

▶ Benefits

- Funds under MAI to recognized association of units
- Common service provider eligible for EPCG
- Priority for funds under ASIDE scheme

▶ 27 TEEs notified (24)+(3 added in 2012) –Appendix 7 of HBP

ASIDE

- ▶ Assistance to States for developing export infrastructure and Allied activities.
 - Aimed at development of infrastructure for exports.
 - Projects having overwhelming export content.
 - Linkage with export.

Specific purposes of schemes covered under ASIDE

- Creation of new EIPs/Zones(SEZs/Agri business zones)
- Setting up of electronics and other related infrastructure

ASIDE-contd./

- ▶ Meeting requirements of capital outlay of EPIP/EPZs/SEZs
- ▶ Development of complementary infrastructure such as roads connecting the production centers with the ports, setting up of ICDs and CFS.
- ▶ Stabilizing power supply
- ▶ Common effluent treatment facilities.
- ▶ Allocation during 2011-12-Rs.620 Crores, 2012-13-Rs.576 Crores

Incentive Schemes

- ▶ For **goods** Exports:
 - Vishesh Krishi and Gram Udyog Yojana (VKGUY)
 - Focus Market Scheme (FMS)
 - Focus Product Scheme (FPS)
 - MLFPS
- ▶ For **Service** Exports:
 - SFIS
- ▶ For **Market Development**:
 - MDA
 - MAI

Incentive Schemes

Major Schemes:

- **Vishesh Krishi Upaj Yojana (VKUY)**
Launched in August 2004.
Renamed as **Vishesh Krishi and Gram Udyog Yojana (VKGUY)** in April 2006. Expanded/ deepened progressively.

- **Focus Market (FMS) and Focus Product (FPS)**
Launched in April 2006, Expanded/ deepened progressively.

- **Market Linked Focus Product Scheme**
Introduced in 2008–09.
 - Benefit granted in the form of a freely transferable Duty Credit Scrip, which is akin to cash and debited for payment of import duty.
 - Domestic procurement allowed in 2012–13 supplement. Earlier only imports could be made.

Incentive Schemes for Export Promotion

Vishesh Krishi & Gram Udyog Yojana (VKGUY)

- ▶ Exports of select fruits, vegetables, flowers, minor forest produce and forest based products, identified gram udyog products, marine products allowed **a duty credit of 5%** on the FOB value of exports [reduced credit of 3% in certain cases (where specific Drawback or DEPB rate or benefit of Advance Authorisation / DFIA schemes availed), and additional benefits of 2% for some other items]. Appendix 37A of HBP Vol-I
- ▶ **Special VKGUY @ 7%** for specified products
- ▶ More than 1000 products granted benefit under the Scheme.
- ▶ (**In 2012 Annual Supplement**:- benefit on **Guargum** & sesame seed **withdrawn** whereas **2 new items added namely roasted cashew Kernel and protein concentrates**)

VKGUY (Contd.....)

Vishesh Krishi & Gram Udyog Yojana (VKGUY) Scheme (Agri-Infrastructure Incentive Scheme on agri exports)

- Additional 5% duty credit entitlement allowed under Agri-Infrastructure Incentive Scheme on agri exports;
- For import of Cold Chain Equipments and **additional new items (added in Annual Supplement 2012-13)** .
- Scrips issued under this provision is with **limited transferability** within status holders and to the Food processing units.

Incentive Schemes

Focus Market Scheme (FMS)

- ▶ **Objective** to enhance India's export competitiveness in markets where presence is hindered by high freight cost and other related disabilities
- ▶ Scheme introduced for exports from 1.4.06
- ▶ Duty credit @ 3% of FOB value of exports; So far 119 markets (112+ **7 added in 2012-13**)
- ▶ Special Focus market scheme @ 5% for certain markets only. **7 new markets added.**

Focus Market Scheme

Significant Markets already included are:

Africa Block –

Except for 6 countries, entire continent covered. South Africa, Tanzania, Nigeria, Kenya, Egypt and Algeria are not covered.

Latin American Block –

31 Markets covered- Argentina, Bolivia, Chile, Ecuador, Paraguay, Peru, Uruguay, Venezuela, Dominican Republic, El-Salvador, Guatemala, Jamaica, Trinidad and Tobago, Columbia, Honduras, Puerto Rico, Costa Rica, Panama, Bahamas, Nicaragua, Haiti etc.

