

Question 2. Discuss briefly various initiatives outlined in the Annual supplement 2005 to the Foreign Trade Policy, 2004-09.

Solution2: ANNUAL SUPPLEMENT 2005 TO THE FOREIGN TRADE POLICY, 2004-09

1. **INTER STATE TRADE COUNCIL:** It is proposed to engage the State Governments in providing an enabling environment for boosting international trade, by setting up an Inter State Trade Council. It is hoped that the Council would provide an appropriate institutionalized dialogue mechanism on the subject.

2. **REMOVAL OF EXPORT CESS:** The Department of Commerce has taken a consistent stand from a policy perspective that taxes and duties should not be exported. The cess levied under the different Commodity Board Acts is a tax on exports, which is a handicap and a major irritant to our exporters and erodes the competitiveness of Indian agriculture exports. Department of Commerce proposes to abolish cess on export of all agricultural and plantation commodities levied under various Commodity Board Acts.

3. EXPORT PROMOTION CAPITAL GOODS SCHEME:

- For providing a thrust to the Agricultural sector, concessional duty imports made by agro units under the EPCG Scheme shall be allowed to fulfill the export obligation over a longer period of time with a reduced export obligation
- To promote capacity expansion and quality up-gradation in the SSI sector, import of capital goods at 5% Customs duty shall now be allowed subject to a fulfillment of an export obligation equivalent to 6 times the duty saved on capital goods imported under the EPCG Scheme over a period of 8 years.
- To create modern infrastructure in the retail sector, concessional duty benefits under EPCG scheme shall be extended for import of capital goods required by retailers having a minimum covered shopping area of 1000 sq metres. The retailer shall fulfill the export obligation under the Scheme from payments received against 'counter sales' in free foreign exchange through banking channels as per RBI guidelines.
- With a view to accelerate exports under the Scheme and to incentivise fast track companies, firms making 75 % or more of the exports under the EPCG Scheme (including average level of exports) in half or less than half the original export obligation period, shall be freed from the balance export obligation.
- Payment received in Rupees for the Port Handling services are counted for export obligation discharge under the EPCG Scheme. This facility is now being extended to include minor ports including ICDs and Container Freight Stations (CFS) also. This will enable augmentation of the facilities available at the secondary ports with modern equipment and thereby reduce cargo handling turnaround time and related transaction costs.
- The present requirement of submitting an Installation Certificate for machinery imported under EPCG Scheme will now not be required for units which are not registered with Central Excise. In lieu of a Central Excise Certificate, a Chartered Engineer Certificate will now suffice. Firms importing spares under EPCG shall also be required to submit a Chartered Engineer certificate only instead of a certificate from Central Excise authorities.
- The facility of clubbing of EPCG licences has been further liberalized and restrictive conditions relating to same licensing year and same products/services have been deleted. Henceforth, all EPCG licences issued under the same Customs Notification can be clubbed. This will

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considerably reduce paperwork both for the exporter and the licensing authorities and lead to easier monitoring.

4. SERVICE EXPORTS

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- To enable the Service providers to upgrade the infrastructure in their associate companies, the goods imported under the 'Served from India' Scheme shall be transferable within the Group companies and managed hotels subject to Actual User condition.
- At present, Hotels & Restaurants are required to submit a Chartered Accountant certificate that the entire duty benefits availed under the 'Served from India' Scheme have been passed on to the consumer. From now on, only a declaration will be submitted by the Hotels & Restaurants that the duty benefits shall be passed on to the consumer and no CA certificate will be required to be submitted.

5. AGRI EXPORTS

- Benefits under 'Vishesh Krishi Upaj Yojana' shall also be extended to exports of poultry and dairy products in addition to export of flowers, fruits, vegetables, minor forest produce and their value added products.
- Procedural guidelines for the Scheme have also been notified and the exporter has been given the flexibility to obtain duty credit certificates in split form that will make utilization of the licences easier.

6. GEM AND JEWELLERY EXPORTS

- Entitlement for Duty Free imports of Gems and Jewellery samples have been enhanced to Rs. 3 lakhs in a financial year or 0.25% of the average of the last three years exports turnover or gems and jewellery items, whichever is lower.
- Supply of gold of 0.995 and above purity shall also be allowed for release by nominated agencies for export purposes.
- The notional rate for fixing the US \$ rate for calculating gold jewellery exports shall now be based on a certificate which is not older than 7 working days from the date of shipping.
- Exporters of plain/studded/precious metal jewellery will be allowed to import plain/studded/precious metal jewellery (Gold jewellery of 18 carat and below/platinum and sterling silver jewellery) for the purposes of exports.

