4 External Sector and India's Foreign Trade Policy (FTP) 2009-14

In view of the decline in export growth (as an immediate relief), the Government provided a policy environment through a mix of measures including fiscal incentives, institutional changes, procedural rationalization, and efforts for enhanced market access across the world and diversification of export markets. Towards achieving these objectives, several steps were announced in the Policy through measures announced under FTP 2009-14, January / March, 2010, Annual Supplement, 2010-11 and 2012-13 and 2013-14.

Interactions on a regular basis are held with members of Board of Trade, EPCs and exporters for sectoral assessment of exports at regular intervals. The Sectoral assessment was undertaken in December 2010, July 2011, February 2012 and March 2012 which demonstrated that some sectors were still facing difficulties. Need-based additional support measures were announced on 11th February, 2011, 13th October, 2011, in the Annual Supplement to Foreign Trade Policy released on 5th June, 2012 and on 18th April, 2013.

To provide continuity in policy environment, the existing Foreign Trade Policy 2009-14 has been extended beyond 31.03.2014 until further orders

Scheme-wise details

Duty neutralization / remission schemes are based on the principle and the commitment of the Government that "Goods and Services are to be exported and not the Taxes and Levies". Purpose is to allow duty free import / procurement of inputs or to allow replenishment either for the inputs used or the duty component on inputs used. Brief of these schemes along with the amendments carried out during the current year are given below.

(i) Advance Authorization Scheme

Scheme allows duty free import of Inputs, along with fuel, oil, and catalyst etc., required for manufacturing the export product. Inputs are allowed either as per Standard Input Output Norms (SION) or on adhoc Norm's basis under Actual User condition. Norms are fixed by Technical Committee i.e., Norms Committee. This facility is available for physical exports (also including supplies to SEZ units & SEZ Developers) and deemed exports including intermediate supplies. Minimum value addition prescribed is 15%, except for certain items. Exporter has to fulfill the export obligation over a specified time period, both quantity and value wise. The facilities to club authorizations were simplified and powers decentralized to RAs. Certain items which are prohibited for export have been allowed for export under advance authorization scheme, subject to stipulated conditions. An option has been provided for redemption/ regularization of old cases/pending cases of default in meeting Export Obligation

(EO) by authorisation holder on payment of applicable customs duty, corresponding to the shortfall in export obligation, along with interest on such customs duty, the interest component to be so paid would not exceed the amount of customs duty payable for this default.

(ii) Duty Free Import Authorization (DFIA)

DFIA Scheme has been made operational from 01.05.2006. One of the objectives of the scheme is to facilitate transfer of the authorization or the inputs imported as per SION, once export is completed. Provisions of DFIA Scheme are similar to Advance Authorization scheme. A minimum value addition of 20% is required under the scheme.

(iii) Schemes for Gems & Jewellery Sector

Gems & Jewellery exports constitute a major portion of our total merchandise exports. It is an employment oriented sector. Exports from this sector suffered significantly on account of the global economic slowdown.

Duty free import / procurement of precious metal (Gold / Silver / Platinum) from the nominated agencies are allowed either in advance or as replenishment. In addition, exporters of Gems & Jewellery items are allowed access to duty Free Import of consumables for export production up to a certain specified percentage of FOB value of previous years' export. List of items allowed for duty free import by Gems & Jewellery sector had been expanded by inclusion of additional items such as Tags and labels, Security censor on card, Staple wire, and Poly bag. This will reduce the cost of the product to some extent.

Duty Drawback Scheme

Duty Drawback Scheme allows refund of customs duty and the excise duty on the inputs used in the manufacture of the export product at a specified percentage of FOB value of exports. Service Tax on the input services has also been factored in the All Industry rate of Duty Drawback. Duty Drawback Scheme for physical exports is being administered by the Department of Revenue and that of deemed exports, by the DGFT.

(iv) Other Policy Initiatives

Interest subvention scheme was earlier available only to Handlooms, Handicrafts, SMEs and carpets. In June 2012, it had been extended to labour intensive sectors, namely, Toys, sports goods, processed agricultural products, and readymade garments, in addition to the four sectors benefitting from the scheme earlier. With effect from 1st January, 2013, the scheme had been extended to 134 sub-sectors of engineering sector. The validity of the scheme had also been extended till March 31, 2014. The scheme has been further widened to cover 101 tariff lines of engineering sector and 6 tariff lines of Chapter 63 of ITC (HS) (Textiles Made ups) w.e.f. 1st April, 2013. Further, Government has enhanced the rate of subvention from present 2% to 3% with effect from 1st August, 2013.

VISHESH KRISHI AND GRAM UDYOG YOJANA (SPECIAL AGRICULTURE AND VILLAGE INDUSTRY SCHEME) [VKGUY]

Objective of this scheme is to promote employment generation in rural and semi urban areas. Duty Credit Scrip's are granted with an aim to compensate high transport costs, and to offset other disadvantages. Vishesh Krishi and Gram Udyog Yojana has been gradually expanded to include export of Agricultural Produce and their value added products; Minor Forest Produce and their value added variants; Gram Udyog Products; and Other Products, as notified under Appendix 37A of HBP vol.1, from time to time.

Exporters of notified products are entitled for Duty Credit Scrip equivalent to 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards. Few products are also eligible to additional 2% over & above the 5% as admissible for specified products in Appendix 37A of HBP vol.I.

