

## HIGHLIGHTS OF THE FOREIGN TRADE POLICY 2015-2020 – Mid Term Review (December 2017)

The Minister of Commerce and Industry, Shri Suresh Prabhu released the much awaited Mid-term Review of the Foreign Trade Policy (FTP) 2015-20 on 5th December, 2017 in New Delhi. The review was released in the presence of the Minister of State for Commerce and Industry, Shri CR Chaudhary, Finance Secretary, Shri Hasmukh Adhia, Commerce Secretary, Smt. Rita Teatota, Secretary Department of Industrial Policy & Promotion, Shri Ramesh Abhishek and the Director General of Foreign Trade, Shri Alok Chaturvedi.

Shri Prabhu in his keynote address, said that the FTP will leverage the long term advantages of the historic reform of the GST, in terms of reduced compliance and logistics costs. The FTP will focus on exports from labour intensive and MSME sectors by way of increased incentives in order to increase employment opportunities. Emphasis will be given on 'Ease of Trading' across borders. Information based policy interventions will be ensured through a State-of-the-Art Trade Analytics Division. While share in traditional products and markets will be maintained, the focus will be on new products and new markets.

The Commerce Minister focused on transparency and trust with the industry and maintenance of Quality Standards to succeed in the international market. The Minister of State for Commerce stated that the revised FTP will help in making Indian exports more competitive. Under the dynamic and visionary leadership of the Prime Minister the government has made schemes for boosting manufacturing and exports. The issue of working capital blockage due to GST has also been resolved.

Shri Chaudhary stressed on the need to diversify the export basket. The Export of agricultural products will be encouraged for increasing farmers' incomes. The Finance Secretary emphasized that the Government has been very sensitive towards exporters. The Export Package was approved by the GST Council resolving the problem of blockage of working capital. He further stated that ITC and IGST refunds for exporters are being expedited and explained in detail the process and procedure for refund of IGST claims for exporters. He reiterated that GST will be very beneficial for exporters in the long run. The Ministry of Finance will continue to

work in collaboration with the Department of Commerce and exporters to address their operational issues.

The Commerce Secretary stated that the FTP will continue with 'Whole of Government' approach involving all Ministries and State Governments. Over the last 10 years, exports have grown at a CAGR of 8 percent which is fairly creditable. The government recognizes that the Medium and Small scale industries require handholding and thus rates for MEIS for such sectors have been enhanced. An important consideration in framing this Policy has been the need to ensure that the FTP is aligned with both India's interests in trade negotiations, as well as its obligations and commitments under various WTO agreements. The biggest challenge, however, is to address constraints within the country, such as infrastructure bottlenecks, high transaction costs, complex procedures, constraints in manufacturing and inadequate diversification in our services. Towards this end, she stated, the Department of Commerce has set up a new Division to promote integrated and streamlined logistics development in the country. For addressing gap in infrastructure sector, the Trade Infrastructure for Exports Scheme has been launched

### **GST RELATED REFORMS**

GST has been launched w.e.f. 1.07.2017. It incorporates zero rating of exports. Taxes will not be exported. On the export of finished goods, there is an option of either obtaining refund of GST paid or getting exemption from payment of GST on submission of Letter of Undertaking/ Bond.

- Integration of various taxes in GST implies refund of erstwhile VAT across all States uniformly, which earlier depended on the prevailing dispensation in the States and often involved delays.
- Uniform tax rates and practices across States have led to huge logistics and transaction cost saving for exporters.
- Issue of working capital blockage of the exporters due to upfront payment of GST on inputs has been addressed. Now, under Advance Authorisation, Export Promotion of Capital Goods and 100% EOU scheme, exporters have been extended the benefit of sourcing inputs/ capital goods from abroad as well as domestic suppliers for exports without upfront payment of GST. Further, an 'Ewallet' will be launched from 1st April 2018 to make these schemes operational from 1st April 2018.
- Merchant exporters have been allowed to pay nominal GST of 0.1% for procuring goods from domestic suppliers for export.

— Issue of Gold availability for exporters resolved by allowing Specified Nominated Agency to import Gold without payment of IGST.

