



Highlights of Foreign Trade Policy – 2009-2014

Background

Given the current economic situation and shrinking export market, the industry was expecting that the proposals under the Foreign Trade Policy 2009-14 ('the FTP' or 'the Policy') would continue and expand with the existing export incentive schemes and also help in expanding the export market.

From this perspective, the proposals of the FTP are broadly on expected lines. Further, it has been specifically mentioned that the policy measures are for a 2 years period and stock would be taken thereafter for mid-course correction.

Highlights of the Policy are summarised below.

Export Promotion Capital Goods ('EPCG') Scheme

- Import of capital goods allowed at zero customs duty to exporters of specified products, like engineering & electronic products, basic chemicals & pharmaceuticals, apparels & textiles, plastics, etc. In these cases, export obligation ('EO') equivalent to 6 times of duty saved required to be met in 6 years. This specific Scheme to be valid till 31 March 2011
- EO on import of spares, moulds etc reduced to 50% of the normal specific EO

Served from India Scheme ('SFIS')

- Entitlement of duty credit scrip increased from 5 to 10 percent of foreign exchange earnings for specified hotels, clubs and other service providers in tourism sector
- Following would not be included for computation of SFIS entitlement:

- telecommunication services provided by service providers in Telecom sector
- foreign exchange earnings for services provided by airline and shipping lines for routes not touching India

Duty Entitlement Passbook ('DEPB') Scheme

- Scheme extended upto 31 December 2010

Advance Authorisation Scheme ('AAS')

- A minimum 15 percent value addition on imported inputs prescribed

Export Oriented Units ('EOU') Scheme

- Board of Approvals to consider extension of block period by one year for calculation of Net Foreign Exchange, for those units which complete 5 years block period in between 30 September 2008 and 30 September 2009
- Procurement of finished goods for consolidation along with manufactured goods allowed to the extent of 5 percent of exports in the preceding year

Focus Market Scheme ('FMS')

- Percentage of credit entitlement increased from 2.5 percent to 3 percent and benefit of credit entitlement extended for exports made to 26 more countries (including 16 from Latin American Block and 10 from Asia-Oceania block)

Focus Product Scheme ('FPS')

- Percentage of credit entitlement increased from 1.25 percent to 2 percent and scope expanded to specified products including engineering products, electronic products, plastic products, textile products, green technology products (like wind mill, wind powered generating sets, electrically operated vehicles etc), etc

Market Linked Focus Product ('MLFP') Scheme

- Percentage of credit entitlement increased from 1.25 percent to 2 percent and benefit of credit entitlement extended to products including pharmaceuticals, articles of iron and steel, articles of aluminium, dyes, paints, soaps etc exported to countries like Brazil, South Africa, Australia etc

Miscellaneous

- Additional incentive scrip equivalent to 1 percent of FOB value of exports made during 2009-10 and 2010-11 to be given to Status Holders in leather, textiles and jute, handicrafts, specified

- engineering, plastics and basic chemicals sectors. The scrip can be used for procurement of capital goods with actual user condition
- Exemption from terminal excise duty has been extended for supplies made by an Advance Authorisation holder to a manufacturer holding another Advance Authorization if such manufacturer supplies to ultimate exporter
 - Payment of customs duty for EO shortfall under AAS, EPCG and Duty Free Import Authorisation allowed by debiting duty credit scrips, like DEPB, SFIS. Earlier the payment was allowed in cash only
 - Various procedural relaxations provided, like
 - Reduction in/ exemption from application fees for availing incentives
 - Transit loss claims received even from private approved insurance companies allowed for EO fulfillment
 - Incentives not to be recovered from the exporters where RBI specifically writes off the export proceeds realization
 - Dispatch of imported goods directly from port to site allowed under AAS for deemed supplies
 - Additional ports/ locations to be enabled on the EDI
 - A Directorate of Trade Remedy Measures and an Inter Ministerial Committee to be set up to resolve issues faced by exporters
 - An updated compilation of standard input and output norms and ITC (HS) classification of export and import published after five years

Summary

Though the Policy does not introduce any new scheme, it seeks to extend relief through relaxation of the existing schemes to exporters impacted by global slow down. The Policy aims at encouraging exports, increasing employment in the country and fuel growth in the share of international trade.

The Government expects to double India's exports of goods and services by 2014 (USD 168 billion in 2008-09) and to double India's share in global trade by 2020 (1.64% in 2008). While the measures proposed in the Policy are no radical, they appear to be in the right direction.

Source: Foreign Trade Policy 2009-14 notified on 27 August 2009

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