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REVIEW OF FOREIGN TRADE POLICIES OF INDIA With special reference to Special Focus Initiatives and Promotional Schemes

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ABSTRACT
India's foreign trade has been always regulated by the government of India under the purview of various acts and regulations amended from time to time. India's foreign trade policies have been focusing on increasing its exports as a supplement to the growth of GDP. Its policies have been mainly focusing on providing assistance to small and medium traders and enterprises. The study below is a review of FOREIGN TRADE POLICIES of India from 2004-2009 and 2009-2014, with special reference to its two assistance programs: *special focus initiatives and promotional measures*. The study concludes that India at present is focusing on schemes like market diversification and product diversification so that its share exports to LDC's can increase and it can achieve its target of 5% share in world trade by 2020.
Keywords: foreign trade policy, special focus initiatives, focus product schemes, market development assistance.

INTRODUCTION

With the advent of time the economic objectives of India kept on changing from self reliance, to growth, to removal of poverty. India's share in world exports was 1.78% in 1950, 0.6% in 1995 and 1.7% in 2011. Along with the formulation of first five year economic plan of India (1951-56), the first export import policy was also formed under the administration of Import and Export Policy Act, 1947 focusing on exports of merchandise goods. As the time evaded and the urge for international trade increased the yearly export policy was reformulated with recommendation from various committees: P.C.Alexander Committee (1978), Tandon Committee (1980), etc. to a 3 year composite EXIM policy. The first 3 year policy was formed from 1985-88, and the second policy was formed from 1988-91, but as the objectives of this policy was not fulfilled and India faced a severe BOP crisis in 1990, and then the 3 year EXIM policy was resolved and a new 1 year policy was formed to form a new policy of 1990-91. After the liberalisation of the export trade in 1991, the tenure of the policies was changed from 3 year to 5 year and the first 5 year EXIM policy was formed from 1992-97, the second policy was formed from 1997-2002 and the third policy was formed from 2002-2007. However in 2004, India went through a breakthrough and took a bold step to double the exports by replacing the EXIM policy regulation act with Foreign Trade Policy Act of 2004. The first Foreign Trade Policy was formed in 2004 for a period of 5 years, from 20004-2009, with two major objectives of increasing the exports, as a promotion of GDP and greater stress was laid on labour intensive exports such a s agriculture, handloom, handicrafts, spices and marine goods. The second 5 year Foreign Trade Policy was formed from 2009-2014 with two major objectives: to double the percentage share of global merchandize trade within 5 years and to use trade expansion as an effective instrument of economic growth and employment generation. The Foreign Trade Policy was formulated to take have provisions for providing assistance to exporters, which was allowed under 7 major categories: special focus initiatives, promotional measures, duty exemption/remission schemes, Export product Capital scheme, EOU's, EHTP, BTP's schemes, SEZ's schemes and free trade and warehousing zone schemes.

SPECIAL FOCUS INITIATIVES OF FOREIGN TRADE POLICY (2004-2009)

With a view to double the share of global exports along with the increase of GDP and expansion of employment opportunities, special focus initiative schemes were identified for agricultural, handloom, gems and jewellery, leather, marine goods, etc. theses scheme were introduced under the head of new sectoral initiatives.

NEW SECTORAL INITIATIVES

These initiatives were taken for 5 major sectors to make concrete efforts to increase the exports by specific sectoral strategies.

- **AGRICULTURE** - A new scheme called the Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme) was introduced for promoting the export of fruits, vegetables, flowers, minor forest produce, and their value added products. Funds were earmarked under Assistance to States for Infrastructure Development of Exports (ASIDE) for development of Agri Export Zones (AEZ). Import of capital goods was permitted duty free under the EPCG Schemes; units in AEZ were exempted from Bank Guarantee under the EPCG Scheme. Capital goods imported under EPCG were permitted free to be installed anywhere in the AEZ. Import of restricted items, such as panels, shall be allowed under the various export promotion schemes. Import of inputs such as pesticides were permitted under the Advance Licence for agro exports. New towns of export excellence with a threshold limit of Rs 250 crore were notified.

