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STUDY OF FOREIGN TRADE POLICY 2015-20 IN INDIA

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ABSTRACT

Foreign Trade Policy 2015-2020- Merchant Export from India Scheme- Service Exports from India- Export Promotion Capital Goods Scheme- export Oriented Units and Software Technology Park Scheme- Domestic Tariff Area (DTA), Special Economic Zones- Advance Authorization Scheme- Duty free Import Authorization Scheme – Duty Drawback Scheme- Export Promotion capital Good Scheme- Exchange Earners foreign Currency Account (EFFC)- Indias Export Performance-Indias Imports.

KEY WORDS: *MEIS- FTP- FPS- MLFPS- AIS- FMS- VKGUY- SIES- EPCG.*

INTRODUCTION :

Foreign Trade Policy 2015-2020 of India was declared on 1st April 2015. the new policy would boost exports and create jobs while supporting the Centre's Make in India and 'Digital India' programs. the board objective is to focus on support to services and merchandise exports, number of very important initiatives such as focus on export of high value addition products, focused on improving case of doing business, debottlenecking, to make services globally competitive and market diversification.

The Foreign Trade Policy 2015-2020 has been designed by including long term and medium term strategy to boost overall growth of India's foreign trade by enhancing trade competitiveness.

By improving Foreign Trade Policy (FTP 2015-20) , the India's share in world trade is expected to double from the present level of 3% by the year 2020. By taking measures for import substitution at one side, the forthcoming Foreign Trade policy 2015-2020 focuses on increasing exports at the present scenario of increasing current account deficit. The new Foreign Trade Policy 2015-2020 includes necessary measures to boost productivity and earn exportable surplus at competitive rates in exports.

ASPECTS OF THE FOREIGN TRADE POLICY 2015-2020:-

The key highlights of the Foreign Trade Policy 2015-2020 are as follows:-

1. **Merchant Export From India Scheme (MEIS):-** The following five exports schemes with different kinds of duty scrips, have been merged into a single scheme titled Merchant export from India Scheme (MEIS):

(i) Focus Product Scheme (FPS)
(ii) Market –Linked Focus product Scheme
(iii) Agri-infrastructure Incentive Scrip
(iv) Focus Market Scheme

(v) Vishesh Krisi Gram udyog yojana (VKGUY)

The main objective of Merchandise Exports from India Scheme (MEIS) as per Foreign Trade Policy 2015-2020 (FTP 2015-2020) is to offset infrastructural inefficiencies and associated costs involved in export of goods /products, which are produced /manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.

Entitlement under MEIS includes Exports of notified goods/products with ITC (HS) code to notified markets as listed in Appendix 3B, shall be rewarded under MEIS. Appendix 3B also lists the rate(s) of rewards on various notified products (ITC (HS) code wise). The basis of calculation of reward would be realized FOB value of exports in free foreign exchange, or on FOB value of exports as given in the Shipping Bills in free foreign exchange, whoever is less, unless otherwise specified.

The following exports categories /sectors shall be ineligible for Duty Credit Scrip entitlement under MEIS, EXIM Policy 2015-20 (FTP 2015-20).

(i) EOUs / EHTPs/BTPs/STPs who are availing direct tax benefits/ exemption.
(ii) Supplies made from DTA units to SEZ units.
(iii) Export of imported goods covered under paragraph 2.46 of FTP.
(iv) Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India.
(v) Deemed Exports
(vi) Red senders and beach send.
(vii) export products which are subject to minimum export price or export duty.
(viii) Diamond Gold, Silver, Platinum, other precious metal in any form including plain and studded jewellery and other precious and semi-precious stones.
(ix) Ores and concentrates of al types and in all formations.
(x) Cereals of all types.
(xi) Sugar of all types and all forms.
(xii) Crude/petroleum oil and crude /primary and base products of all types and all formulations.
(xiii) Export of milk and milk products.
(xiv) Export of Meat and Meat Products.

