

STUDENTS' ECONOMIC FORUM

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Theme 285

FOREIGN TRADE POLICY 2015-2020

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South Indian Bank is a member of BCSBI and is committed to treat customers in a fair, transparent and non-discriminatory manner.

Theme No: 285 :FOREIGN TRADE POLICY 2015-2020

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. Steady and fast growth of the economy requires adequate reserve of foreign exchange which can be ensured by balancing exports and imports. Mrs Nirmala Sitharaman, Hon’ble Commerce and Industry Minister, on 1st April 2015 declared the new foreign trade policy 2015-2020. This month we discuss the new foreign trade policy.

Briefly explain the history of foreign trade policies?

Upto 2004, foreign trade policy was known as EXIM policy. The policy period usually covers five years. Even though last foreign trade policy expired in 2014, it continued till March 2015. 1992-97 policy, after the liberalisation of the Indian economy, aimed at removing the regulatory and protectionist policy and moving towards a global economy. The objective of the subsequent policy of 1997-2002 was to continue the process of deregulation and liberalisation. 2002-2007 policy aimed at simplification of process and procedures of exports and imports with special emphasis on exports. Doubling of international trade was the objective of foreign trade policy of 2004-2009. Foreign trade policy of 2009-14 had three main objectives 1. Stopping the declining trend of exports and reversing it 2. Sectors hit by the recession will be supported 3. Exports to be doubled by 2014.

What are the main objectives of foreign trade policy of 2015-2020?

The main objectives of the new policy are the following.

1. Increasing exports of goods and services as well as employment generation and it is integrated with Make in India, Digital India and Skills India Programmes of union government
2. Special emphasis on ease of doing business.
3. Reduction of transaction cost and manual compliances

What is the export target fixed in the new policy?

The export target fixed in the policy is US\$ 900 Billion by 2019-2020 (from present

2% of world trade to 3.5% of world trade)

What are the changes in the incentive schemes in the FTP 2015-2020?

There were five types of duty credit schemes in the FTP 2009-2014 -Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market scheme, Agri Infrastructure Incentive Scrips and Vishesh Krishi and Gram Udyog Yojana (VKGUY). All the five schemes have been merged in the new FTP 2015-2020 and we have a single scheme known as Merchandise Export from India Scheme (MEIS).

In the case of services, Duty Credit under Served From India Scheme (SFIS) has been replaced with Service Export From India Scheme (SEIS).

What are the main features of Service Export from India Scheme?

Service Export from India Scheme is applicable to exporters who are providing services from India. The benefit is extended to airport operations and ground handling services. Based on the net foreign exchange earned, 3%-5% reward will be given on selected services. Health, education and tourism enjoys highest level of service export incentives @5%. SEIS scrips are freely transferable and can be sold also. Goods and service tax debits while procuring the services/goods are eligible for CENVAT credit or draw back.

What is the classification of different categories of exporters according to the new policy?

The following table gives the details of new classification of various categories of exporters.

Classification of Exporters.

Old Name	New Name
Export House	One Star Export House
Star Export House	Two Star Export House
Trading House	Three Star Export House
Star Trading House	Four Star Export House
Premier Trading House	Five Star Export House

What are the criteria's for the classification of various categories of exporters?

Foreign Trade policy (FTP) 2009-2014 classified exporters based on the FOB/FOR value of export for the current plus three previous financial years. But foreign trade policy of 2015-2020 classifies exporters on the basis of FOB/FOR value of export for the current plus two previous financial years. FTP 2009-2014 considered FOB/FOR value in Indian rupees for classification. But FTP 2015-2020 classifies exporters on the basis of FOB/FOR value in US\$.Details of classification is given in the following table.

Category	US\$MILLION *
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

*FOB/FOR value during current and previous two years.

Briefly explain the main features of Merchandise Export from India Scheme (MEIS)?

Under the MEIS, countries have been classified into three groups for the reward purposes and rate of rewards would range from 2% to 5% based on the realised FOB value of exports in free foreign exchange. The customs duty/additional duty of customs/excise duty/service tax would also be allowed adjustment as duty drawback/CENVAT credit as per Department of Revenue rules.

What is the frequency of review of the policy?

Earlier the policies were reviewed every year. But the new FTP 2015-2020 will be reviewed once in two and half years.

What is the special benefit for units in Special Economic Zone (SEZ) ?

Units in SEZ can now get duty credit scrips which were not available for them in 2009-2014 policy. Both MEIS and SEIS can get this benefit.

Briefly explain the various steps taken in FTP 2015-2020 to enhance the ease of doing business?

Director General of Foreign Trade now accept on line filing of various applications, digitally signed by Chartered Accountant, Company Secretary or Cost Accountant. Exporter need not submit hard copies of applications and documents. Form ANF 3 B, ANF 3C and ANF3D which are presently submitted physically can be now digitally uploaded.

Which are the new towns added to towns of export excellence?

Bhimavaram and Visakhapatnam are the new two towns added to the list of export excellence in seafood category.

What are the Quality complaints and trade disputes settlement system mentioned in the new FTP 2015-2020?

A committee on quality complaints and trade disputes is being constituted in 22 offices. This committee will have members from EPC's, FIEO, APEDA and EICs. In addition a new chapter has been incorporated in the foreign trade policy which

explains the procedures for dealing with complaints and trade disputes.

Which are the new ports allowed for exports and imports?

The following places have been notified as registered ports for exports and imports.

1. Calicut Airport, Kerala
2. Arakonam ICD, Tamilnadu.

Briefly explain the various steps taken in the FTP 2015-2020 to encourage e-commerce exports?

Handloom products, books/periodicals, leather footwear, toys and customised fashion garments etc having a F.O.B .value up to INR 25,000/-are eligible to get rewards under MEIS. Such goods can be exported through foreign post offices at New Delhi, Mumbai and Chennai. Exports of such goods by courier also will be allowed on pilot basis through airports at Delhi, Mumbai and Chennai.

What is the Duty Free Tariff Preference (DFTP) scheme declared in the FTP 2015-2020?

Duty Free Tariff Preference has been extended to 33 Least Developed Countries across the globe. In order to avail the benefits under the scheme, individual least developed country members have to submit a Letter of Intent to government of India. The beneficiary country should submit a certificate of origin along with the consignment.

What are the various steps taken for encouraging export of defence goods?

In order to encourage export of defence goods /items and high technology items, export obligation period has been increased to 24 months as against usual 18 months period. Defence items, aerospace and nuclear energy etc can avail this benefit. Another important step is the formation of a committee to create Indian Trade Classification (Harmonised System) codes for defence and security item for which DIPP has issued industrial licenses. DGFT has notified list of military stores which requires NOC of department of defence production

What is the current status of the foreign exchange reserves?

During the period 1991-1992 India was facing the problem of acute shortage of foreign exchange. This led to the opening up of our economy and the export import policy of 1992-97 enabled India to come out of the problem. The present level of foreign exchange reserve is sufficient to cover about 10 month imports payments.



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