Volume : 1 | Issue : 5 | May 2012 ISSN - 2250-1991

Research Paper Commerce

Foreign Trade Policy of India (2009-14)

* Dr. M. K. MARU

* Associate Professor, Shri P.D.Malaviya College Of Commerce, Gondal Road, Rajkot

ABSTRACT

The Foreign Trade Policy 2009-14 was announced on 27th August 2009 in the back drop of a fall in India's exports due to global slow-down. The immediate and the short term objective of the policy was to arrest and reverse the declining trend of exports as well as to provide additional support especially to those sectors which were hit badly by recession in the developed world. The policy envisaged an annual export growth of 15 percent and to come back on the high export growth path of around 25 percent per annum in the remaining three years of this FTP i.e, up to 2014. The long term policy objective for the Government is to double India's share in global trade by 2020.

Keywords :

Introduction -

The Government of India has set a long term vision of making India a major player in world trade. Foreign Trade Policy (FTP) provides the basic policy framework of translating this vision into specific strategies, goals and targets. FTP 2009-14 was announced on 27th August, 2009. In FTP 2004-09, the Indian exports witnessed an unprecedented and consistently high growth in the exports. During this period from 2004-05 to 2008-09 , the exports grew at an average annual growth rate of 23.9%; increasing from US$ 83.5 billion in 2004-05 to US$ 185.3 billion in 2008-09. As per WTO estimates , India's share of global merchandise trade rose from 0.94% in 2004 to1.45% in 2008. The share of global commercial services export similarly increased from 1.3% in 2004 to 2.7% in 2008. India's total share in goods and services trade also went up from 1.08% in 2004 to 1.65% in 2008.

For India to become a major player in world trade, an all encompassing and comprehensive vision is required for the overall development of the country's foreign trade. Trade is not an end in itself, but a means to economic growth and national development . Coherence and consistency among trade and other economic policies is important for maximizing the contribution of such policies to development. In 2008-09, the world faced an unprecedented economic slow-down and witnessed one of the most severe global recession in the past-war period that affected countries across the globe in varying degrees. All major economic activities like industrial production, trade capital flows, unemployment, investment consumption took a hit. India has not been affected to the same extent as other economies of the world during this phase. Yet our exports have suffered a decline since October 2008 significantly due to shrinkage of demand in the traditional markets of our exports due to global economic slowdown. India's exports in dollar terms showed a growth of about 48.1% from April to September 2008 whereas from October 2008, it started declining, bringing down the annual growth to 13.6% in 2008-09. After showing a negative growth for seven consecutive months in 2009-10, India's exports have entered the positive territory (growing at 18.2% during the month of November, 2009-10). Agriculture and industry has shown remarkable resilience and dynamism in contributing to a healthy growth in exports. It is in this context and background that the current FTP,2009-14 was announced.

Objectives of FTP

- An annual export growth of 15% with an annual export target of US$ 200 billion by March 2011,
- To come back on the high export growth path of around 25% per annum in the remaining three years of this FTP i.e. upto 2014,
- To double India's exports of goods and services by 2014,
- The long term policy objective for the Government is to double India's share in global trade by 2020.

The short term objective of FTP (2009-14) is to arrest and reverse the declining trend of exports and to provide additional support especially to those sectors which have been hit badly by recession in the developed world. The long term policy objective for the Government is to double India's share in global trade by 2020. In order to meet the objectives stated above, the major thrust areas of strategy spelt out in FTP (2009-14) comprise a mix of policy measures including fiscal incentives, institutional changes, procedural rationalization, enhanced market access across the world and diversification of export markets. The FTP (2009-2014) envisages three basic pillars for supporting India's exports. These are

- Infrastructure related to exports,
- Bridging down transaction costs, and
- Providing full refund of all indirect taxes and levies.

The prime importance here is on a stable policy environment conductive to foreign trade by way of continuation of exporter friendly and transparent schemes/ facilities. In addition, after the operationalisation of the Goods and Services Tax (GST) regime, the

Government will make concerted attempts to see that the GST rebates are given on all indirect taxes and levies on exports. A special thrust would be provided to employment intensive sectors which have witnessed job losses in the wake of this recession, especially in the field of textile, leather, handicrafts etc.

Major Initiatives Taken in the FTP (2009-14)

In the current economic climate, policy measures initiated in the FTP 2009-14 would basically be in force for a three year period after which mid-course corrections could be undertaken, if required. In the meantime, sectoral reviews to assess the impact of these measures on Indian exports would be carried out and accordingly appropriate initiatives would be taken.

(1) Higher Support for Market and Product Diversification
27 new markets have been added under Focus Market Scheme. These include 16 new markets in Latin America and 11 in Asia-Oceania. The incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%. The incentive available under Focus Product Scheme (FPS) has been raised from 1.25% to 2%. A large number of products from various sectors including Engineering products, Jute and Sisal products, Technical Textiles, Green Technology products, Project goods, vegetable textiles, Electronic items , value added Plastic products etc have been included for benefits under Focus Product Scheme.

(2) Technological Upgradation
Export Promotion Capital Goods (EPCG) scheme at zero duty has been introduced for certain sectors like engineering & electronic products, basic chemicals & pharmaceuticals, apparels & textiles, plastics, handicrafts, chemicals & allied products and leather & leather products. Jaipur, Srinagar and Anantnag recognized as 'Towns of Export Excellence' for handicrafts; Kanpur, Dewas and Ambur recognized for leather products; and Malihabad for horticulture products.