2. Service Exports from India Scheme (SEIS):- Served from India scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). This scheme shall apply to "Service Providers located in India". Thus, SEIS provide for rewards to service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider. the rate of SEIS scheme under Foreign Trade Policy 2015-20 is based on net foreign exchange earned on services. the reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and services tax 3 debits on procurement of services /goods. Debits would be eligible for CENVAT credit or drawback. The present rates of reward are 3% and 5%. the list of services and the rates of rewards would be reviewed after 30.9.2015. Fee Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computation of value of exports under SEIS. As per Foreign Trade Policy 2015-20, SEIS is eligible to units of SEZs (Special Economic Zones).

3. Export Promotion Capital Goods Scheme:- EPCG scheme is one of the best export promotion schemes introduced by government under Foreign Trade Policy where in imprt of capital goods can be effected at nil or concessional import customs duties based on the conditions specified in the customs notifications and export obligations. However, EPCG authorization holder has to fulfill export obligation against the scheme specified, action is taken by the authorities to recover the import customs EPCG on defaulters through an institutional mechanism.

EPCG authorities holders will not get the benefits of exemption from Anti-dumping duty and Sefeguard and Transitional Product Specific safeguard duty. This will boost indigenously manufacturer of capital goods while supplying capital goods under EPCG scheme. Under EPCG scheme, obtaining and submitting a certificate from independent charactered engineer, confirming the use of spare, tools refractory and catalysts imported for final redemption of EPCG authorization has been dispensed with. At present, EPCG authorization holders are required to maintain records for 3 years after redemption of authorisation. This 3 year period is reduced to 2 years. In due course, further reduction will be made as the paperless trade process takes place.

4. Export Oriented Units and Software Technology park Scheme:- The key features of Export Oriented units and Software Technology park scheme are:-

(i) EOUs and STPs have been allowed to share infrastructural facilities among themselves. this will enable units to utilize their infrastructural facilities in an optimum way and avoid duplication of efforts and cost to create separate infrastructural facilities in different units.

(ii) Inter unit transfer of goods and services have been allowed among EOUs and STPs. This will facilitate group of those units which source inputs centrally in order to obtain bulk discount. This will reduce cost of transportation, other logistics costs and result in maintaining effective supply chain.

(iii) EOUs have been allowed facility to set up warehouses near the port of export. This will help in reducing lead time for delivery of goods and will also address the issue of unpredictability of supply orders.

(iv) STP units, EHTP units, software EOUs have been allowed the facility to use all duty free equipment/goods for training purposes. This will help these units in developing skills of their employees.

(v) 100 percent EOU units have been allowed facility of supply of spares/components up to 2 percent of the value of the manufactured articles to a buyer in domestic market for the purpose of after sale services.

(vi) Time period for validity of Letter of Permission (LOP) for EOUs/EHTP/STPI/ BTP units has been revised for faster implementation and monitoring of projects. Now, LOP will have an initial validity of 2 years.

(vii) A simplified procedure will be provided to fast track the de-bonding/exit of EOUs and STPs units. This will save time for these units and help in reduction of transaction costs.

The new foreign trade policy is based on the principle of simpli9city as it had realigned multiple schemes into a single window and promoted increased use of technology to reduce transaction cost and manual compliances. The measures proposed in the policy are rational and in right direction to ensure the growth of India's share in international trade.

CONCESSIONS AVAILABE TO EXPORTERS IN DTA :-

The FTP is also responsible for various concessions available to experts operating in the domestic tariff area (DTA) and also changes therein from time to time.

The exporters like their counterparts in SEZs are also eligible for various concessions as given below:-

(1) Advance Authorization Scheme (AAS) :- In terms of the FTP for those exporters requiring imports of those goods which are physically incorporated in the exportable goods can import them without payment of any custom or import duty, based on the standard input output norm (SION) specified by Directorate General of Foreign Trade, Government of India (DGFT). There is a minimum value addition norm of 15 per cent except for gems and jewellery where these norms are higher.

(2) Duty- free Import Authorization Scheme (DFIAS):- Under this scheme, an exporter is allowed to import duty-free other inputs as may be required for exports including fuels, oil, energy, but with a minimum 20 per cent value addition norms and again subject to SION as mentioned above.

(3) Duty Drawback Scheme:- If any exporter is sourcing inputs for exports from the domestic market, then under the scheme the excise duty paid, or other taxes on such inputs are reimbursed to the exporter.