- **HANDLOOMS** - Specific funds were earmarked under Market Access Initiative (MAI)/ Market Development Assistance (MDA) Scheme to promote handloom exports. Duty free import entitlement of specified trimmings and embellishments was allowed for 5% of FOB value of exports during previous financial years. Duty free import entitlement of hand knotted carpet samples were allowed for 1% of FOB value of exports during previous financial year. Duty free import of old pieces of hand knotted carpets on consignment basis for re-export was permitted after repair. New towns of export excellence with a threshold limit of Rs 250 crore were notified.
- **HANDICRAFTS** - New Handicraft SEZ's was established to procure products from the cottage sector and do the finishing for exports. Duty free import entitlement of trimmings and embellishments was allowed for 5% of the FOB value of exports during previous financial year. The entitlement was broad banded, and extended to merchant exporters tied up with supporting manufacturers. The Handicraft Export Promotion Council was authorized for import trimmings, embellishments and consumables on behalf of those exporters for whom directly importing was not viable. Specific funds were earmarked under MAI & MDA Schemes for promoting Handicraft exports. Countervailing Duty was exempted for duty free import of trimmings, embellishments and consumables. New towns of export excellence with a reduced threshold limit of Rs 250 crore were notified.

- **GEMS & JEWELLERY** - Import of gold of 18 carat and above was allowed under the replenishment scheme. Duty free import entitlement of consumables for metals other than Gold, Platinum was allowed for 2% of FOB value of exports during previous financial year. Duty free import entitlements of commercial samples were allowed up to Rs 100,000. Duty free re-import entitlement for rejected jewellery was allowed for 2% of the FOB value of exports. Cutting and polishing of gems and jewellery, was to be treated as manufacturing for the purposes of exemption under Section 10A of the Income Tax Act.

- **LEATHER AND FOOTWEAR** - Duty free import entitlement of specified items was allowed for 5% of FOB value of exports during preceding financial years. The duty free entitlement for the import of trimmings, embellishments and footwear components for footwear (leather as well as synthetic), gloves, travel bags and handbags was allowed for 3% of FOB value of exports of previous financial year. The entitlement was allowed to cover packing materials, such as printed and non printed shoeboxes, small cartons made of wood, and tin or plastic materials for packing footwear. Machinery and equipment for Effluent Treatment Plants was to be exempted from basic customs duty. Re-export of unsuitable imported materials such as raw hides & skins and wet blue leathers was permitted. Countervailing Duty (CVD) was exempted on lining and interlining material notified as per the act. CVD was exempted on raw, tanned and dressed fur skins falling ITC (HS) - 43.

- **FOCUS MARKET SCHEME (FMS)** – the FMS was introduced in the FTP since 2006, with the objective to offset high freight cost and other externalities to select international markets with a view to enhance the export competitiveness in these countries. Exporters were entitled for Duty Credit scrip equivalent to 2.5% of FOB value of exports for each licensing year commencing from 1st April, 2006.

- **FOCUS PRODUCT SCHEME (FPS)** – The FPS was also introduced in 2006, with the objective to incentivise exports of such products, which had high employment intensity in rural and semi urban areas, so as to offset infrastructure inefficiencies and other associated costs involved in marketing of these products. Exports to countries (including SEZ units) were entitled for Duty Credit scrip equivalent to 1.25% of FOB value of exports for each licensing year commencing from 1st April, 2006.

- **MARKET LINKED FOCUS PRODUCT SCHEME** – Under the MIFP scheme exports of high intensity were to be incentivised and entitled to a duty scrip of 1.25% of FOB value of exports after provided that the product/sector are destined to specified linked markets for that particular product/sector since April, 2008**.**

- **HIGH-TECH PRODUCTS EXPORT PROMOTIONSCHEME (HTPEPS)** – the main objective of this scheme was to incentivise export of High Technology products in free foreign exchange to all countries, was entitled for Duty Credit Scrip equivalent to 1.25 % of FOB value of exports; or 5% of incremental growth in FOB value over previous year.

