

Foreign Trade Policy of India – A Brief

A. WHAT: HIGHLIGHTS OF FOREIGN TRADE POLICY

- Union Commerce Ministry, announces the Foreign Trade Policy (FTP) of the country with an interval of five years and was earlier known as the EXIM policy. The present FTP announced in 2015 is for the period 2015-20.
- This International Trade Policy of India is regulated and monitored by the Foreign Trade Development and Regulation Act, 1992. Directorate General of Foreign Trade is the prime governing institution for the FTP. The primary goal of the Foreign Trade (Development and Regulation) Act is to develop and regulate foreign trade by simplifying imports into, and promoting exports from the country. This Act has replaced the earlier act known as the Imports and Exports (Control) Act of 1947.
- This policy provides the basic framework and guidelines of the policy, procedures and strategy for augmenting exports and trade. This document is continuously and constantly under review and modified to be in sync with the changing domestic and global dynamics

B. WHY: OBJECTIVES OF FOREIGN TRADE POLICY

- To promote trade is the main objective of the policy and to enhance our share in global merchandise trade and Services exports by 2025 and thereby earn valuable foreign exchange.
- Four pillars:
 - Improvement in infrastructure related to exports
 - Complete refund of all indirect taxes
 - Simplification of procedures for grant of benefits
 - Reduction of transaction costs.
- Attracting Investment and augmenting employment.
- To provide raw materials, and other inputs such as components, consumables and capital goods required for efficient production.

- To ensure quality products at international prices as also focus on enhancing our market share in the current global markets and evolving new products and exploring new markets.

C. HOW: ROLE OF THE MINISTRY OF COMMERCE

- Ministry of Commerce has been granted the statute to position the country as a significant player in International trade and identify product/country strategies in the short and long term.
- It is also mandated for the following Commerce activities:
 - International commercial relations and negotiations
 - Special economic zones
 - State Trading
 - Export Promotion and Trade facilitation
 - Monitoring and enhancing exports
 - Improving logistics for a seamless trade
 - Encouraging exports from MSMEs
 - Encouraging exports through the labour intensive sectors
- The Ministry encourages exporters to leverage benefits of GST.
- The Ministry encourages States to be active partners in exports and to develop export strategies based on their strengths.

D. HOW (continued): TRENDS AND INITIATIVES IN FTP AND STRATEGY FOR IMPLEMENTATION

- Identification and addressing internal constraints as follows:
 - Infrastructure hurdles and addressing transaction costs
 - Simplification of rules and constraints in production
 - Promotion of Service exports
 - Trade Facilitation Agreements

- Enabling industry to be truly competitive and self-reliant and promoting high value-added products exports and incentivising Performance Linked Initiatives.
- Identifying and promoting niche product groups such as in the defence, medical, Agro-products, technical textiles and chemicals sectors.
- Product-specific approach for thrust sectors like gems and jewellery, textiles, engineering, leather, electronics, petrochemicals, health-care, marine products, Agriculture and processed food.

CHAPTER WISE OVERVIEW

CHAPTER 1 – LEGAL FRAMEWORK AND TRADE FACILITATION

Part A of this chapter details:

- Legal basis and duration of the policy
- Provision for amendment to the policy, procedures & appendices and Aayat-Niryat forms

Part B of this chapter details:

- NiryatBandhu and hand-holding role as a facilitator for entrepreneurs
- Time-lines for the various services
- Grievance redressal mechanism

KEY FEATURES

Online filing of documents:

- 'Paperless' transactions
- Facility to upload documents in Profile
- Submission of copies of permanent records done away with
- Digital uploading of export landing documents
- Facility of 24x7 Customs clearance for certain imports

Online complaint registration:

- EDI help-desk for filing online applications on the portal
- Online grievance registration/reply

Online inter-ministerial consultations under implementation:

- Goal is to reduce time and transaction cost for approval
- Online exchange of PAN details with the Ministry of Corporate Affairs for CIN and DIN
- Online consultations with other Ministries for various schemes such as, SCOMET, Norms-fixation etc.