(3) Support for Green products and products from North East
Focus Product Scheme benefit extended for export of ' green products' and for exports of some products originating from the North East.

(4) Status Holders
To accelerate exports and encourage technological upgradation, additional Duty Credit Scrips (DCS) shall be given to status holders @ 1% of the FOB value of past exports for certain specified sectors. Transferability for the DCS being issued to status holder under vishesh krishi and gram udyog yojna (VKGUY) scheme permitted among status holders.

(5) Sector specific measures

- Fisheries included in the sectors which are exempted from maintenance of average Export Obligation (EO) under Export Promotion Capital Goods (EPCG) scheme.

- Additional flexibility under Target Plus Scheme (TPS)/ Duty Free Certificate of Entitlement (DFCE) scheme for status holders given to marine sector.

- To neutralize duty incidence on jewellery exports and hence to allow Duty Drawback on such exports,

- In an endeavour to make India a diamond international trading hub, it is planned to establish " Diamond Bourse (S)"

- Import on consignment basis cut & polished diamonds for the purpose of grading / certification purposes introduced.

- Value limits of personal carriage of Gems & Jewellery items have been increased from US$ 2 million to US$ 5 million in case of participation in overseas exhibitions. The limit in case of personal carriage, as samples, for export promotion tours, increased from US$ 0.1 million to US$ 1 million.

- To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce introduced. The system will involve creation of multi functional nodal agencies to be accredited by APEDA

- Leather sector allowed re-export of unsold imported raw hides and skins and semi finished leather from public bonded ware houses, subject to payment of 50% of the applicable export duty.

- Minimum value addition under advance authorization scheme for export of tea reduced from the existing 100% to 50%.

- Domestic Tariff Area (DTA) sale limit of instant tea by EOU units increased from the existing 30% to 50%

- Export of tea covered under VKGUY Scheme benefits.

- Export obligation period for advance authorizations issued with 6-APA as input has been increased from the existing 6 months to 36 months.

- Requirement of Handloom Mark for availing benefits under FPS removed.

- EOUs allowed to sell products manufactured by them in DTA up to a limit of 90% instead of 75%, without changing the criteria of 'similar goods' , within the overall entitlement of 50% for DTA sale.

- A clarification issued to enable procurement of spares beyond 5% by granite sector EOUs.

- EOUs allowed to procure finished goods for consolidation along with their manufactured goods, subject to certain safeguards.

- Board Of Approvals (BOA) to consider, extension of block period by one year for calculation of Net Foreign Exchange earnings of EOUs.

- EOUs allowed CENVAT credit facility for the component of Education Cess on DTA sale.

- To encourage value added manufactured export, a minimum 15% value addition on imported inputs under Advanced Authorization Scheme prescribed.

- Coverage of project exports and a large number of manufactured goods under FPS and MLFPS.

Major Scheme-wise Initiatives
The major scheme-wise initiatives announced under the FTP 2009-2014 are given bellow.

(A) Duty Neutralization/Remission Schemes
- Duty Entitlement Passbook (DEPB) Scheme
- Advanced Authorization Scheme
- Gems & Jewellery

(B) Survice Tax Refund (STR) Scheme
(C) Vishesh Krishi and Gram Udyog Yojana (special agriculture and village industry scheme)
(D) Focus Market Scheme (FMS)
(E) Focus Product Scheme (FPS)
(F) Market Linked Focus Product Scheme (MLFPS)
(G) Served from India Scheme
(H) Status Holders Incentive Scheme (SHIS)
(I) Export Promotion Capital Goods (EPCG) Scheme
- 3% Concessional Duty Scheme
- Zero Duty EPCG Scheme

(J) Export Oriented Units (EOUs)/ Electronic Hardware Technology Park (EHTP)/ Software Technology Park (STP)/ Biotechnology Park (BTP)
(K) Deemed Ex ports

Thus the new Foreign Trade Policy 2009-14 was announced by the Government of India, in the backdrop of global economic slow-down. In order to achieve the objectives, the basic strategy envisaged is to follow a mix of policy measures including fiscal incentives, institutional changes , procedural rationalization and diversification of export markets.

Conclusion
The year 2008-09 witnessed an unprecedented global financial crisis and one of the severest economic slowdowns in the past. Through India was able to withstand the adverse effects of the global slowdown relatively well compared to the developed economies of the world, its output and exports were also impacted by the global economic slowdown, especially during

the second half of 2008-09. India's GDP growth came down to 6.7% in 2008-09 as compared to the average annual rate of 8.8% registered during the period 2003-04 to2007-08. The contraction in overseas demand also affected growth of India's exports. The exports, which recorded an average annual growth rate of 23.9% during the period from 2004-05 to2008-09, came down to13.6% in 2008-09. At that time, Government was declared FTP 2009-14, which was very useful to Indian economy to grow the exports.

REFERENCES

- Foreign Trade Policy 2009-14 by Government of India
- Annual report 2009-10, Department of Commerce, Government of India.
- Annual report 2010-11, Department of Commerce, Government of India.