In case of Status Holder, higher incentive is available in the form of duty credit scrip (Agri. Infrastructure Incentive Scrip) equal to 10% of FOB value of agricultural exports, limited to Rs. 100 crore per annum, for products covered under ITC HS Chapters 1 to 24. This includes incentive under VKGUY scrip. This scrip's can be utilized to import Capital Goods and equipments for Cold Storage Units, Pack-houses etc. This scrip's will also be eligible for import of following specified equipments for setting up of Pack-houses:

i. Packing grading equipments for fruits and vegetables

ii. Equipments for ripening of fruits including ethylene generator

iii. Adiabatic humidifiers for cold rooms

iv. Gas sensor and controlled system covering Co2, ethylene and oxygen levels

v. Ethylene scrubbers

vi. Co2 scrubbers

vii. Blast freezers for IQF plants

viii. Doors for gastight rooms, applications like CA, Banana/fruit ripening

ix. Nitrogen generators

x. Gas controlling systems for CA stores

xi. Bulk bins for CA stores

xii. Reach stackers for cold stores and warehouses

xiii. Belt driven conveyors for bulk handling of cargo

xiv. Gantry cranes, unloading, mechanized loaders for bulk and break bulk cargo

For import of Cold Chain Equipment, this Incentive Scrip shall be freely transferable amongst Status Holders as well as to Units in the Food Parks. Now transferability of the Agric Infrastructure Incentive Scrip shall be allowed to supporting manufacturer of the status holder. Such transferability would have to be endorsed on the Agri. Infrastructure Incentive Scrip from relevant RA.

FOCUS MARKET SCHEME [FMS]

For offsetting high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these countries, "Focus Market Scheme" has been launched w.e.f. 1.4.2006. Exporters of all products to notified countries (as in Table 1 & Table 2 of Appendix 37C of HBP vol.1) shall be entitled for Duty Credit Scrip equivalent to 3% of FOB value of exports. Cayman Islands, Newzealand, Latvia, Lithuania, Bulgaria (w.e.f. 1.1.2013) and Norway (w.e.f. 1.5.2013) have been added to Focus Market Scheme (FMS). The scheme now covers a total of 125 markets. Additional duty credit scrip @1% FOB value of exports is given to markets listed in Table 3 of Appendix 37C with effect from 1.4.2011 under Special Focus Market Scheme. 2 new markets have been added to the Special Focus Market Scheme (Special FMS) taking the total countries under Special FMS to 50. These countries are Eritrea (w.e.f. 1.1.2013) and Venezuela (w.e.f. 1.5.2013).

FOCUS PRODUCT SCHEME [FPS]

To incentivize export of such products which have high export intensity / employment potential, so as to offset infrastructure inefficiencies and other associated costs involved in marketing of these products, a Scheme called Focus Products Scheme, has been introduced w.e.f. 1.4.2006.

Exports of notified products (as in Appendix 37D of HBP vol.1) to all countries (including SEZ units) shall be entitled for Duty Credit Scrip equivalent to 2% or 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards. Further, Bonus Benefits @2% of FOB value of exports is given over and above the existing benefit for specified products covered under Appendix 37D for exports made from 1.4.2010 onwards. So far, more than 1000 products have been covered at 8 digit level under the Scheme, which include leather products and footwear, handloom products, handmade carpets and other textile floor covering, handicrafts, coir and jute products, technical textiles, engineering products, green technology products, electronic products, etc.

MARKET LINKED FOCUS PRODUCTS SCRIP [MLFPS]

To give significant boost to market penetration of specific product in specified markets, a variant under Focus Product Scheme called Market Linked Focus Products Scrip has been introduced from 1.4.2008. Export of products / sectors of high export intensity / employment potential (which are not covered under present FPS List) would be incentivized @ 2% of FOB value of exports (in free foreign exchange) under FPS when exported to the Linked Markets (countries), which are not covered in the present FMS List, as notified in Appendix 37D of HBP vol.1, for exports made from 27.8.2009 onwards. Further, all Garments covered under Chapter 61 and Chapter 62 of ITC HS Classification of Export and Import Items have been extended the benefit of duty credit scrip @2% of FOB value of exports to USA and EU from 1.4.2011 till 31.3.2012. This benefit has now been extended till 31st March 2014.

Presently the products covered under the scheme include Motor vehicles, auto-components, bicycles and parts, apparels, knitted and crocheted fabrics, pharma products, value added plastic and rubber goods, glass products, dyes and chemicals, household articles, Machine Tools, Earth Moving equipments, Transmission towers, electrical and power equipments, steel tubes, pipes and galvanized sheets, Compressors, Iron and Steel Structures, Auto components, Three wheelers and cotton woven fabrics etc. The countries covered under the Scheme include Algeria, Egypt, Kenya, Nigeria, South Africa, Tanzania, Brazil, Ukraine, Australia, New Zealand, Cambodia, Vietnam, Japan and

China amongst others. There are around 5000 products so far covered at 8 digit level. Table 2 of Appendix 37D of HBP vol. I may be referred for the list of products and countries.

Under table 3 of Appendix 37-D, some new items under Textile & Leather category are added in the scheme for export between 01.03.2014 to 31.08.2014.

SERVED FROM INDIA SCHEME [SFIS]

The objective of the Scheme is to accelerate growth in export of services so as to create a powerful and unique 'Served from India' brand, instantly recognized and respected the world over. Indian Service Providers, of services listed in Appendix 41 of HBP vol.1, which has free foreign exchange earning of at least Rs.10 lakhs in current financial year shall qualify for Duty Credit Scrip. For Individual Indian Service Providers, minimum free foreign exchange earnings would be Rs. 5 lakhs. Service Providers are entitled to Duty Credit Scrip @10% of the free foreign exchange earned. However, Services and Service Providers listed in Para 3.6.1 of Hand Book of Procedures vol.1 are not eligible. Import are allowed with actual user condition for import of capital goods, office equipments, consumables, vehicles which are in the nature of professional equipment to the service provider, etc. SFIS scrip's can be utilized for purchase of Motor vehicles. It can also be used for manufacturing sector business of the service provider. With effect from 18.4.2013, SFIS benefit is based on Net Foreign Exchange earned. Now Goods imported / procured against SFIS scrip's can be alienated on completion of 3 years from the date of import / procurement.

