Foreign Trade Policy of India: An Analytical Study

Sanjay Dubey[1], Dr. Deepti Maheshwari[2], Dr. Vijay Singh[3]
[1,2,3]AISECT University, Bhopal (M.P.) India.

ABSTRACT
The study is an attempt to explain the working and role of Foreign Trade Policy (FTP) with respect to Export & Import. For this purpose data has been gathered from Policy and procedures issued from last 10 years. In the paper various export incentives its applicability, advantage, features, working pattern, difficulties has been explained. The study is descriptive in nature, defining the status quo related to the field covered in the theme.

***Keywords**:* Foreign Trade Policy (FTP), Advance Authorization, MEIS, SEIS.

I INTRODUCTION

Policy relating to Foreign Trade is being announced by Ministry of Commerce and Industry every 5 years. This Policy is administrated by Directorate General of foreign Trade (DGFT) who is the agency of the Ministry of Commerce and Industry of the Government of India, responsible for execution of the import and export Policies of India. This department was earlier known as Chief Controller of Imports & Exports (CCI&E) till 1991. DGFT plays a very important role in the development of trading relations with various other nations and thus help in improving not only the economic growth but also provides a certain impetus needed in the trade industry. For promoting exports and imports DGFT established its regional offices across the country. Directorate General of Foreign Trade is an attached office of the Department of Commerce, Ministry of Commerce and Industry. It's headquartered is in Udyog Bhavan, New Delhi. Under its jurisdiction, there are four Zonal Offices at Delhi, Mumbai, Kolkata and Chennai headed by Zonal Joint Director General of Foreign Trade. There are 35 Regional Authorities all over the country. Earlier this policy used to be called as Export and Import Policy i.e. Exim Policy, However, of late the Policy is being termed as Foreign Trade Policy (FTP) of the country as per FTDR Act 1992.

Trade facilitation is a priority of the Government for cutting down the transaction cost and time, thereby rendering Indian exports more competitive. The various provisions of FTP and measures taken by the Government in the direction of trade facilitation are consolidated. The present policy which is in force in the country is called 2015-2020 Foreign Trade Policy announced on 1st Aprl2015. It is a five-year policy covering the period from 1st April, 2015 – 31st March, 2020. Current Policy has been announced on 1st April 2015 by Ministry of Commerce and Industry (GOI) 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.

II OBJECTIVES

The study has twofold objectives. These are as :

(a) To analyse the pros and cons of Director General of Foreign Policy during the periods 2003-2008, 2009-2014 & 2015-2020.

(b) To identify the gaps, hurdles and procedural issues in the Policy which restricts the trade.

III SERVICE EXPORTS FROM INDIA SCHEME (SEIS)

Objective of Merchandise Exports from India Scheme (MEIS) 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.

Export of notified goods/products, to notified markets are rewarded under MEIS. The basis of calculation of reward is on realised FOB (Free on Board) value of exports in free foreign exchange, or on FOB value of exports as given in the Shipping Bills in free foreign exchange, whichever is less, unless otherwise specified.

Duty Credit Scrips is granted @ 2 to 3 % as rewards under MEIS. The Duty Credit Scrips and goods imported / domestically procured against them are freely transferable. The Duty Credit Scripts can be used for Payment of Customs Duties for import of inputs, Payment of excise duties on domestic procurement inputs, Payment of service tax on procurement of services, Payment of Customs Duty and fee.

New policy 2015-2020 has clubbed both the old schemes of Focus Market & Focus Product and developed a new version of scheme where it is linked with products as well as Market both.

Exporter can only apply for this script after full realization of amount from importer, In long executed export abroad projects where last payment comes very late, it will be long awaited time for getting this.

IV SERVICE EXPORTS FROM INDIA SCHEME (SEIS)

Objective of Service Exports from India Scheme (SEIS) is to encourage export of notified Services from India. Service Providers of notified services, located in India, are rewarded under SEIS, subject to conditions as may be notified.

Duty Credit Scripts is granted @ 5% as rewards under SEIS. The Duty Credit Scripts and goods imported/domestically procured against them are freely transferable. The Duty Credit Scripts may be used for Payment of Customs Duties for import of inputs, Payment of excise duties on domestic procurement inputs, Payment of service tax on procurement of services, Payment of Customs Duty and fee.

V DUTY EXEMPTION SCHEMES

Advance Authorisation is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage).Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for:

(a) Physical exports (including exports to SEZ)
(b) Intermediate supplies and other.

Advance Authorisation necessitates exports with a minimum value addition of 15% validity period for import of Advance Authorisation is 12 months from the date of issue of Authorisation for physical export (abroad) whereas Advance Authorisation for Deemed Export is co-terminus with contracted duration of project execution or 12 months from the date of issue of Authorisation, whichever is more. Against this duty free authorization exporter has to make export obligation under Advance Authorisation within 18 months from the date of issue of Authorisation, but In cases of supplies to turnkey projects in India under deemed export category or turnkey projects abroad, the Export Obligation period is co-terminus with contracted duration of the project execution or 18 months whichever is more.

Duty Free Import Authorisation is issued on post export basis for products for which Standard Input Output Norms have been notified. Minimum value addition of 20% has to be achieved. EPCG Scheme allows import of capital goods for pre-production, production and post-production at Zero customs duty. Import under EPCG Scheme is subject to an export obligation equivalent to 6 times of duty saved on capital goods, to be fulfilled in 6 years reckoned from date of issue of Authorisation. Authorisation is valid for import for 18 months from the date of issue of Authorisation. In new policy they have restricted Old Capital goods not to import under this scheme, earlier it was allowed. Import of capital goods is subject to Actual User condition till export obligation is completed.

