

HIGHLIGHTS OF FOREIGN TRADE POLICY 2009-2014

(announced by the Hon'ble Union Minister for Commerce & Industry on 27th August 2009)

Higher Support for Market and Product Diversification

- Incentive schemes under Chapter 3 have been expanded by way of addition of new products and markets.
- 26 new markets have been added under Focus Market Scheme. These include 16 new markets in Latin America and 10 in Asia-Oceania.
- The incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%.
- The incentive available under Focus Product Scheme (FPS) has been raised from 1.25% to 2%.
- A large number of products from various sectors have been included for benefits under FPS. These include, Engineering products (agricultural machinery, parts of trailers, sewing machines, hand tools, garden tools, musical instruments, clocks and watches, railway locomotives etc.), Plastic (value added products), Jute and Sisal products, Technical Textiles, Green Technology products (wind mills, wind turbines, electric operated vehicles etc.), Project goods, vegetable textiles and certain Electronic items.
- Market Linked Focus Product Scheme (MLFPS) has been greatly expanded by inclusion of products classified under as many as 153 ITC (HS) Codes at 4 digit level. Some major products include; Pharmaceuticals, Synthetic textile fabrics, value added rubber products, value added plastic goods, textile madeups, knitted and crocheted fabrics, glass products, certain iron and steel products and certain articles of aluminium among others. Benefits to these products will be provided, if exports are made to 13 identified markets (Algeria, Egypt, Kenya, Nigeria, South Africa, Tanzania, Brazil, Mexico, Ukraine, Vietnam, Cambodia, Australia and New Zealand).
- MLFPS benefits also extended for export to additional new markets for certain products. These products include auto components, motor cars, bicycle and its parts, and apparels among others.
- A common simplified application form has been introduced for taking benefits under FPS, FMS, MLFPS and VKGUY.
- Higher allocation for Market Development Assistance (MDA) and Market Access Initiative (MAI) schemes is being provided.

Technological Upgradation

- To aid technological upgradation of our export sector, EPCG Scheme at Zero Duty has been introduced. This Scheme will be available for engineering & electronic products, basic chemicals & pharmaceuticals, apparels & textiles, plastics, handicrafts, chemicals & allied products and leather & leather products (subject to exclusions of current beneficiaries under Technological Upgradation Fund Schemes (TUFS), administered by Ministry of Textiles and beneficiaries of Status Holder Incentive Scheme in that particular year). The scheme shall be in operation till 31.3.2011.
- Jaipur, Srinagar and Anantnag have been recognised as 'Towns of Export Excellence' for handicrafts; Kanpur, Dewas and Ambur

have been recognised as 'Towns of Export Excellence' for leather products; and Malihabad for horticultural products.

EPCG Scheme Relaxations

- To increase the life of existing plant and machinery, export obligation on import of spares, moulds etc. under EPCG Scheme has been reduced to 50% of the normal specific export obligation.
- Taking into account the decline in exports, the facility of re-fixation of Annual Average Export Obligation for a particular financial year in which there is decline in exports from the country, has been extended for the 5 year Policy period 2009-14.

Support for Green products and products from North East

- Focus Product Scheme benefit extended for export of 'green products'; and for exports of some products originating from the North East.

Status Holders

- To accelerate exports and encourage technological upgradation, additional Duty Credit Scrips shall be given to Status Holders @ 1% of the FOB value of past exports. The duty credit scrips can be used for procurement of capital goods with Actual User condition. This facility shall be available for sectors of leather (excluding finished leather), textiles and jute, handicrafts, engineering (excluding Iron & steel & non-ferrous metals in primary and intermediate form, automobiles & two wheelers, nuclear reactors & parts, and ships, boats and floating structures), plastics and basic chemicals (excluding pharma products) [subject to exclusions of current beneficiaries under Technological Upgradation Fund Schemes (TUFS)]. This facility shall be available upto 31.3.2011.
- Transferability for the Duty Credit scrips being issued to Status Holders under paragraph 3.8.6 of FTP under VKGUY Scheme has been permitted. This is subject to the condition that transfer would be only to Status Holders and Scrips would be utilized for the procurement of Cold Chain equipment(s) only.