7. PACKAGE FOR MARINE SECTOR

- Duty free import of specified specialized inputs/chemicals and flavoring oils as per a defined list shall be allowed to the extent of 1% of FOB value of preceding financial years export. Use of these special ingredients for seafood processing will enable us to achieve a higher value addition and enter new export markets.
- To encourage the existing mechanized vessels and deep sea trawlers to adopt modern technology for scientific exploitation of our marine resources in an eco-friendly manner and boost marine sector exports, it is proposed to allow import of monofilament long line system for tuna fishing at a concessional rate of duty.
- The present system of disposal of waste of perishable commodities like seafood after inspection by a customs official is very cumbersome and leads to development of unhygienic conditions. To overcome this, a self removal procedure for clearance of waste shall be applicable, subject to prescribed wastage norms.

8. ADVANCE LICENSING SCHEME

- No safeguard and antidumping duty shall be levied on inputs under Advance Licence for deemed export supplies made to ICB projects. With this different categories of Advance licences i.e. advance licence for physical export, advance licence for intermediate supplies and advance licence for deemed exports have been merged into a single category for procedural facilitation and easier monitoring.
- The scope of Advance Licence for Annual requirement has been extended to all categories of exporters having past export performance. The earlier limit of obtaining Advance Licence for

Annual requirement has also been enhanced to 300% of FOB/FOR value of exports made in the previous year from 200%.

- Clubbing of advance licences for export regularization purpose has been allowed even for licences pertaining to 1992-97 period.
- Units registered under BIFR shall be allowed export obligation extension as per the rehabilitation package or a period upto five years reckoned from the date of issuance of the advance licence, whichever is higher.
- Transfer of Duty Free material imported or procured under Advance Licence from one unit of the company to another unit of the same company to be allowed with prior intimation to the jurisdictional central excise authority. Earlier prior permission of the jurisdictional central excise authority was required.
- In cases the Bank Guarantee/LUT has been redeemed under the Advance licence, the Licensee may be allowed to get duty free inputs processed from any manufacturer under actual user condition subject to central excise procedures relating to job work.
- Removal of requirement of ARO for taking supplies from EOU/EHTP/STP/BTP units and allowing direct debit of the advance licence by the Bond Officer of these units. A detailed procedure in this regard shall be prescribed by the CBEC.

9. DUTY FREE REPLENISHMENT CERTIFICATE

- List of Sensitive Items has been pruned down to nine items. Brass scrap, Additives, Paper/Paper Board and Dye Stuffs shall be removed from the Sensitive List of items prescribed for import of items under DFRC.
- Provision for re-credit on account of rejections of items imported under DFRC shall be similar to the facility available to DEPB and Advance Licence. While allowing re-credit, 95% of the value of the DFRC shall be credited.

10. **DEPB:** DEPB benefits shall be available for supply of goods from DTA to SEZs for the period 1.04.2003 to 11.05.2004.

11. EXPORT ORIENTED UNITS

- Duty free spares up to 5% of the value of Capital Goods imported for excavation purposes in the Granite sector will be allowed to be removed to the quarries.
- The de-bonding procedure for EOUs has been simplified. A self-assessment procedure along with time bound disposal of applications of such exiting EOUs will be put in place.
- Capital Goods will be allowed to be transferred or given on loan basis to other units under intimation to both Excise and Development Commissioner.
- Transfer of samples to other EOUs on returnable basis within a period of 30 days to be allowed.
- EOUs to be permitted to claim IT exemption in respect of income on export proceeds realised within a period of 12 months from date of export.

12. TARGET PLUS SCHEME

- The Target Plus Scheme aimed at rewarding incremental exports would continue in the year 2005-06 with such modifications as will be notified, separately for preventing misuse, if any.

13. BANK GUARANTEE

Quantum of Bank Guarantee in respect of “Other Manufacturer Exporters” category is being reduced from 25% to 15%. Units in Agri Export Zones (AEZs) shall also be eligible to submit a Bank Guarantee of 15%. In addition, only a 15% Bank Guarantee shall be required for ‘established service providers’ who have free foreign exchange earnings of Rs.50 lakhs or more during the preceding financial year and have a clean track record.