In addition to the above initiatives a separate Optimum Development programme was incorporated for Pragati Maidan, New Delhi to showcase the industrial and trade prowess for the best advantage and leverage of existing facilities, enhancing the quantity of space and service. It was allowed to be transformed into a world-class complex with visitor friendliness ingress and egress system where the complex utilisation could be improved, increased and diversified. Facilities of brand new state-of-the-art, environmentally-controlled air-conditioned exhibition areas, and Permanent Exhibition Marts were a few f the innovations allowed. In addition, to these a large Convention Centre was to be made to accommodate ten thousand delegates with multiple and flexible hall spaces, auditoria and meeting rooms with hi-tech equipments. A year-round Food and Beverage destination was developed, with a large number of outlets covering all cuisines and pricing levels.

SPECIAL FOCUS INITIATIVES FOREIGN TRADE POLICY (2009-2014)

The provisions of special focus initiatives of 2009 were formulated to continuously increase the percentage share of global trade and expand the employment opportunities by identifying schemes of Market Diversification, Technological Upgradation, Support to status holders, Agriculture, Handlooms, Handicraft, Gems & Jewellery, Leather, Marine, Electronics and IT Hardware manufacturing Industries, Green products, Exports of products from North-East, Sports Goods and Toys sectors. Government of India had made concerted efforts to promote exports in these sectors through specific sectoral strategies being notified from time to time.

- **MARKET DIVERSIFICATION** - Weaker demand in developed economies, falling asset prices and increased economic uncertainty has decreased the growth of India's exports to developed countries and the situation has worsened so much that it can't be revived presently. Thus, in order to protect the Indian exports from the decline in demand from developed countries, this Policy was formulated, which focused on diversification of Indian exports to other markets, especially those located in Latin America, Africa, parts of Asia and Oceania. To achieve diversification of Indian exports, following initiatives were taken:
  - ✓ 26 new countries were included within the ambit of Focus Market Scheme.
  - ✓ The incentives provided under Focus Market Scheme were increased from 2.5% to 3%.
  - ✓ There was a significant increase in the outlay under 'Market Linked Focus Product Scheme' by inclusion of more markets and products ensuring support for exports to all countries in Africa and Latin America.

- **TECHNOLOGICAL UPGRADATION** - To usher in the next phase of export growth, India needed to move up in the value chain of export goods and to fulfil this objective technological upgradation was necessary of export sector. A number of initiatives were taken in this Policy to focus on technological upgradation which included:
  - ✓ EPCG Scheme at zero duty for certain engineering products, electronic products, basic chemicals and pharmaceuticals, apparel and textiles, plastics, handicrafts, chemicals and allied products and leather and leather products.
  - ✓ Then existing 3 % EPCG Scheme was considerably simplified, to ease its usage by the exporters.

- ✓ To encourage value added manufacture export, a minimum 15 % value addition on imported inputs under Advance Authorisation Scheme had been stipulated.
- ✓ A number of products including automobiles and other engineering products had been included for incentives under Focus Product, and Market Linked Focus Product Schemes.

- **SUPPORT TO STATUS HOLDERS** - The Government recognized 'Status Holders' contributed approx. to 60% of India's goods exports in the last policy. In the second FTP, to incentivise and encourage the status holders, as well and to encourage Technological upgradation of export production, additional duty credit scrip @ 1 % of the FOB of past export was granted for specified product groups including leather, specific sub sectors in engineering, textiles, plastics, handicrafts and jute.

- **AGRICULTURE AND VILLAGE INDUSTRY** – the scheme under this initiative included Provisions of Vishesh Krishi and Gram Udyog Yojana. Capital goods imported under EPCG were permitted to be installed anywhere in AEZ. Import of restricted items, such as panels, were allowed under various export promotion schemes. Import of inputs such as pesticides were permitted under Advance Authorisation for agro exports. New towns of export excellence with a threshold limit of Rs 150 crore were notified. Certain specified flowers, fruits and vegetables were entitled to special duty credit scrip, in addition to the normal benefit under VKGUY.

- **HANDLOOMS** – the special initiatives taken for handloom sector were specific funds which were earmarked under MAI / MDA Scheme for promoting handloom exports. Duty free import entitlement of specified trimmings and embellishments was 5% of FOB value of exports for previous financial year. Duty free import entitlement of hand knotted carpet samples was 1 % of FOB value of exports for previous financial year. Duty free import of old pieces of hand knotted carpets on consignment basis for re-export was permitted after repair. New towns of export excellence with a threshold limit of Rs 150 crore were notified. Machinery and equipment for effluent treatment plants was exempted from customs duty.