STATUS HOLDERS INCENTIVE SCRIP (SHIS)

With an objective to promote investment in up gradation of technology of some specified sectors such as leather, textiles, Jute, handicrafts, plastics, basic Chemicals, rubber products, glass and glassware, paper and books, paints and allied products, plywood and allied products, electronics products, sports goods and toys, engineering products viz. iron and steel, pipes and tubes, Ferro-alloys etc., Status Holders shall be entitled to a scrip @ 1% of FOB value of exports. During 2009-10 SHIS is entitled for six sectors, viz: Leather Sectors (excluding finished leather); Textiles and Jute Sector; Handicrafts; Engineering Sector (excluding Iron & Steel, Non-ferrous Metals in primary or intermediate forms, Automobiles & two wheelers, nuclear reactors & parts and Ships, Boats and Floating Structures); Plastics; and Basic Chemicals (excluding Pharma Products), and later expanded for exports in 2010-11, 2011-12 and 2012-13 with addition of sectors listed in Para 3.10.8 of Hand Book of Procedures vol.1, [subject to prescribed exclusions as specified in Policy] with actual user condition. This shall be over and above any duty credit scrip claimed/availed under Chapter-3 of FTP.

Status holders are issued Status Holders Incentive Scrip (SHIS) to import Capital Goods for promoting investment in up-gradation of technology of some specified lab our intensive sectors like Leather, Textile & Jute, Handicrafts, Engineering, Plastics and Basic Chemicals. It is now decided that up to 10% of the value of these scrip's will be allowed to be utilized to import components and spares of capital goods imported earlier. Such a dispensation was not available earlier.

These scripts were subject to Actual User Condition and were not transferable. Since a status holder may or may not have manufacturing facility, limited transferability of SHIS has been allowed. However, such Transferee shall have to (a) be a status holder and (b) have manufacturing facility.

SHIS can be transferred to a manufacturer group company of the scrip holder even though the group company is not a status holder. Group Company is defined in Para 9.28 of FTP. Such transfer will have to be endorsed by relevant RA.

The above scheme has sunset on 31.03.2013.

Incentive on Incremental Exports

It has been decided to grant incentive on incremental exports made during the period January-March 2013 over the base period January-March 2012. The incentive would be granted to an IEC holder at the rate of 2% on the incremental growth of exports made to USA, EU and Asian Countries during this particular quarter i.e., January-March 2013. Certain exports like deemed exports, service exports, third party exports, export-turnover of SEZ units etc. would not be eligible under the scheme. Focus is on increasing export to certain specific destinations. Incremental Exports Incentivisation Scheme (IEIS) has been extended for the year 2013-14. 53 Latin American and African countries have been added in the list w.e.f. 1.4.2013.

EPCG Scheme:

Changes in Zero duty EPCG Scheme.

- The scheme allows import of capital goods on zero duty for pre-production, production and post production as well as for computer software systems subject to an export obligation(EO) equivalent to 6 times of duty saved amount to be fulfilled in 6 years reckoned from Authorization issue-date. However, Authorization under EPCG Scheme shall not be issued for import of any Capital Goods (including Captive plants and Power Generator Sets of any kind) for Export of electrical energy (power), Supply of electrical energy (power) under deemed exports, Use of power (energy) in own unit, and Supply/export of electricity transmission services. Import of 2nd hand Capital Goods is not permitted under this scheme.
- The scheme also allows import of spares, moulds, dies, jigs, fixtures, tools and refractory for initial lining; for existing plant and machinery (imported earlier, under EPCG or otherwise). However, import of spares is not allowed in respect of capital goods sourced indigenously.
- The scheme also requires maintenance of average level of exports achieved by the exporter in the preceding three licensing years for the same and similar products within the overall export obligation period including extended period, except for certain specified sectors/ products as per Para 5.7.6 of Handbook of Procedures.

- EPCG Authorization can also be issued for import of capital goods under Scheme for Project Imports. Export obligation for such EPCG authorizations would be six times of duty saved.
- The scope of the EPCG scheme has been extended to Common Service Providers (CSP) who are designated / certified as a Common service Providers by the DGFT, Department of Commerce or State Infrastructural Corporation in a Town of Export Excellence. The Bank Guarantee (BG) shall not exceed the duty saved and can be given by CSP or by any one of the users or a combination thereof, at the option of the CSP.
- A person holding an EPCG license may source the capital goods from a domestic manufacturer instead of importing them. The domestic manufacturer supplying CG to EPCG authorization holder shall be eligible for deemed export benefits under Para 8.3 of the Policy.
- EPCG license may be issued for retail sector for import of capital goods required by the retailer to create modern infrastructure in the retail sector.
- EPCG Authorizations holders can opt for Technological up-gradation of existing Capital goods imported under EPCG authorizations subject to conditions stipulated in Para 5.8 (a) to (e) of FTP.
- (ix) Authorization holder shall produce to the concerned RA a certificate from the Jurisdictional Central Excise Authority, confirming installation of Capital Goods at factory /premises of authorization holder or his supporting manufacturer(s) /vendor(s) within six months from date of completion of import. However, extension in time for Installation of Capital Goods upto a maximum period of 18 months from the date of completion of import may be considered by the concerned RA."
- Specific EO in respect of export of Green Technology Products shall be 75% of the normal EO as mentioned in the Para 5.1 of FTP. The list of Green Technology products is given in Para 5.23 of HBP v1.
- For units located in J&K, North Eastern Region including Sikkim, specific EO shall be 25% of the EO as stipulated in Para 5.1 of FTP.
- The validity period for import of capital goods under zero duty EPCG Scheme is 18 months.

EPCG authorization for annual requirement

EPCG Authorization can also be issued for annual requirement to exporters having past export performance (in preceding two years). The annual entitlement in terms of duty saved amount shall be up to 50% of FOB value of Physical Export, Service Exports and / or FOR value of Deemed Export, in preceding licensing year.

Export Obligation (EO) conditions under EPCG Scheme

- EO is to be fulfilled by export of goods manufactured/service(s) rendered by applicant.
- Exports shall be physical exports. Certain deemed exports will also be counted towards fulfillment of EO.