Stability/ continuity of the Foreign Trade Policy

- To impart stability to the Policy regime, Duty Entitlement Passbook (DEPB) Scheme is extended beyond 31-12-2009 till 31.12.2010.
- Interest subvention of 2% for pre-shipment credit for 7 specified sectors has been extended till 31.3.2010 in the Budget 2009-10.
- Income Tax exemption to 100% EOUs and to STPI units under Section 10B and 10A of Income Tax Act has been extended for the financial year 2010-11 in the Budget 2009-10.
- The adjustment assistance scheme initiated in December, 2008 to provide enhanced ECGC cover at 95%, to the adversely affected sectors, is continued till March, 2010.

Marine sector

- Fisheries have been included in the sectors which are exempted from maintenance of average EO under EPCG Scheme, subject to the condition that Fishing Trawlers, boats, ships and other similar

items shall not be allowed to be imported under this provision. This would provide a fillip to the marine sector which has been affected by the present downturn in exports.

- Additional flexibility under Target Plus Scheme (TPS) / Duty Free Certificate of Entitlement (DFCE) Scheme for Status Holders has been given to Marine sector.

Gems & Jewellery Sector

- To neutralize duty incidence on gold Jewellery exports, it has now been decided to allow Duty Drawback on such exports.
- In an endeavour to make India a diamond international trading hub, it is planned to establish “Diamond Bourse (s)”.
- A new facility to allow import on consignment basis of cut & polished diamonds for the purpose of grading/ certification purposes has been introduced.
- To promote export of Gems & Jewellery products, the value limits of personal carriage have been increased from US\$ 2 million to US\$ 5 million in case of participation in overseas exhibitions. The limit in case of personal carriage, as samples, for export promotion tours, has also been increased from US\$ 0.1 million to US\$ 1 million.

Agriculture Sector

- To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by APEDA.

Leather Sector

- Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi finished leather from public bonded ware houses, subject to payment of 50% of the applicable export duty.
- Enhancement of FPS rate to 2% would also significantly benefit the leather sector.

Tea

- Minimum value addition under advance authorisation scheme for export of tea has been reduced from the existing 100% to 50%.
- DTA sale limit of instant tea by EOU units has been increased from the existing 30% to 50%.
- Export of tea has been covered under VKGUY Scheme benefits.

Pharmaceutical Sector

- Export Obligation Period for advance authorizations issued with 6-APA as input has been increased from the existing 6 months to 36 months, as is available for other products.
- Pharma sector extensively covered under MLFPS for countries in Africa and Latin America; some countries in Oceania and Far East.

Handloom Sector

- To simplify claims under FPS, requirement of ‘Handloom Mark’ for availing benefits under FPS has been removed.

EOUs

- EOUs have been allowed to sell products manufactured by them in DTA upto a limit of 90% instead of existing 75%, without changing the criteria of 'similar goods', within the overall entitlement of 50% for DTA sale.
- To provide clarity to the customs field formations, DOR shall issue a clarification to enable procurement of spares beyond 5% by granite sector EOUs.
- EOUs will now be allowed to procure finished goods for consolidation along with their manufactured goods, subject to certain safeguards.
- During this period of downturn, Board of Approvals (BOA) to consider, extension of block period by one year for calculation of Net Foreign Exchange earning of EOUs.
- EOUs will now be allowed CENVAT Credit facility for the component of SAD and Education Cess on DTA sale.

Thrust to Value Added Manufacturing

- To encourage Value Added Manufactured export, a minimum 15% value addition on imported inputs under Advance Authorization Scheme has now been prescribed.
- Coverage of Project Exports and a large number of manufactured goods under FPS and MLFPS.

DEPB

- DEPB rate shall also include factoring of custom duty component on fuel where fuel is allowed as a consumable in Standard Input-Output Norms.