- **HANDICRAFTS** – the incentives under these sector were duty free import entitlement of tools, trimmings and embellishments was 5% of FOB value of exports for previous financial year. Entitlement was broad banded, and extended to merchant exporters tied up with supporting manufacturers. Handicraft EPC was authorized to import trimmings, embellishments and consumables on behalf of those exporters for whom direct importing was not viable. Specific funds were earmarked under MAI & MDA Schemes for promoting Handicraft exports. CVD was exempted on duty free import of trimmings, embellishments and consumables. All handicraft exports were to be treated as special Focus products and entitled to higher incentives.

- **GEMS & JEWELLERY** – this sector focused on incentives: import of gold of 8 k and above was allowed under replenishment scheme subject to import being accompanied by an Assay Certificate specifying purity, weight and alloy content. Duty Free Import Entitlement (based on FOB value of exports during previous financial year) of Consumables and Tools, was for jewellery made out of Precious metals (other than Gold & Platinum) for 2%, Gold and Platinum for 1%, Rhodium finished Silver for 3% and cut and Polished Diamonds for 1%. Duty free import entitlement of commercial samples was allowed upto Rs. 300,000. Duty free re-import entitlement for rejected jewellery was allowed for 2% of FOB value of exports. Personal carriage of Gems & Jewellery products in case of holding/participating in overseas exhibitions was increased to US$ 5 million and to US$ 1 million in case of export promotion tours. In an endeavour to make India a diamond international trading hub, it was planned to establish "Diamond Bourse (s)".

- **LEATHER AND FOOTWEAR** - Duty free import entitlement of specified items was 3% of FOB value of exports of leather garments for preceding financial year. Duty free entitlement for import of trimmings, embellishments and footwear components for footwear (leather as well as synthetic), gloves, travel bags and handbags was 3 % of FOB value of exports of previous financial year. Machinery and equipment for Effluent Treatment Plants was exempted from basic customs duty.

- **MARINE SECTOR** – in this sector the initiatives were: imports for technological upgradation under EPCG in fisheries sector (except fishing trawlers, ships, boats and other similar items) which were exempted from maintaining average export obligation. Duty free import of specified specialised inputs/chemicals and flavouring oils was allowed to the extent of 1% of FOB value of preceding financial year's export. To allow import of monofilament long line system for tuna fishing was allowed at a concessional rate of duty and Bait Fish for tuna fishing at nil duty. Marine products are considered for VKGUY scheme.

- **ELECTRONICS AND IT HARDWARE MANUFACTURING INDUSTRIES** – initiatives for this sector were: exporters /Associations were entitled to utilize MAI & MDA Schemes for promoting Electronics and IT Hardware Manufacturing industry exports.

- **SPORTS GOODS AND TOYS** – for this sector duty free import of specified specialised inputs was allowed to the extent of 3 % of FOB value for preceding financial year's export. Sports goods and toys were to be treated as a Priority sector under MDA / MAI Scheme. Specific funds were earmarked under MAI /MDA Scheme for promoting exports from this sector.

- **GREEN PRODUCTS AND TECHNOLOGIES** - India aimed to become a hub for production and export of green products and technologies. To achieve this objective, special initiative was taken to promote development and manufacture of such products and technologies for exports. To begin with, focus was given on items relating to transportation, solar and wind power generation and other products notified.