- The export obligation under the Scheme shall be over and above, the average level of exports achieved by the EPCG authorization holder in the preceding three licensing years for the same and similar products within the overall export obligation period including extended period, other than the categories exempted for this purpose.
- There is no request of maintaining average EO for certain sectors like handicraft, handlooms, cottage, tiny sector, agriculture, aqua-culture (including fisheries), animal husbandry, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture, Carpets, coir and Jute.
- Extension in EO period may be granted for a period of 2 years subject to certain conditions specified in Para 5.11 of HBP.
- For BIFR units, EO period may be extended as per BIFR package or 9 years, if not specified by BIFR.
- Wherever the holder of any EPCG Authorization is granted relief under Corporate Debt Restructuring (CDR), then such Authorization holder may be allowed EO extension of 3 years (from the date of approval of the CDR mechanism/scheme). Such extension in EO will not attract any Composition fee and will be in addition to (and not in lieu of) the granting of EO extension, if any, available under Para 5.11 of HBP v1.
- Import of Capital Goods shall be subject to Actual User Condition till EO is completed.

Post Export EPCG Duty Credit Scrip(s)

A new scheme 'Post export EPCG Duty Credit Scrip(s)' has been introduced w.e.f. 05.06.2012 with following salient features:

(a) EPCG Duty Remission Scheme shall be available to exporters who intend to import/ procure capital goods on full payment of applicable duties and choose to opt for this scheme.

(b) Duty paid on capital goods (excluding portion CENVATed/ Rebated) shall be remitted in the form of freely transferable duty credit scrip(s).

(c) Specific EO under this scheme shall be 85% of the applicable specific EO, if the imports of such capital goods had taken benefit of duty exemption.

(d) Duty remission shall be in proportion to the EO fulfilled.

(e) These duty credit scrip(s) can be used for payment of applicable custom duties for imports and applicable excise duties for domestic procurement.

(f) All provisions of the existing EPCG scheme shall apply insofar as they are not inconsistent with this scheme.

Export Oriented Units

Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs)

Units undertaking to export their entire production of goods and services (except permissible sales in DTA), may be set up under the Export Oriented Unit (EOU) Scheme, Electronic Hardware Technology Park (EHTP)

Scheme, Software Technology Park (STP) Scheme or Bio-Technology Park (BTP) Scheme for manufacture of goods, including repair, re-making, reconditioning, re-engineering and rendering of services. Trading units are not covered under these schemes.

An EOU / EHPT / STP / BTP unit may export all kinds of goods and services except items that are prohibited in ITC(HS) and may import / or procure, from DTA or bonded ware houses in DTA / international exhibition held in India, without payment of duty, all types of goods, including capital goods, required for its activities, provided they are not prohibited items of import in the ITC(HS). All these units shall be a positive net foreign exchange earner except for sector specific provision of Appendix 14-I-C of HBP Volume I, where a higher value addition shall be required.

A Committee under the Chairmanship of Shri S.C. Panda, the then DC, NSEZ was constituted by Department of Commerce in December, 2010 to review and revamp the EOU Scheme. The Committee submitted its report in July, 2011. The Department of Commerce have examined this Report and have decided to accept certain recommendations. Necessary action has already been initiated to suitably incorporate these recommendations in the forthcoming Foreign Trade Policy for the period 2014-2019.

Department of Commerce and Department of Electronics and Information Technology (DeitY) notified the Electronics Hardware Technology Park (EHTP) and the Software Technology Park (STP) schemes in 1992 and 1994 respectively and both these schemes were notified as 100% EOU Schemes under the Exim policy of the Ministry of Commerce and Industry. The two schemes are administered by the Inter Ministerial Standing Committee (IMSC) under the Chairmanship of Secretary, Deity. IMSC in its meeting held on 5th July, 2012 resolved that the STP and EHPT schemes need to be revamped in order to give a push to IT / ITES and ESDM sectors. Accordingly, the IMSC constituted a Sub-Group comprising of the members Dr. Omkar Rai, DG, STPI, Shri Manoj K. Arora, ADG, DGEP and Dr. L.B. Singhal, ADG, DGFT to review the two schemes and suggest changes that are required to revamp the same. Based on the discussions and the inputs provided by the industry, the Sub-Group has made a number of suggestions for revamping the STP and EHPT schemes. In April, 2013 Sub-Group of the Inter-Ministerial Standing Committee has submitted their report on revision of the STP and EHPT Schemes. The report in this regard is under consideration with DeitY.

Deemed Exports

"Deemed Exports" refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian Rupees or in free foreign exchange. Deemed Exports Scheme is for encouraging import substitution and mainly covers such supply of goods which are otherwise allowed at Zero custom duty. For deemed exports supplies, benefit of advance authorization, duty drawback of taxes paid on inputs and refund of terminal excise duty paid on final goods / exemption, as applicable as per Foreign Trade Policy, are available.

Based upon the inputs / suggestions received from the Apex Chambers of Commerce &

Industries, FIEO, EPCs & internal deliberations, the provisions of deemed exports were re-written and notified on 05.06.2012. These provisions have been aligned with the corresponding customs notification. The clarifications issued by the Policy Interpretation Committee have been incorporated. The benefits available for deemed exports under different categories have been consolidated in a tabulated form, under para 8.4 of FTP. Policy Circular No.15 dated 21.02.2013 has been issued clarifying benefits for supplies against ARO / Invalidation. Similarly, Policy Circular No.16 dated 15.03.2013 has been issued making it clear that where ab-initio exemption of duties is available, no refund of TED will be provided. Notification No.4 dated 18.04.2013 has been issued incorporating the changes made under paras 8.3 & 8.4 of FTP. Policy Circular No.9 dated 30.10.2013 has been issued clarifying the applicability of duty drawback as per col 'B' of All Industry Rate and requirement of certificate regarding CENVAT declaration as contained in the Public Notice No. 35 dated 01.03.2011.

EDI Initiatives Taken in DGFT:

Directorate General of Foreign Trade (DGFT) is the first Indian government organization to start Web Based application processing (1997) using Secured Digital Certificates (2048 Byte Key encryption-2004). In the last one decade, many e-Governance initiatives have been implemented to achieve greater transparency and reduce transaction time and costs for the exporting community.

Business Process Reengineering along with internal automation has reduced paper work and processing time related to export promotion schemes.

All 36 Regional offices of DGFT, spread throughout India have been computerized and connected through Central Server.