### **REPOSITIONING EXPORT STRATEGY**

- Continued support for multilateral rule based global trade
- Continued efforts to integrate with major regions and expand markets in new regions
- Grow trade through focus on new markets and product lines
- Accordingly, revised FTP focuses on
  - Exploring new markets and new products as well as increasing India's share in the traditional markets and products
  - Leveraging benefits of GST
  - Closely monitoring exports performance and taking immediate corrective action through state-of-the-art data analytics
  - Increasing ease of trading across borders through trade facilitation
  - Enhancing participation of Indian industry in global value chains — Increasing farmers' incomes through a focused policy for agricultural exports
  - Promoting exports by MSMEs and labour intensive sectors to increase employment opportunities for the youth.

### **ENCOURAGING EXPORTS BY MSMEs AND LABOUR INTENSIVE INDUSTRIES**

- MEIS is a major export promotion scheme which seeks to promote export of notified goods manufactured/produced in India. MEIS incentives are available at 2, 3, 4 and 5% of the FOB value of exports. MEIS incentives for two sub-sectors of Textiles i.e. Ready Made Garments and Made Ups increased from 2% to 4% involving an additional annual incentives of 2743 Crore.
- Across the board increase of 2% in existing MEIS incentive for exports by MSMEs / labour intensive industries involving additional annual incentive of 4567 Crore. Major sectors covered are 16 IMPEX TIMES 10th Dec. - 25th Dec. 2017 leather, agriculture, carpets, hand-tools, marine products, rubber products, ceramics, sports goods, medical and scientific products and electronic and telecom components
- To provide an impetus to the services trade, the SEIS incentives have been increased by 2% for notified services such as Business, Legal, Accounting, Architectural, Engineering,

Educational, Hospital , Hotels and Restaurants.. The estimated additional annual incentive for the services sector will be 1140 Crore.

— The validity period of the Duty Credit Scrips has been increased from 18 months to 24 months to enhance their utility in the GST framework.

— GST rate for transfer/sale of scrips has been reduced to zero from the earlier rate of 12%.

#### **NEW TRUST BASED SELF RATIFICATION SCHEME FOR DUTY FREE IMPORT OF RAW MATERIAL**

— New trust based Self Ratification Scheme introduced to allow duty free inputs for export production under duty exemption scheme with a self-declaration. Under this scheme, instead of getting a ratification of the Norms Committee for inputs to be used in the manufacture of export products, exporters will selfcertify the requirement of duty free raw materials/ inputs and take an authorization from DGFT. The scheme would initially be available to the Authorized Economic Operators (AEOs).

— The scheme will expedite export of new products by decreasing product turnaround time, particularly in sectors such as pharmaceuticals, chemicals, textiles, engineering and high technology which have dynamic raw material requirements.

#### **Contact@DGFT SERVICE FOR TRADE FACILITATION**

— Contact@DGFT service for Complaint Resolution has been activated on the DGFT website ([www.dgft.gov.in](http://www.dgft.gov.in)) as a single window contact point for exporters and importers for resolving all foreign trade related issues.

— Exporters/Importers can also voice their concerns/suggestions on DGFT portal at Contact@DGFT.

— Exporters/Importers can track the status through the assigned reference number

— Envisages high level monitoring of disposal of such references

#### **EASE OF TRADING ACROSS BORDERS**

— Focus on improving Ease of Trading across Borders for exporters and importers

— Professional team envisaged to handhold, assist and support exporters with their export related problems, accessing export markets and meeting regulatory requirements

— Envisaged team to examine the procedures and processes related to clearances involved in trading across borders with a view to simplify and rationalize them, and track implementation.

— Systems in place to closely monitor and reduce dwell time at ICDs, ports and airports through coordination amongst Customs and infrastructure Ministries

## **TRADE FACILITATION**

— National Trade Facilitation Committee (NTFC) set up under Cabinet Secretary following ratification by India of the Trade Facilitation Agreement (TFA), which broadly covers provisions related to transparency, technology, IMPEX TIMES 10th Dec. - 25th Dec. 2017 17 simplification of procedures, risk based assessment and infrastructure augmentation

— NTFC supported by Steering Committee, jointly headed by Commerce Secretary and Revenue Secretary, to perform supervisory and monitoring role

— Four Working Groups set up by Steering Committee to focus on (i) Infrastructure, (ii) Legal issues, (iii) Outreach and (iv) Time Release Study

— Further, the National Trade Facilitation Action Plan (NTFAP) drawn out in consultation with the stakeholders, identifying 76 trade facilitation measures with implementation timelines, of which 51 are TFA-plus activities. Under TFA Category 'B' items, efforts are being made to expedite implementation of these measures within 3 years, in advance of the envisaged 5 years

— Facility of deferred payment of customs duty introduced by CBEC. The Importers certified under AEO Programme (Tier-two and Tier-Three) have been notified for availing the benefit.