PROMOTIONAL MEASURES OF FOREIGN TRADE POLICY (2004-2009)

The promotional activities undertaken by Indian government during the period 2004-09 are discussed as below:

- **ASSISTANCE TO STATES FOR INFRASTRUCTURE DEVELOPMENT OF EXPORTS *(ASIDE)* -** The State Governments was encouraged to participate in promoting exports from their respective States, under the scheme called ASIDE. Suitable provisions were made for allocation of funds to the states on the twin criteria of gross exports and the rate of growth of exports. The States were allowed to utilise the amount for developing infrastructure such as roads connecting production centres with the ports, setting up of Inland Container Depots and Container Freight Stations, creation of new State level export promotion industrial parks/zones, augmenting common facilities in the existing zones, equity participation in infrastructure projects, development of minor ports and jetties, assistance in setting up of common effluent treatment facilities, stabilizing power supply and any other activity.
- **MARKET ACCESS INITIATIVE *(MAI)* -** The Market Access Initiative (MAI) scheme was intended to provide financial assistance for medium term export promotion efforts with a sharp focus on a country and product. A whole range of activities were to be funded under the MAI scheme including: market studies, setting up of showroom/ warehouse, sales promotion campaigns, international departmental stores, publicity campaigns, participation in international trade fairs, brand promotion, registration charges for pharmaceuticals and testing charges for engineering products etc. Each of these export promotion activities received financial assistance from the Government ranging from 25% to 100% of the total cost depending upon the activity and the implementing agency.
- **MARKETING DEVELOPMENT ASSISTANCE (MDA*)* -** The Marketing Development Assistance (MDA) Scheme was intended to provide financial assistance for a range of export promotion activities implemented by export promotion councils, industry and trade associations on a regular basis every year. As per the revised MDA guidelines with effect from 1st April, 2004 assistance under MDA was to be available for exporters with annual export turnover up to Rs 5 crores. These included participation in Trade Fairs and Buyer Seller meets abroad or in India, export promotion seminars, etc. Further, assistance for participation in Trade Fairs abroad and travel grant was available to such exporters if they travelled to countries in one of these four Focus Areas: Latin America, Africa, CIS Region, ASEAN countries, Australia and New Zealand. For

participation in trade fairs, etc, in other areas financial assistance without travel grant was also available. Financial assistance was to be provided to deserving exporters on the recommendation of Export Promotion Councils for meeting the cost of legal expenses relating to trade related matters.

- **BRAND PROMOTION AND QUALITY -** The Central Government always aimed to encourage manufacturers and exporters to attain internationally accepted standards of quality for their products, for which it extended support and assistance to Trade and Industry to launch a nationwide programme on quality awareness and to promote the concept of total quality management. The Regional Sub-Committee on Quality Complaints (RSCQC) was set up at the Regional Offices of the Directorate General of Foreign Trade to investigate quality complaints received from foreign buyers.
- **TRADE DISPUTES AFFECTING TRADE RELATIONS -** If it comes to the notice of the Director General of Foreign Trade or he has reason to believe that an export or import has been made in a manner that is gravely prejudicial to the trade relations of India with any foreign country; or is gravely prejudicial to the interest of other persons engaged in exports or imports; and has brought disrepute to the country then the Director General Foreign Trade can take action against the exporter or importer concerned in accordance with the provisions of the Act.
- **STAR EXPORT HOUSE -** Merchant as well as Manufacturer Exporters, Service Providers, Export Oriented Units (EOUs) and Units located in Special Economic Zones (SEZs), Agri Export Zone (AEZ's), Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio Technology Parks (BTPs) would be eligible for obtaining the status as Star Export Houses. The applicants were categorized depending on the total FOB/FOR export performance during the current plus the previous three years.

Category	Performance (in rupees)
One Star Export House	15 crore
Two Star Export House	100 crore
Three Star Export House	500 crore
Four Star Export House	1500 crore
Five Star Export House	5000 crore

- **TARGET PLUS SCHEME -** The objective of this scheme was to accelerate growth in exports by rewarding Star Export Houses who had achieved a quantum growth in exports. High performing Star Export Houses were entitled for a duty credit based on incremental exports substantially higher than the general annual export target fixed (Since the target fixed for 2004-05 was 16 %, the lower limit of performance for qualifying for rewards was pegged at 20% for that year.). All Star Export Houses (including Status Holders) were required to achieve a minimum export turnover in free foreign exchange of Rs 10 crores in the previous licensing year to be eligible for consideration under the Target Plus Scheme. The entitlement under this scheme was contingent on the percentage incremental growth in FOB value of exports in the current licensing year over the previous licensing year, as under:

Percentage incremental growth	Duty Credit Entitlement (as a % of the incremental growth)
20% and above but below 25%	5%
25% or above but below 100%	10%
100% and above	15% (of 100%)