Networking of these offices through high speed Broadband/Lease Line has enabled integration of various applications, message exchange and data bases (in respect of exporter – importer profile, Authorization and blacklisting details).

DGFT's website ('http://dgft.gov.in'):

DGFT website is an integrated electronic platform. It:

- Provides information relating to Foreign Trade Policy and procedures and all related documents.
- Allows users' web based electronic filing of applications for DGFT Schemes/ Authorizations to any of the 36 DGFT's Regional Authorities across the country. The process of applications filing is secured with digital signature. It also allows users the facility of electronic funds transfer. The processing status of the requests / applications is also posted on the website of the concerned office.
- Allows users to check and act upon information relating to their Shipping bills received from Customs and electronic Bank Realization Certificates (eBRCs) received from Banks.

Important EDI Initiatives Taken in DGFT:

- All authorizations are being issued online by DGFT; Message exchange with Customs has been implemented for Advance Authorization, EPCG and DFIA. Exporters can track; monitor their applications online at the DGFT website.

- A system has been established to receive RCMC from the Export Promotion Councils, Commodity Boards and FIEO in secured online format. DGFT offices will not ask for a copy of the RCMC from the Exporters. 22 EPCs etc. have uploaded the RCMC on DGFT website.
- Electronic Fund Transfer Facility is being used by exporters for payment of application fee. The facility has been extended to additional banks. So far 21 banks have signed agreement with DGFT for electronic fund transfer.
- An online Module has been developed with effect from 1st January 2011 for receipt of application, processing and issuance of Importer and Exporter Code (IEC). IEC is mandatory for the exporters and it is communicated online from DGFT to Customs. Integration with PAN database of IT department for validation is likely to be completed shortly.

e-BRC (Electronic Bank Realization Certificate)

DGFT has established an e-BRC system to receive details of export proceeds from banks in digitally signed secured electronic format. DGFT dispensed with the issuance of physical copy of BRCs by banks for the purpose of DGFT use and made e-BRC mandatory w.e.f. 17.8.2012. Earlier Banks issued Bank realization Certificates (BRCs) to exporters in physical formats. The e-BRC system will significantly lower the transaction cost of exporters who will not have to visit or pay for BRC issuance to banks. Exporters can print BRC details on the DGFT site and submit it to any Department, which can, in turn verify the accuracy of the data from the DGFT website. This would mean all round manpower and effort savings for the Government agencies like Customs, Central Excise and at the State Government level, the Departments dealing with imposition and refund of Value Added Tax (VAT). So far, 13 State / Central Government Departments have signed MoU with DGFT for utilizing e-BRC data. These departments can source such information for the DGFT. The system may also supplement RBI's efforts towards Foreign Exchange Realization Monitoring.

The Directorate General of Foreign Trade's electronic Bank Realization Certificate (e-BRC) project has won the first prize in the 2013 eASIA Award under Trade Facilitation category as announced by Asia Pacific Council for Trade Facilitation and Electronic Business (AFACT) in Ho Chi Minh City, Vietnam on November 29, 2013. The eASIA Award, held every two years, aims at promoting the achievement of AFACT member countries/economies in the development of trade facilitation, electronic business policies and activities, and initiatives for bridging digital divide in the Asia Pacific Region. eBRC has also won the award in 48th Annual Convention of Computer Society of India held on 14th December, 2013.

Task Force on Transaction Costs

High Transaction costs of exports remain an area of concern as it adversely affects competitiveness. To assess the procedural bottlenecks affecting India's exports and imports and to understand issues involved in depth, Government has so far constituted 2 Task Force on Transaction Costs.

First Task Force on Transaction Costs

Status- Constituted in October, 2009 Report released on 8.2.2011

Report listed measures that resulted in reduction of approximately Rs. 2495 crores of transaction cost.

Second Task Force on Transaction Costs

Second Task Force on Transaction Costs has been constituted on April 18, 2013 under chair of DGFT and with members from concerned administrative ministries and Trade and Industry bodies. The task force members have visited ports and other points of contact of exporters with a view to find solutions to reduce transaction costs. The report of this task force is under submission.

Terms of Reference of the Task Force:

- To identify reasons for high transaction cost in exports.
- To identify areas, where Indian exporters face administrative impediments that lead to increase in transaction cost.
- Compare procedural complexities in exports between India and its major competitors.
- Suggest guidelines/ steps for removal of procedural complexities drawing from the global best practices.
- Suggest guidelines/steps to move towards transparent and increasingly paperless processing through digital platform.
- Suggestions have been invited from Central government departments, State Government/ UTs, Export Promotion Councils / Trade Bodies etc and academic institutions (IIMs, JNU, and DU etc).

The Task Force has been identifying issues by frequent deliberations and wide consultations, including visiting important points of trade transactions for gaining first hand understanding of the underlying issues. The Task Force will submit its report within a year of its constitution.

Norm Committee

Norm Committee performs the function of fixation of Standard Input Norm (SION), revision of existing SION and fixation of adhoc Norms for various products. This is an Inter Ministerial Committee, wherein representative of concerned administrative Ministries also represented. There are Seven Norms Committee dealing with various commodity groups and their progress during the period April, 2013 to March, 2014, is given below.

Norms Committee (NC)	Commodity group	Number of cases where adhoc-norms fixed	Fixation of new SION	Modification in existing SION	Total
NC-I	Engineering	263	Nil	Nil	263
NC-II	Electronics	323	Nil	Nil	323
NC-III	Pharma' Organic	1359	5	7	1371
NC-IV	Chemicals &Allied	**528**	Nil	Nil	**528**
NC-V	Textiles	**611**	Nil	2	**613**
NC-VI	Food, Marine, Misc.	**138**	Nil	Nil	**138**
NC-VII	Plastic & Rubber	**414**	Nil	1	**415**

Policy Relaxation Committee (PRC)

In terms of Para 2.5 of FTP, DGFT may pass such orders or grant such relaxation or relief, as he may deem fit and proper, on grounds of genuine hardship and adverse impact on trade. DGFT may, in public interest, exempt any person or class or a category of person from any provision of FTP or any procedure and may, while granting such exemption, impose such conditions as he may deem fit. Such request may be considered only after consulting with Norms Committee/EPCG Committee/PRC, as the case may be.