— Comprehensive IT-based system called Export Data Processing and Monitoring System (EDPMS) for monitoring of export of goods and software and facilitating AD banks to report various returns through a single platform developed by RBI

— MOU with the Goods and Services Network (GSTN) for sharing foreign exchange realisation and Import Export code data signed by DGFT. This will strengthen processing of export transactions of taxpayers under GST, increase transparency and reduce human interface

— 24x7 Customs clearance facility has been extended to all Bills of Entry at 19 sea ports and 17 Air Cargo Complexes.

— Routine print-outs of several documents including GAR 7 Forms/TR6 Challans, TP copy, Exchange Control copy of Bill of Entry and Shipping Bills and Export Promotion copy of Shipping Bill done away with by CBEC.

## **NEW LOGISTICS DIVISION**

— New Logistics Division created in the Commerce Department to develop and coordinate implementation of an Action Plan for the integrated development of the logistics sector, by way of policy changes, improvement in existing procedures, identification of bottlenecks and gaps and introduction of technology in this sector.

— Logistics division proposes to create an IT backbone and develop a National Logistics Information Portal which will also be an online Logistics marketplace to bring together various stakeholders viz logistics service providers, buyers as well as Central & State Government agencies such as Customs, DGFT, Railways, Ports, airports, inland waterways, coastal shipping etc., on a single platform.

— This will positively impact both domestic movement of goods by bringing down the overall cost and increasing the speed and ease of goods movement and the global competitiveness of Indian goods.

— These steps would improve India's ranking in the Logistics Performance Index (LPI) and promote exports and enhanced growth. STATE-OF-THE-ART TRADE ANALYTICS — State-of-the-Art trade analytics division set up in DGFT for data based policy actions

— The initiative envisages processing trade information from DGCIS and other national and international data bases related to India's key export markets and identify specific actions to address export interests in various markets and products

## **EXPLORING NEW EXPORT MARKETS**

— Focus on increasing India's exports in under and un-tapped markets in high potential regions like Africa, to cover not just trade in goods and investment but also in capacity building, technical assistance and services such as healthcare and education. Sectors like agro-processing, manufacturing, mining, textiles, consumer goods, infrastructure development and construction would be focus areas — Greater engagement with Latin America and the Caribbean region, including encouragement of project exports through easy access to credit

— ECGC will be strengthened and substantially expanded to ensure insurance cover to exporters, particularly MSME exporters exporting to new and risky markets. **EXPLORING NEW EXPORT PRODUCTS**

— Focus on increasing exports of products which have become important in the world trade of late, in recognition of the fact that 70% of India's exports involve products whose share in the total world exports is only 30%.

— Focus on promising product groups like medical devices/ equipment, technical textile, electronic component, project goods, defence and hi-tech products in addition to labor

intensive and MSME products like agricultural, marine, carpets, leather, ayush and health, textiles and readymade garments, handloom, handicrafts, coir, jute products, diamond, gold and jewelry.

— Promoting growth of exports from high value addition and employment generating sectors with a strong domestic manufacturing base, to be the lynchpin of India's overall export growth strategy.

### **FOCUS ON AGRICULTURAL EXPORTS FOR INCREASING FARMERS' INCOME**

— New Agricultural Exports Policy under formulation to focus on increasing exports of agricultural value added products through elements like:

— a stable and 'open' export policy for the long term

— effective handling of sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT) issues in domestic and destination markets

— creating cold chain and transport logistics facilities from the farm to the ports and airports

— promoting organic exports through appropriate policy interventions

— setting up credible and up-to-date organic export certification and accreditation programmes.

### **GREATER PARTICIPATION IN THE GLOBAL AND REGIONAL VALUE CHAINS**

Focus on increasing participation in high value segments of RVCs and GVCs to increase India's exports, in recognition of the fact that products manufactured through GVCs account for two-thirds of world trade in manufactured Goods. This would be facilitated by a focus on automating port and customs operations, allowing green channel clearances and 19 bench marking the turnaround time of ships with the best global practices.

### **LEVERAGING SERVICES FOR INCREASING EXPORTS**

— New Services division set up in DGFT to examine EXIM policies and procedures from the point of view of "Services"

— Efforts underway to improve the availability of data on services.