- **CENVAT/ DRAWBACK -** Additional customs duty/excise duty paid in cash or through debit under Target Plus was to be adjusted as CENVAT Credit or Duty Drawback as per rules framed by the Department of Revenue. Government reserved the right in public interest, to specify from time to time the category of exports and export products, which was eligible for calculation of incremental growth/entitlement. Similarly, Government from time to time also notified the list of goods, which was not allowed for import under the duty credit entitlement certificate under the scheme.
- **VISHESH KRISHI UPAJ YOJANA -** The objective of this scheme was to promote export of fruits, vegetables, flowers, minor forest produce, and their value added products, by incentivising exporters of such products. Exporters of such products were entitled for duty credit scrip equivalent to 5% of the FOB value of exports for each licensing year commencing from 1st April, 2004. The scrip and the items imported against it were to be freely transferable. Government reserved the right in public interest, to specify from time to time the export products which shall not be eligible for calculation of entitlement.

SERVICE EXPORTS

Service exports in India were provided promotional measures under separate head. There were 161 tradable services covered under GATS where payment was to be received in foreign currency. Service providers are required to be registered with FIEO and a separate Export Promotion Council for services were setup to provide opportunities in key market and develop strategic program for them. Providers above Rs. 10 lakhs in preceding financial year qualified for duty credit entitlement. They were entitled to duty credit equivalent to 10% for forex earned by them. Hotels of 1 star and above were approved by department of tourism and other service providers in the tourism sector were entitled to duty credit equivalent to 5% for forex earned by them. In the case if hotels and stand-alone restaurants duty credit entitlement was used for import of food items and alcoholic beverages.

In order to enable Healthcare and Educational Institutions to have world-class state-of-the-art infrastructure, service providers in these sectors as for other service sectors, were entitled to duty credit equivalent to 10% of the foreign exchange earned by them in the previous financial year. Government reserved the right in public interest to specify from time to time the category or type of service exports which had to be eligible for calculation of either eligibility or of entitlement. Similarly, Government from time to time would also notify the goods which were to be allowed for import under the duty free entitlement certificate issued under the scheme. In order to promote service exports India crafted a brand "Served from India" which would help to create a unique and powerful recognition in the global market.

PROMOTIONAL MEASURES OF FOREIGN TRADE POLICY (2009-2013)

The promotional measures carved were on the same path of assistance as was provided in the previous policy. However a special assistance in form of reward and prizes was introduced in this policy.

- **ASIDE -** The activities aimed at development of infrastructure for exports can be funded from this scheme provided such activities have overwhelming export content and their linkage with exports is full established. The specific purposes for which funds allocated under the Scheme can be sanctioned and utilized are as follows:
  - ✓ Creation of new Export Promotion Industrial Parks/Zones (SEZs/Agri Business Zones) and augmenting facilities in the existing ones.
  - ✓ Setting up of electronics and other related infrastructure in export conclave.
  - ✓ Equity participation in infrastructure projects including the setting up of SEZs.
  - ✓ Meeting requirements of capital outlay of EPIPs/EPZs/SEZs.
  - ✓ Development of complementary infrastructure such as, roads connecting the production centres with the ports, setting up of Inland Container Depots and Container Freight Stations.
  - ✓ Stabilizing power supply through additional transformers and islanding of export production centre.

- **MARKET ACCESS INITIATIVE -** Under MAI scheme, financial assistance is provided for export promotion activities on focus country, focus product basis. A whole range of activities can be funded under MAI scheme. These include, amongst others,
  - ✓ Market studies/surveys
  - ✓ Setting up of showroom / warehouse
  - ✓ Participation in international trade fairs
  - ✓ Displays in International departmental stores
  - ✓ Publicity campaigns
  - ✓ Brand promotion
  - ✓ Testing charges for engineering products abroad
  - ✓ Assistance for contesting Anti Dumping litigations

Each of these export promotion activities can receive financial assistance from 25% to 100% of total cost depending upon activity and implementing agency.