During the financial year 2013-14 (up to March, 2014), the Committee received as many as 1683 requests for relaxation in Policy/Procedures. Out of which 1155 cases were disposed of during 40 meetings of PRC conducted up to March .2014.

Import Cell

Import Cell considers the applications for items which are restricted for import. The applications for issuance of import authorization for Restricted Items (such as Live Animals, Scrap of rubber / plastic, Refrigerant Gases and Arms and Ammunition etc.), are considered by an Exim Facilitation Committee (EFC), consisting of representatives from various Administrative Ministries and Departments, headed by Addl. DGFT. Such cases are decided on the basis of written technical inputs / comments of concerned Administrative Ministry / Department. Apart from this permissions are also granted under Para 2.11 of FTP with the approval of DGFT for the items (such as Maize and Oats etc), import of which are allowed through State Trading Enterprises.

Out of total 922 applications received in Import Cell during 2013-14 (up to March, 2014), as many as 522 applications (which constitute 56.61 % share) have been given import permission/ EXIM facilitation Committee meetings are also held on every month on third Thursday.

PRE-SHIPMENT INSPECTION AGENCY (PSIA)

As per Para 2.32 of HBP Vol.I, import of any form of metallic waste or scrap will be subject to the condition that it will not contain hazardous, toxic waste, radioactive contaminated waste / scrap containing radioactive material, any type of arms, ammunition, mines, shells, live or used cartridge or any other explosive material in any form either used or otherwise. Import of metallic waste and scrap is permitted only if the importer furnishes to the customs at the time of clearance of goods the Pre-shipment inspection certificate as per the format in Annexure 5B from any of the PSIAs recognised by DGFT, to the effect that the consignment was checked for radiation level and scrap does not contain radiation level in excess of natural background.

By Public Notice No. 104 dated 23/3/2012, the following amendments have been made inPara 2.32.2A of HBP Vol.1 (http://dgft.gov.in/Exim/2000/PN/PN11/pn10410.htm) -

(a) Application for recognition in respect of PSIAs have to be made in Performa prescribed in Appendix 5-A. (b) For applicants based in India application fee will be 7500/= and for applicants based abroad the application fee will be US $200. (c) The applications will be considered by an Inter - Ministerial Committee. (d) The PSIAs will be issued a recognition certificate valid for three years. However, DGFT has the right to suspend/cancel such a certificate at any time during the 3 year term. At the end of 3 years PSIA has to make a fresh application for further recognition. (e) PSIA shall issue Pre-Shipment Inspection Certificate (PSIC) in the format given in Appendix 5-B.

Para 2.32.2 B (Responsibility and Liability of PSIA and Importer) has been inserted in the HBP Vol.I (to appear after Para 2.32.2.A).

(a) In case of any mis-declaration in PSIC, PSIA would be liable to pay a penalty up to 10 Lakh (if the agency is based in India) or up to US $20,000/- (if the agency is based in foreign country), in addition to suspension/cancellation of recognition. (b) The importer would also be responsible for import of any material in contravention of the declaration as required under Para 2.32.2 of HBP Vol.I and would be liable to pay penalty up to 10 Lakh.

48 PSIAs have been given recognition as on 31.03.2014, of which one agency has been de-listed and the period of recognition of one agency has ended.

Export Cell

Export Cell deals with licensing of the items which are Restricted in the ITC (HS) Classification for export (other than SCOMET items). The applications for issuance of export authorization for Restricted Items e.g. as Onion seeds, live animals, seaweeds, husk, fodder, chemicals under Montreal Protocol are considered by an Exim Facilitation Committee (EFC) chaired by Addl.DGFT with representatives of various Ministries and Departments. Such cases are decided on the basis of written inputs/comments and /or No Objection Certificate of concerned Ministry/ Department. Meeting of EFC is generally held once in a month. In addition, clarifications on Export Policy are also issued.

Out of the total 82 applications received for export permission during 2013-14 (up to 31st October 2013), as many as 42 applications (which constitute approx. 51% share) have been given export permission and remaining 40 are pending with the concerned Ministry/ Deptt. For want of written technical comments.

SCOMET

"Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) items are dual-use items having potential for both civilian and WMD (Weapons of Mass Destruction) applications. Export of such items is either restricted, requiring an authorization for their export, or is prohibited. The export policy relating to SCOMET items is given in Paragraph 2.49A of Hand Book of Procedures Vol. –I, 2009-14 and the list of such items is given Appendix 3 to Schedule 2 of ITC (HS) Classification of Export and Import Items. There are eight categories of such items.

All applications for export of SCOMET items as well as applications for on-site verification are considered on merits by an Inter-Ministerial Working Group (IMWG) in the DGFT under the Chairmanship of Additional Director General of Foreign Trade as per guidelines and criteria laid down in Para 2.49A of the Handbook of Procedure Vol. I. Members include, inter-alia, MEA, Cabinet Secretariat, DRDO, ISRO, DAE and Deptt. Of C&PC.

No export permission is required for supply of SCOMET items from DTA to SEZ. However, Export permission is required if the SCOMET items are to be physically exported outside the country from SEZ.

There is an increasing trend in export of SCOMET items from India. The total value of export of SCOMET items in 2011-12 was US$ 50.61 million while during 2012-13, US$ 354.12 million and in 2013-14 it was US$108.35 million.