EO is to be fulfilled by the authorisation holder through export of goods which are manufactured by him or his supporting manufacturer / services rendered by him, for which the EPCG authorisation has been granted.

Post Export EPCG Duty Credit Scrip(s) is available to exporters who intend to import capital goods on full payment of applicable duties in cash and choose to opt for this scheme.

Basic Customs duty paid on Capital Goods is to be remitted in the form of freely transferable duty credit scrip(s), similar to those issued under Chapter 3 of FTP.

VI ANALYSIS

The MEIS is targeted for export of specified goods to specified markets and SEIS is meant for export of notified services in place of a plethora of schemes earlier.

The MEIS has replaced five existing schemes: Focus Products Scheme, Market-linked Focus Products Scheme, Focus Market Scheme, Agriculture Infrastructure Incentive script and (VKGUY).

On the other hand, SEIS has replaced the existing Served from India Scheme (SFIS). The rates of rewards under MEIS will now range from 2 per cent to 5 per cent, from the 2-7 per cent range earlier. On the other hand, under SEIS these will be from 3 per cent to 5 per cent, from the 5-10 per cent.

In a big relief for exporters, all scripts issued under MEIS and SEIS and the goods imported against these scripts are now fully transferable. This means that scripts issued under export from India schemes can now be used for payment of customs duty for import of goods, payment of excise duty on domestic procurement of inputs or goods, and payment of service tax also can be sold to third party.

In MEIS there are three categories only and major high potential items are not linked with developed countries like Europe & USA. There are various industries which have been left out from this scheme.

In SEIS Installation and Commissioning job has kept out from this which is major area for engineering sectors. Wordings advance authorization of export obligation period for project abroad has been re framed as coterminous with project tenure which is appreciable but at same time Policy has not given Validity extension for Import as coterminous with Project period which is disadvantageous.

Even though application is online for all the schemes one is required to submit hard copy also which calls for multiple documentation, issues, and consequent delays in release of incentives, script. The below table 1 shows the quantum of documentation.

Table 1
Quantum of Documentation

(i) **EPCG Application** : To be filed on EDI Mode with digital signature but required to submit **one hard copy of EDI** application and two copies of manual application with requisite enclosures. Every page of the application and enclosures are to be sealed and signed by the Applicant.

Hard copy of EDI Application	5 pages
Two hard copy of manual	10 pages
Enclosures	
IEC	1 page
RCMC	2 pages
EM / IL/ IEM	5 pages
Proforma Invoice	2 pages
Catalog	4 pages
Justification	1 page
Declaration	2 pages
Total	**32 pages**
(ii) **Advance Authorisation**:	
By and large, same as EPCG requirements.	**32 pages**
(iii) **Central Excise**:	
ARE documents, Bond / LUT etc.	**8 pages**
(iv) **Application for benefits on Promotional Schemes**:	
Application copy	5 pages
Enclosures	7 pages
Total	**12 pages**
(v) **Duty Drawback Brand Rate :**	
Application with DBK I, II, III statements with other enclosures	**20 pages**
(vi) **Import Clearance**:	
Bill of Entry & Declaration	**2 pages**
(vii) **Export Clearance**:	
Shipping Bill	4 pages
Invoice ,Packing List and other enclosures	6 pages
Total	**10 pages**
(viii) **Sales Tax Purpose**:	
Declaration , true copies etc	**6 pages**
(ix) **CFS to ICTT and vice versa**:	
Request letter and other enclosures	**7 pages**
Grand TOTAL	**129 pages**

Similar procedures are for the import side also. There is need to be reduce documentation to the barest minimum.

VII FINDINGS

(a) There are various errors in on line transmission of script from DGFT server to Customs server. There are various instances where file get corrupted and exporter has to bear cost of the same.

(b) Export obligation discharge information is not shared electronically to Customs which results in problems to exporter for clearing their goods.

(c) Exchange of message with the other Government departments is poor which results in delays.

(d) Validity of Advance authorization is 12 month with one extension permitted for 6 month. This needs to be re framed in case of Turnkey project executed abroad since delivery time itself is 5 to 6 years. One cannot import all material in given short time frame.

(e) For claiming chapter 3 incentives one has to wait for full payment, but in long duration period project last stage of payment comes very late resulting in inordinate delay for claiming chapter 3 incentives. There should be some arrangement in DGFT, where in exporter can submit Bank Guarantee to department and claim incentives and same BG can be returned after submission of final BRC.

VIII CONCLUSION

(a) On the basis of review of Foreign Trade Policy and procedures laid down we can say that DGFT has come up with very dynamic and compressed mode frame work for announcement of Incentives and promotional schemes. They have tried to keep less number of incentives with mass effective to maximum number of exporter.

(b) Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports with different kinds of duty scrips with varying conditions (sector specific or actual user only) attached to their use. Now all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme. The main features of MEIS, including details of various groups of products supported under MEIS and the country groupings are at Annexure attached to policy.

(c) Served from India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall now apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider. The list of services and the rates of rewards under SEIS are at Annexure

(d) Scripts of SEIS and the goods imported against these scripts would be fully transferable. This feature was not available in the old SFIS.

(e) DGFT has gone a mile ahead in e-commerce; reflection of same can be felt by their implementation of e-BRC system all over India. Online applications for refunds have been introduced.

(f) All the above aspects are most welcome feature of DGFT, but at the same time there are many points need to be looked in to resolve and make the process smoother.

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