- **MARKET DEVELOPMENT ASSISTANCE -** Under MDA Scheme, financial assistance is provided for a range of export promotion activities implemented by EPCs and Trade Promotion Organizations on the basis of approved annual action plans. The scheme is administered by DOC. Assistance includes, amongst others, participation in:
  - ✓ Trade Fairs and Buyer Seller meets abroad or in India, and
  - ✓ Export promotions seminars.
  - ✓ Financial assistance with travel grant is available to exporters travelling to focus areas, viz., Latin America, Africa, CIS region, ASEAN countries, Australia and New Zealand. In other areas, financial assistance without travel grant is available. MDA assistance is available for exports having an annual export turnover as prescribed in MDA guidelines.

- **TOWNS OF EXPORT EXCELLENCE (TEE) -** A number of towns have emerged as dynamic industrial clusters contributing handsomely to India's exports. It is necessary to grant recognition to these industrial clusters with a view to maximizing their potential and enabling them to move higher in the value chain and tap new markets. Selected towns producing goods of Rs. 750 crore or more will be notified as TEE based on potential for growth in exports. However for TEE in Handloom, Handicraft, Agriculture and Fisheries sector, threshold limit would be Rs 150 crores. Recognized associations of units will be provided financial assistance under MAI scheme, on priority basis, for export promotion projects for marketing, capacity building and technological services. Common Service Providers in these areas shall be entitled for EPCG scheme.

- **BRAND PROMOTION AND QUALITY -** IBEF (originally called India Brand Equity Fund and later renamed as India Brand Equity Foundation) was set up by the Ministry of Commerce on 11th July, 1996, with the primary objective to promote and create international awareness of the ***"Made in India"*** label in markets overseas. IBEF aims to promote India as a business opportunity by creating positive economic perceptions of India globally as well as effectively present the India business perspective and leverage business partnerships in a globalised market-place. DOC provides funds for capacity building for up-gradation of quality to national level Institutions and EPCs to organize training programmes for the skill improvement of the exporters for quality up-gradation, reduction in rejection, product improvement etc. as provided under the Market Access Initiative (MAI) Scheme of DOC. Regional Sub-Committee on Quality Complaints are set up at Regional Offices of this Directorate to investigate quality complaints received from foreign buyers. It deals with same disputes and grievances as specified in FTO 2004-09.

- ***EXPORT AND TRADING HOUSES -*** Merchant as well as Manufacturer Exporters, Service Providers, Export Oriented Units (EOUs) and Units located in Special Economic Zones (SEZs), AEZ's, EHTP's, STP's and BTP's shall be eligible for status.

- **STATUS CATEGORY -** Applicant shall be categorized depending on his total FOB (FOR - for deemed exports) export performance during current plus previous three years (taken together) upon exceeding limit below. For Export House (EH) Status, export performance is necessary in at least two out of four years (i.e., current plus previous three years).

Status Category	Export Performance FOB / FOR Value (Rupees in Crores)
Export House (EH)	20
Star Export House (SEH)	100
Trading House (TH)	500
Star Trading House (STH)	2500
Premier Trading House (PTH)	7500

- **DOUBLE WEIGHTAGE AND OTHER CONDITIONS FOR GRANT OF STATUS:** Exporters in Small Scale Industry (SSI) / Tiny Sector / Cottage Sector, Units registered with KVICs / KVIBs, Units located in North Eastern States, Sikkim and Jammu & Kashmir, Units exporting handloom/handicrafts / hand knotted or silk carpets, exporters exporting to countries in Latin America / CIS / sub- Saharan Africa as listed in Appendix-9, Units having ISO 9000 (series) / ISO 14 000 (series) / WHOGMP/ HACCP / SEI CMM level-II and above status granted by agencies listed in Appendix-6 of HBP v1, exports of services and exports of agro products shall be entitled for double weightage on exports made for grant of status. Double Weightage shall be admissible to Merchant as well as Manufacturer Exporters. However, a shipment can get double weightage only once in any one of above categories. Transfer of export performance from one to another is not permitted. Therefore disclaimer system shall not be allowed for counting of export turnover. Exports made on re-export basis shall not be counted for recognition. A Status Holder shall be eligible for privileges as under:
  - ✓ Authorization and Customs Clearances for both imports and exports on self-declaration basis
  - ✓ Fixation of Input-Output norms on priority within 60 days;
  - ✓ Exemption from compulsory negotiation of documents through banks. Remittance / Receipts, however, would be received through banking channels;
  - ✓ 100% retention of foreign exchange in EEFC account;
  - ✓ Exemption from furnishing of BG in Schemes under FTP;
  - ✓ SEHs and above shall be permitted to establish Export Warehouses, as per DoR guidelines. For status holders, a decision on conferring of ACP Status shall be communicated by Customs within 3 0 days from receipt of application with Customs.
  - ✓ As an option, for Premier Trading House (PTH), the average level of exports under EPCG Scheme shall be the arithmetic mean of export performance in last 5 years, instead of 3 years.
  - ✓ Status Holders of Agri. Sector (Chapter 1 to 24) shall be eligible for Agri. Infrastructure Incentive Scrip under VKGUY.