Scrips Issued under different Promotional Schemes of Foreign Trade Policy

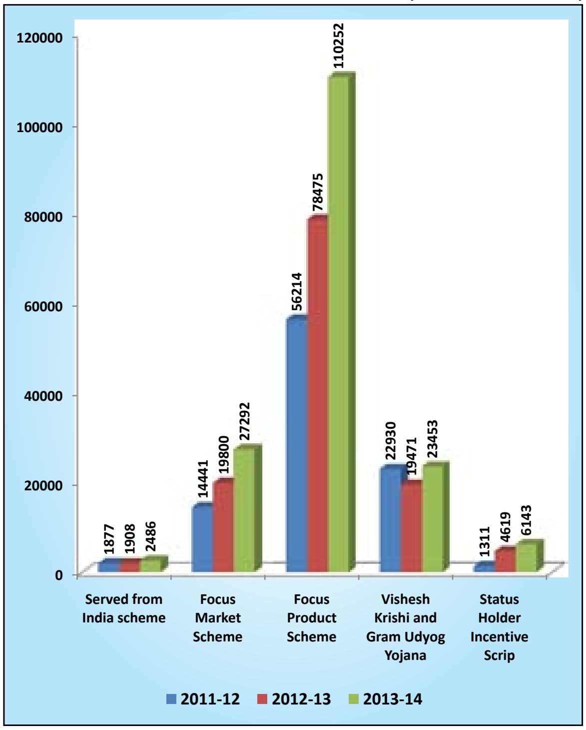
During the period April 2013– March 2014, a total of 1,69,626 Scrips having Duty Saved/ Awarded of Rs. 17,974 crores and FOB of Rs. 4,68,971 crores have been issued. During April 2012– March 2013, a total of 1,24,273 Scrips having Duty Saved/ Awarded of Rs. 13,244 crores and FOB of Rs. 3,09,867 crores have been issued. This represents an increase of 36.4 % in Scrips, 35.7% in Duty Saved/ Awarded and 51.3 % in FOB value for 2013-14 over 2012-13. However, there was an increase of 28.4 % in Scrips, 43.9% in Duty Saved/Awarded and 33.8% in FOB value for 2012-13 over 2011-12.

April - March 2011-12, 2012-13 & 2013-14.

Category	2011 - 2012			2012 - 2013			2013 - 2014		
	Number of Scrips	Duty Saved/ Awarded (Rs. Crore)	FOB (Rs Crore)	Number of Scrips	Duty Saved/ Awarded (Rs. Crore)	FOB (Rs Crore)	Number of Scrips	Duty Saved/ Awarded (Rs. Crore)	FOB (Rs Crore)
Served from India scheme	1877	1243	29	1908	2000	80	2486	1431	0
Focus Market Scheme	14441	1064	35069	19800	1694	48213	27292	2724	75063
Focus Product Scheme	56214	3817	139942	78475	5323	203413	110252	8743	334563
Vishesh Krishi and Gram Udyog Yojana	22930	2486	56543	19471	2393	58161	23453	2748	59345
Status Holder Incentive Scrip	1311	590	NA	4619	1834	NA	6143	2328	NA
TOTAL	**96773**	**9200**	**231583**	**124273**	**13244**	**309867**	**169626**	**17974**	**468971**

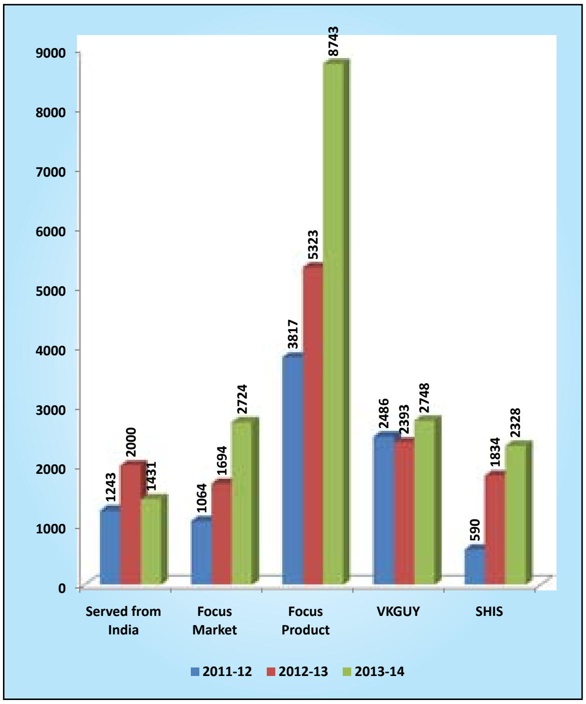
Number of Scrips issued under different Promotional Schemes Foreign Trade Policy

(Value Rs. Crore)



Duty Saved/Awarded of Scrips under different Promotional Schemes Foreign Trade Policy

(Value Rs. Crore)



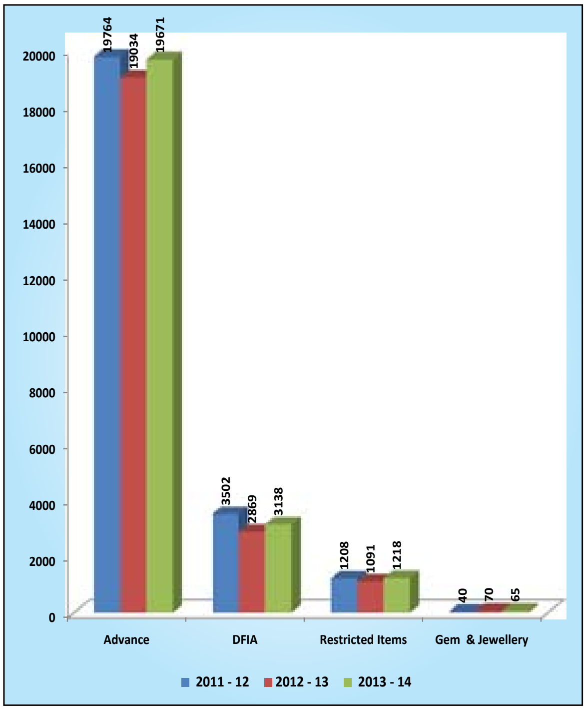
Authorizations Issued under different Schemes of Foreign Trade Policy

During the period April 2013– March 2014, a total of 24,092 Authorizations having CIF value of Rs. 2,37,906 crores and FOB of Rs. 3,43,378 crores have been issued. During April 2012– March 2013, a total of 23,064 Authorizations having CIF value of Rs 2,68,783 crores and FOB of Rs. 2,82,820 crores have been issued. This represents an increase of 4.4 % in Number, decrease of 11.4% in CIF value and an increase of 21.4 % in FOB value for 2013-14 over 2012-13. However, there was a decrease of 5.9% in Number, increase of 5.2% in CIF value and a decrease of 20% in FOB value during 2012-13 over 2011-12. Fall in FOB during 2012-13 is due to drastic fall of 81% of FOB value in DFIA scheme.