Flexibility provided to exporters

- Payment of customs duty for Export Obligation (EO) shortfall under Advance Authorisation / DFIA / EPCG Authorisation has been allowed by way of debit of Duty Credit scrips. Earlier the payment was allowed in cash only.
- Import of restricted items, as replenishment, shall now be allowed against transferred DFIA's, in line with the erstwhile DFRC scheme.
- Time limit of 60 days for re-import of exported gems and jewellery items, for participation in exhibitions has been extended to 90 days in case of USA.
- Transit loss claims received from private approved insurance companies in India will now be allowed for the purpose of EO fulfillment under Export Promotion schemes. At present, the facility has been limited to public sector general insurance companies only.

Waiver of Incentives Recovery, On RBI Specific Write off

- In cases, where RBI specifically writes off the export proceeds realization, the incentives under the FTP shall now not be recovered from the exporters subject to certain conditions.

Simplification of Procedures

- To facilitate duty free import of samples by exporters, number of samples/pieces has been increased from the existing 15 to 50. Customs clearance of such samples shall be based on declarations

given by the importers with regard to the limit of value and quantity of samples.

- To allow exemption for up to two stages from payment of excise duty in lieu of refund, in case of supply to an advance authorisation holder (against invalidation letter) by the domestic intermediate manufacturer. It would allow exemption for supplies made to a manufacturer, if such manufacturer in turn supplies the products to an ultimate exporter. At present, exemption is allowed upto one stage only.
- Greater flexibility has been permitted to allow conversion of Shipping Bills from one Export Promotion scheme to other scheme. Customs shall now permit this conversion within three months, instead of the present limited period of only one month.
- To reduce transaction costs, dispatch of imported goods directly from the Port to the site has been allowed under Advance Authorisation scheme for deemed supplies. At present, the duty free imported goods could be taken only to the manufacturing unit of the authorisation holder or its supporting manufacturer.
- Disposal of manufacturing wastes / scrap will now be allowed after payment of applicable excise duty, even before fulfillment of export obligation under Advance Authorisation and EPCG Scheme.
- Regional Authorities have now been authorised to issue licences for import of sports weapons by 'renowned shooters', on the basis of NOC from the Ministry of Sports & Youth Affairs. Now there will be no need to approach DGFT (Hqrs.) in such cases.
- The procedure for issue of Free Sale Certificate has been simplified and the validity of the Certificate has been increased from 1 year to 2 years. This will solve the problems faced by the medical devices industry.
- Automobile industry, having their own R&D establishment, would be allowed free import of reference fuels (petrol and diesel), upto a maximum of 5 KL per annum, which are not manufactured in India.
- Acceding to the demand of trade & industry, the application and redemption forms under EPCG scheme have been simplified.

Reduction of Transaction Costs

- No fee shall now be charged for grant of incentives under the Schemes in Chapter 3 of FTP. Further, for all other Authorisations/ licence applications, maximum applicable fee is being reduced to Rs. 100,000 from the existing Rs 1,50,000 (for manual applications) and Rs. 50,000 from the existing Rs.75,000 (for EDI applications).
- To further EDI initiatives, Export Promotion Councils/ Commodity Boards have been advised to issue RCMC through a web based online system. It is expected that issuance of RCMC would become EDI enabled before the end of 2009.
- Electronic Message Exchange between Customs and DGFT in respect of incentive schemes under Chapter 3 will become operational by 31.12.2009. This will obviate the need for verification of scrips by Customs facilitating faster clearances.
- For EDI ports, with effect from December '09, double verification of

shipping bills by customs for any of the DGFT schemes shall be dispensed with.

- In cases, where the earlier authorization has been cancelled and a new authorization has been issued in lieu of the earlier authorization, application fee paid already for the cancelled authorisation will now be adjusted against the application fee for the new authorisation subject to payment of minimum fee of Rs. 200.
- An Inter Ministerial Committee will be formed to redress/ resolve problems/issues of exporters.
- An updated compilation of Standard Input Output Norms (SION) and ITC (HS) Classification of Export and Import Items has been published.

Directorate of Trade Remedy Measures

To enable support to Indian industry and exporters, especially the MSMEs, in availing their rights through trade remedy instruments, a Directorate of Trade Remedy Measures shall be set up.

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