Trade facilitation measures:

- Export consignments not to be delayed for any reason by any Authority
- Basic coordinates are collected in the IEC data-base
- Alert messages on status of their applications

CHAPTER 2 – GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS

This contains information on IEC (Importer Exporter Code) and Prohibitions relating to country, groups, products etc

Ease of doing business

- E-IEC is operational
- Self-certification of certificate of origin
- Status Holders are approved exporters for self-certification for various schemes

Penal action and Denied Entity List (DEL)

- Penal action is initiated in terms of the FTDR Act on the grounds of default by refusing grant or renewal of license or a scrip

Procedural compliances in relation to FTP Schemes

- Third party exports are allowed under FTP but shipping bills need to indicate name of manufacturer and third party exporter
- BRC, needs to be the name of third party exporter
- The benefit of a supporting manufacturer may be obtained by a Merchant Exporter

CHAPTER 3 - EXPORT PROMOTION INCENTIVE SCHEMES (EXPORTS FROM INDIA)

This chapter enumerates the export from India schemes such as MEIS (Merchant Exports Incentive scheme), SEIS (Service exports incentive scheme) and its common provisions

Overview:

Two schemes are prevailing against exports of Merchandise and Services respectively:

1. (i) Merchandise Exports from India Scheme (MEIS)
2. (ii) Service Exports from India Scheme (SEIS)

Merchandise Exports from India Scheme

- Provides rewards to exporters for offsetting infrastructural inefficiencies and associated costs involved in export
- Export of notified goods to notified markets are eligible for rewards
- A new scheme, RODTEP (Remission of Duties and Taxes on Export Promotion) is being introduced to replace MEIS

Service Exports from India Scheme

- SEIS promotes export of Services
- Provides rewards in the form of duty credit scrips on the net foreign exchange earned against service exports
- The list includes Professional services: specified research and development services, specified rental/leasing services, specified

communication services specified construction and related engineering services, educational services (excluding capitation fee), specified environmental services, specified health related and social services, specified tourism and travel-related services, specified recreational, cultural and sporting services (other than audio-visual services), specified transport services including airport operations and ground handling, specified tourism and travel-related Services

STATUS HOLDER

Eligibility

- Exporters who have excelled in exports
- Exporters, service providers are eligible for recognition
- Export performance calculated on the basis of FOB value of exports

Status holders are eligible for:

- Clearance for imports and exports on self- declaration
- Priority fixation of Input-Output norms
- Eligible for benefits of the Customs ACP scheme
- Eligible for preferential treatment under different trade agreements (PTA, FTA, CECA)

CHAPTER 4 - SCHEMES FOR DUTY REMISSION / NEUTRALISATION / EXEMPTION

Schemes in this chapter provide for inputs for exports

Duty Exemption Schemes:

- **Advance Authorisation (AA):** Duty-free imports exempted from Basic Customs Duty, however
- Value addition of 15% to be achieved
- Primarily allows duty-free import of raw materials for exports
- **Duty Drawback (DBK)** on brand rates

CHAPTER 5 - EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME

- The goal is to facilitate duty free import of capital goods or machines for producing quality goods and services
- Under this scheme duty-free import of machinery & equipment is allowed for export and domestic production
- There is an *Export obligation of six times of duties saved* on capital goods, to be *fulfilled within six years* from the date of issue

CHAPTER 6 - EOU/STPI/EHTP/BTP

- Goal of these schemes is to promote exports and earn foreign exchange and enhance employment generation. Units need to export their entire production with an element of permissible sales in DTA as are eligible for these schemes.
- EOU units need to achieve positive NEE cumulatively

CHAPTER 7 - DEEMED EXPORTS

- “Deemed Exports” refers to those products/supplies which do not leave the country, but payment for such supplies is received either in Indian rupees or FFE
- Examples of supplies entitled for deemed export benefits:
 - Supply of goods against Advance Authorisations
 - Supply of goods to EOU
 - Supply of capital goods against EPCG Authorisation
- Main/sub-contractors are also entitled with certain conditions

CHAPTER 8 - QUALITY COMPLAINTS AND TRADE DISPUTES

This section defines the Government's goal to address quality & trade complaints/disputes. A procedure has been laid down to address such issues.

- To resolve Quality complaints and trade disputes between exporters and importers, a new provision on 'Quality Complaints and Trade Disputes' is introduced
- A Committee on Quality Complaints and Trade Disputes ('CQCTD') has been constituted in Regional offices consisting of members from Export Promotion Councils
- This Committee is responsible for resolving all quality/trade related complaints under their jurisdiction

The following nature of complaints are addressed:

- Received from foreign buyers on poor quality of exported products
- Received from importers against foreign suppliers on quality of supplied products, non-payment etc.
- Unacceptable commercial dealings after confirmation of order.

CHAPTER 9 - DEFINITIONS & APPENDIX

This section provides the definitions and appendices pertaining to the policy and procedures.