East Europe Block –

Serbia & Montenegro, Albania, Macedonia, Bosnia & Herzegovina and Croatia

Entire CIS-CAR Block

10 countries, except Ukraine.

Asian Block

Mongolia.

Asia-Oceania Block

Fiji Is, Kiribati Rep., Nauru Rp., Papua New Guinea, Solomon Island, Tonga, Tuvalu, Vanautu Rep., Samoa, Laos.

7 new markets added in 2012-13:- Algeria, Austria, Cambodia, Myanmar, Netherland Antilles, Ukraine)

Incentive Schemes

Focus Product Scheme

Objective – to incentivise export of products which have high employment intensity in rural and semi-urban areas, so as to **offset infrastructure inefficiencies and other associated costs involved in marketing.**

- ▶ Duty credit @ 2% of FOB value of exports allowed under the Scheme. Currently over 900 Products (at 8 digit level) covered. **Over 100 new products added in 2012-13.**
- **Special Focus Product** like Toys, Sports Goods, Carpets, Handicrafts are entitled for benefit @ 5% of FOB value of exports. Currently, more than 400 Products covered. Additional 2% bonus to certain products like handicrafts (carpets) etc.
- ▶ Sectors include leather/leather footwear, fire works, stationery items, handlooms, coir and engineering and a host of other products.
- ▶ **Bonus** of 2% and 1% provided to certain sectors

Incentive Schemes

Market Linked Focus Product Scheme (MLFPS)

- ▶ Objective: To promote exports of products of high export intensity but which have a low penetration in identified countries
- ▶ Products such as bicycles and parts, motor cars, motor cycles, auto components linked to their specified markets in Africa, Latin America, Europe, etc. granted entitlement @ 2% of FOB value.
- ▶ Currently more than 4000 products covered. 46 new items and 12 new markets added in 2012-13 supplement.
- ▶ Special sector like Garments exported to Australia, Japan and Brazil being given 2% benefit. In the Annual supplement, For US and EU, now provided till 31.3.2013.

Foreign Trade Policy – 2009–14

Special Focus Areas

Special Focus Sectors identified for promotion of exports:

Agriculture and Village Industries; Handlooms; Handicrafts; Gems & Jewellery; Leather & Footwear; Marine Products; Electronics and IT Hardware manufacturing industries; Sports Goods and Toys; Green products and technologies; Exports from the North Eastern Region.

Benefits

These sectors have been allowed:

- Lower threshold limits for Towns of Export Excellence recognition;
- Duty Free Import of accessories and chemicals upto a certain percentage of exports;
- Additional incentives etc.

Incentive Schemes

Served From India Scheme (SFIS) for Service Providers

Objective: To accelerate growth in export of Services and to create a powerful and unique “Served from India” Brand.

Entitlement:

- Duty credit Scrips @10% of Free Foreign Exchange Earned.
- Exceptions for certain sectors
- Capital Goods, Office Equipments, Furniture and consumables etc for any service sector business of the service provider.
- Scrips & the items with **Actual User condition,**

Benefits available to 100% EOUs

- Duty free Import of goods allowed. Prohibited items not permitted.
- Exemption from Income Tax expired on 31-3-2011.
- Supply from DTA to EOU gets deemed export benefit.
- Cenvat credit for the service tax on input services.
- Refund of Central Sales Tax (CST) on supply to EOU.
- DTA sale allowed at 50% of the applicable customs duty, upto 50% of total exports.

Status Recognition and privileges

- Based on previous export performance
- Double weigtage allowed to certain sectors.
- Five categories of Status certificates (EH, SEH, TH, STH, PTH)
- Benefits
Faster processing; exemption from bank guarantee, facility of direct import of precious metal by PTH and STH (Gems & Jewellery Sector); **SHIS** scheme for **technology upgradation**; 5 yrs criterion for average under **EPCG** scheme; Direct negotiation of documents etc.

Criteria for recognition of status

Status Category	Export Performance FOB / FOR Value (Rupees in Crores)
Export House (EH)	20
Star Export House (SEH)	100
Trading House (TH)	500
Star Trading House (STH)	2500
Premier Trading House (PTH)	7500
About 4500 Status Holders, including about a dozen PTH.	

Thank You