(4) Export Promotion Capital Good Scheme (EPCGS):- This scheme allows for import of capital goods and other such machines as may be required by an exporter for exports at zero import duty, for selected sectors such as engineering, pharmaceuticals, etc. (list is specified in the FTP), but subject to an export obligation of six times the duty saved over six years. For other capital imports not eligible for import at zero import duty, they can be imported at a concessional import duty of 3 per cent but subject to an export obligation of eight times, the duty saved over eight years.

(5) Exchange Earners Foreign Currency Account (EEFC):- As a normal Indian resident, one cannot open a foreign currency account in India. However, an exporter or professionals earning in foreign currency in India have been permitted by RBI, to maintain foreign currency accounts with banks in India authorized to deal in foreign exchange. These accounts do not earn interest but allows for retention of 100 per cent of the export proceeds in these accounts. It saves the exporter from exchange rate fluctuations, besides the freedom for using the foreign currency for export promotion activities by the exporter.

INDIA'S EXPORT PERFORMANCE:-

The significant openness which started becoming visible in the nineties intensified from 2000 onwards with a sharp focus given through the FTP has resulted in a reversal of the declining trend in global trade. however, the growth of the Indian economy in recent times has outpaced the trade growth or that trade growth has lagged behind the overall growth.

To draw comparisons with China, during 1950, India's exports were more than that of China, however, gradually China overtook India. It may be interesting to note that China's share in manufactured exports stood at 1.8 per cent and India's at 0.5 per cent during 1990 but presently China has become the largest exporter of manufactured goods, displacing even the US while for India share in global manufactured exports is only around one per cent. India's export is only about 15 per cent of what China exports to the rest f the world. This is not to take away any credit to India on the export front which has seen some distinct focus and acceleration in the last few years. Except that the global recession has adversely affected global trade including exports of India and China, resulting in contraction of exports in the wake of slowdown of global trade.

There is an apparent turnaround since recent times but resulting out of steep depreciation of the Rupee. With sign of recovery in the US and Europe, exports are likely to pick up. The overall objective as already covered in the FTP is to double out share by 2020. The composition of Indian exports has also undergone a change, diversified from an exporter of traditional and agricultural based products to increased exports of manufactured goods which now account for over 69 per cent of the total exports and a relative decline in the share of exports of primary articles.

Notable among manufactured exports are engineering goods, chemicals, petroleum oil and lubricants (POL) products, textiles, leather products, handicrafts and gems and jewellery. Another important feature is the changing trading partners of India from the dominant US economy to new trading partners and China and UAE emerging as top two trading partner countries. Also exports to countries such as Singapore, South asian countries and Sri Lanka are increasing due to bilateral agreements entered into recently.

Newer markets comprising of Latin American Oceania countries and African countries are likely to witness greater thrust in future. This is significant as part of the conscious attempts made by the government to look East to reduce dependence on the West.

Despite these appreciable change in trading partners in terms of the quantum of exports in value terms the major markets continue to be the US and European Union and it may take some to see the east countries actually becoming major if not equal trading partners of India in the future.

INDIA'S IMPORTS:-

As far as imports are concerned for a long time it was believed that it comprised of critical products such as food items and a fairly high proportion of import of fuels especially POL. Imports of fuels was over 70 per cent of the total import basket. In recent years, the share of fuels especially POL has come down to around 33per cent. Import of commodities such as precious stones, gold and silver bullion, uncut and unpolished gems and jewellery, electronic goods, etc. account for almost 40 per cent of total imports.

Share of fertilizers imports and also that of edible oils and pulses have sharply increased in the last few years. Increased fertilizer imports are largely due to sttp escalation in their international prices. While increase in imports of edible oils and pulses is on account domestic production not sufficient to match demand and to further prevent any pressures on their prices in the domestic market.

However, a discerning aspect of out structure of exports and imports of merchandize goods is the fact that imports have always outstripped exports continuously post independence. In no given year out exports were sufficient to meet imports. The implications will be examined in the next section.

CONCLUSION:-

India's exports in recent times has begun to evolve, diversify in products and markets, moving up the value chain, creeping up its share in global trade, but these only mark an initiation, with no room for complacency require greater intensification of efforts, tapping the immense available potential, globally competitive, to make robust growth of exports a reality, and a driver of growth in future.

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