Authorizations issued April – March 2011-12, 2012-13 & 2013- 14

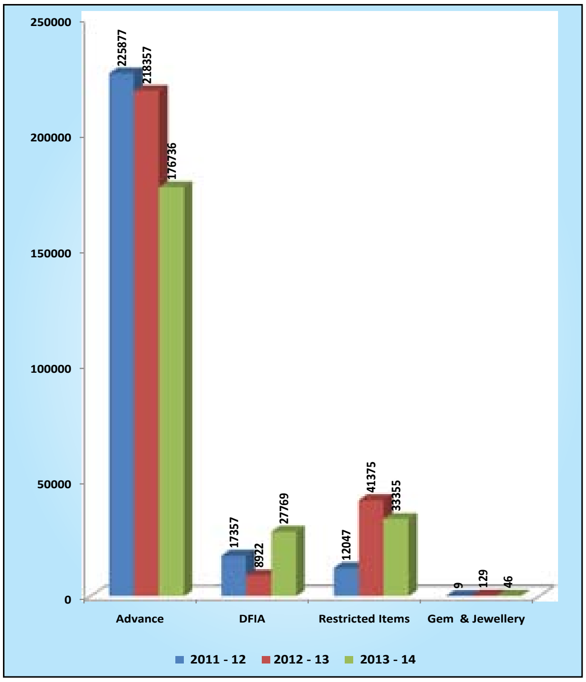
Category	2011 - 2012			2012 - 2013			2013 - 2014		
	Number of Authorizations	CIF (Rs Crore)	FOB (Rs Crore)	Number of Authorizations	CIF (Rs Crore)	FOB (Rs Crore)	Number of Authorizations	CIF (Rs Crore)	FOB (Rs Crore)
Advance Authorisation	19764	225877	284156	19034	218357	268946	19671	176736	308885
Duty Free Import Authorisation (DFIA)	3502	17357	69454	2869	8922	13183	3138	27769	33791
Restricted Items	1208	12047	NA	1091	41375	NA	1218	33355	NA
Replenishment License (Gem & Jewellery)	40	9	59	70	129	691	65	46	702
Total	24514	255290	353669	23064	268783	282820	24092	237906	343378

Number of Authorizations Issued under different Schemes of Foreign Trade Policy



CIF Value of Authorizations Issued under different Schemes of Foreign Trade Policy

(Rs. Crore)



Authorizations Issued under different Schemes of Foreign Trade Policy

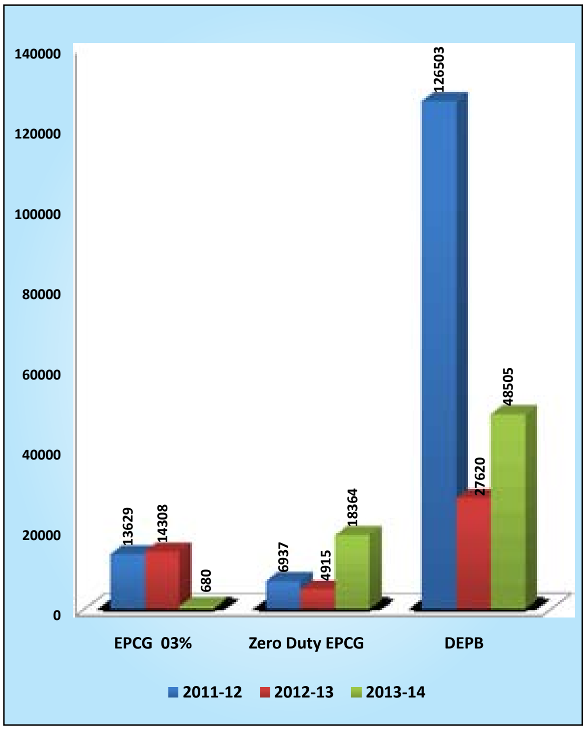
During the period April 2013– March 2014, a total of 67,549 Authorizations having Duty saved/Awarded of RS. 17,022 crores and FOB of Rs. 1,50,762 crores have been issued. During April 2012– March 2013, a total of 46,843 Authorizations having duty saved/ Awarded of Rs 16,377 crores and FOB of Rs. 1,45,259 crores have been issued. This represents an increase of 44.2% in Number, 3.9% in duty saved/Awarded and 3.7% in FOB value for 2013-14 over 2012-13. However, there was a decrease of 68.1% in Number, 39.4% in duty saved/Awarded and 60.5% in FOB value during 2012-13 over 2011-12.

Authorizations issued April – March 2011-12, 2012-13 & 2013- 14

Category	2011 - 2012			2012 - 2013			2013 - 2014		
	Number of Authorizations	Duty Saved/ Awarded (Rs Crore)	FOB (Rs Crore)	Number of Authorizations	Duty Saved/ Awarded (Rs Crore)	FOB (Rs Crore)	Number of Authorizations	Duty Saved/ Awarded (Rs Crore)	FOB (Rs Crore)
EPCG Concessional Duty 03%	13629	7327	66773	14308	7659	65288	680	331	2556
Zero Duty EPCG Scheme & 0% Post Export	6937	8569	51428	4915	7256	43957	18364	13940	82594
*DEPB-Post Export	126503	11132	249684	27620	1462	36014	48505	2751	65612
Total	147069	27028	367884	46843	16377	145259	67549	17022	150762

**DEPB scheme was abolished with effect from 01-10-2011*

Number of Authorizations Issued under different Schemes of Foreign Trade Policy



Duty Saved/Awarded of Authorizations under different Schemes of Foreign Trade Policy

(Rs. Crore)