14. **PROCEDURAL SIMPLIFICATION & REDUCTION OF TRANSACTION COSTS:** Importers and exporters have to fill multiple application forms at various stages of their business

activity to meet the procedural requirements of different Departments/ Ministries under different Acts. It is our endeavor to simplify procedures and reduce the documentation requirements so as to reduce the transaction costs of the exporters and thereby increase their competitiveness in the international markets. With this in mind, a Committee to look into procedural simplification and reduction of transaction costs was set up under the Chairmanship of Director General of Foreign Trade. The Committee has submitted its report and some of the key recommendations made are:

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- Internal process re-engineering to enable greater delegation and simplification of forms and documents;
- EDI linkage of all community trade partners like DGFT, Customs, Banks, Export Promotion Councils etc to facilitate web based filing, retrieval and verification of documents;
- A fast track mechanism for clearances, examination, testing, quarantine, packaging etc. to be set up by all agencies to facilitate import/export of perishable cargo;
- Laying down time limits for giving approvals/sanctions for different import and export activities by different agencies to ensure a transparent system of working in Government Departments and ensure continuous improvement in quality of services rendered.

As a first step towards this exercise, the DGFT has devised a single common application form called 'Aayaat Niryaat' Form. This 50 page set of forms, as against the 120 page set currently in existence, provides availability of information on DGFT related documentation at a single place and has a web interface for on-line filing by the exporter and retrieval of documents by the licensing authorities.

EDI INITIATIVES

- DGFT shall strive to move towards an automated electronic environment for filing, retrieval and authentication of documents based on agreed protocols and message exchange with other community trade partners including Customs and Banks. Increased use of information technology for interacting with the trade through video conferencing, doing away with manual filing of documents by using digital signature and introducing a Special Purpose Vehicle for electronic license utilization and transfer mechanism is also envisaged. In addition, online web based information shall be made available for all Export and Import related policies and procedures on the DGFT website to enable the international trading community to access information from a single source.
- A time frame of six months for complete EDI linkage between Customs and DGFT has been specified. After completion of this project the manual submission of shipping bills and related documents will be done away with and verification of licences shall be done online which shall considerably reduce transaction costs.
- Facility of issuing Importer Exporter Code number (IEC) online is also being provided by linking the DGFT database with the Income Tax PAN database and use of digital signature technology. To add transparency in the system, other e-governance initiatives are also being planned to provide delivery of services to the user community without any human interface with the DGFT offices.

17. TRADE FACILITATION

- To enable the users to make commercial decisions in a more professional manner, DGCI&S trade data shall be made available with minimum time lag in a query based structured format on commercial criteria.

- All DGFT offices shall continue to provide facilitation to exporters in regard to developments in international trade i.e. WTO agreements, Rules of Origin and SPS requirements,

anti dumping issues etc. to help the exporters strategise their import and export decisions in an internationally dynamic environment.

- To promote export of 'Minor Forest Produce' products Shellac Export Promotion Council has been designated as a nodal EPC for minor forest produce.

- All EPCs shall open a separate Cell to involve and encourage youth and women entrepreneurs in the export effort.

- Handloom – Government has decided to develop a trademark for Handloom on lines similar to 'Woolmark' and 'Silkmark'. This will enable handloom products to develop a niche market with a distinct identity.

- Tea – In order to maintain quality and retain the brand equity of Indian teas, the Government has issued a new Tea (Distribution and Export) Control Order, 2005 which prescribes strict norms for tea. All teas, whether imported or exported would be required to conform to the specifications cited in the new Order. Tea has been classified for the purpose of issue of non-preferential Certificate of Origin into three categories:

- a. Tea wholly produced or obtained in India will only be classified as "India tea."

- b. Where the Indian tea content in the export is not less than 90% by weight, it will be classified as "India tea (not less than 90% by weight of tea)".

- c. In case of tea not wholly produced or obtained in India and where the content of Indian tea is less than 90% by weight, it will be classified as "Blended tea of different origin and packed in India".

The new Order also prescribes a minimum value addition norm of 50% on export of all imported tea and stipulates a time period of 6 months from the date of import for the export of imported tea