— An ambitious reform agenda in services being pursued through an interministerial Mechanism

- Efforts for effective market access abroad through comprehensive economic partnership agreements with important markets.
- The very successful Global Exhibition on Services institutionalized as an annual event to showcase India's strengths in the Services

### **EXPORT PROMOTION SCHEMES**

- Scope and incentives as a percentage of exports under Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS) enhanced
- Duty free procurement of raw materials/ inputs used for manufacturing export products under Advanced Authorisation, Export Promotion for Capital Goods (EPCG) Scheme, 100% Export Oriented Units (EoUs) facility continued under GST
- Duty Drawback scheme administered by Department of Revenue continued with revised rates for drawback of Basic Customs and remnant Central Excise Duties.
- New Trade Infrastructure for Export Scheme (TIES) launched in March 2017 to enhance export competitiveness by bridging gaps in export infrastructure, creating focused export infrastructure, first mile and last mile connectivity for export-oriented projects and addressing quality and certification measures.
- Envisaged assistance for setting up and up-gradation of infrastructure projects with overwhelming export linkages like the Border Haats, Land customs stations, quality testing and certification labs, cold chains, trade promotion centres, dry ports, export warehousing and packaging, SEZs and ports/airports cargo terminuses.
- Market Access Initiatives (MAI) Scheme to act as a catalyst to promote exports on a focus product-focus country approach, so as to evolve specific markets and products through market studies/surveys.
- Would provide assistance to Export Promotion Organizations/ Trade Promotion Organizations/ National Level Institutions/Research Institutions/ Universities/ Laboratories, Exporters, etc., for enhancement of exports by accessing new markets or by increasing share in the existing markets. — Supplies of goods and services to Special Economic Zones to be treated as zero rated under GST so as to get the benefit of tax refund on the pattern of actual exports. Earlier VAT refund used to depend on the States concerned.

### **SIMPLIFICATION OF PROCEDURES AND PROCESSES**

- PAN is now being used as IEC. Procedure for application for IEC being further simplified



— The procedure for export obligation (EO) period extension, installation of machinery and block-wise extension under EPCG Scheme has been simplified and delegated to regional offices.  
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— Shifting of capital goods allowed from one unit of the IEC holder to the other. — Clubbing of EPCG authorizations has been allowed in respect of those authorizations also where EO period has expired. — For clarity, a negative list of capital goods which are not permitted under EPCG scheme has been notified.

— EOU / EHTP / STP / BTP units may import and/or procure from bonded warehouse in DTA or from international exhibition held in India without payment of Customs Duties and Integrated Tax and GST Compensation Cess.

— The concept of DTA sale from EoU on concessional and full duty has been removed and hence, the limit on entitlement of DTA sale has also been removed. Consequently, restriction on DTA sale of motor cars, alcoholic liquors, books and tea has been removed.

— Inter Unit Transfer from one EOU / EHTP / STP / BTP unit to another unit has been allowed on payment of applicable duties and/ or taxes.

— Consignment of goods or parts thereof on being exported and found defective/ damaged or otherwise returned by the importer shall be allowed clearance by Customs authorities. — Second Hand Goods imported for the purpose of repair/ refurbishing/reconditioning or re-engineering have been made free, thereby facilitating generation of employment in the repair services sector.

— “Export of Replacement Goods” has been eased for issuing export license on replacement items which are Restricted / or in SCOMET list. ENHANCED VALUE LIMIT ON THE FREE OF COST (FOC) EXPORTS

— Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower.

— For Pharma exports, the annual limit would be 2% of the annual export realisation during preceding three licensing years.

— In case of government supplies and supplies of vaccines and lifesaving drugs to health programmes of international agencies such as UN and WHO-PAHO, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing

## **CAPACITY BUILDING**

- Skilling new entrepreneurs for exports is an important priority.
- In the last two years over 50,000 entrepreneurs have been trained under the Niryat Bandhu program implemented by DGFT, thus complementing the Startup India and Skill India initiatives.
- Institutional set up under Department of Commerce like- Indian Institute of Foreign Trade, Indian Institute of Packaging, Indian Institute of Plantation, Export Promotion Councils, Centres of Excellence, Plantation Research Institutes, etc
- . – would be leveraged for capacity building, export promotion, research & analysis and long term policy formulation.