- **FOCUS MARKET SCHEME (FMS) -** Objective is to offset high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these countries. Exporters shall be entitled for Duty Credit Scrip equivalent to 3% of FOB value of exports made from 27.8.2009. The following categories of export products/sectors shall be ineligible for Duty Credit Scrip, under FMS scheme:
  - ✓ Supplies made to SEZ units,
  - ✓ Service Exports,
  - ✓ Diamonds and other precious, semi precious stones,
  - ✓ Gold, silver, platinum and other precious metals in any form, including plain and studded Jewellery,
  - ✓ Ores and Concentrates, of all types and in all forms,
  - ✓ Cereals, of all types,
  - ✓ Sugar, of all types and in all forms,
  - ✓ Crude/Petroleum Oil & Crude/Petroleum based Products covered under ITC HS codes 2709 to 2715, of all types and in all forms; and

- ✓ Export of Milk and Milk Products covered under ITC HS Codes 0401 to 0406, 1 9011 001, 1 9011 010, 2105 & 3501.

- **FOCUS PRODUCT SCHEME (FPS) -** The objective is to incentivise 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. Exports of notified shall be entitled for Duty Credit scrip equivalent to 2 % of FOB value of exports made from 27.8.2009 onwards.

- **MARKET LINKED FOCUS PRODUCTS SCRIP (MLFPS)-** Export of Products/Sectors of high export intensity/ employment potential (which are not covered under present FPS List) would be incentivized at 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.

- **STATUS HOLDERS INCENTIVE SCRIP -** With an objective to promote investment in upgradation of technology of some specified sectors, Status Holders shall be entitled to incentive scrip @1% of FOB value of exports made during 2009- 10 and during 2010-11, of these specified sectors, in the form of duty credit. This shall be over and above any duty credit scrip claimed/availed. Status Holders availing Technology Upgradation Fund Scheme (TUFS) benefits (under Ministry of Textiles) during a particular year shall not be eligible for Status Holders Incentive Scrip for exports of that year. The Status Holders Incentive Scrip shall be with Actual User Condition and shall be used for imports of capital goods (as defined in FTP) relating to the sectors specified. The Status Holders of the following Sectors shall be eligible for this Status Holders Incentive Scrip:
  - ✓ Leather Sector (excluding finished leather);
  - ✓ Textiles and Jute Sector;
  - ✓ Handicrafts;
  - ✓ Engineering Sector (excluding Iron & Steel, Nonferrous 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).

Government reserves the right in public interest, to specify export products or services or exports to such countries, which shall not be eligible for computation of entitlement. Further Government reserves the right to impose / change the rate / ceiling on Duty Credit Scrip. For VKGUY, FMS, FPS (including MLFPS) and Status Holders Incentive Scrip, the following exports categories/sectors shall be ineligible for Duty Credit Scrip entitlement:

- ✓ EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;
- ✓ Exports through trans-shipment, meaning thereby that exports originating in third country but transhipped through India;
- ✓ Deemed Exports; Exports made by SEZ units or SEZ products exported through DTA units.
- ✓ Duty Credit Scrip may be used for import of inputs or goods including capital goods, provided same is freely importable and / or restricted under ITC (HS).

CONCLUSION

The first Foreign trade policy had achieved its specified objectives, with achievements exceeding the targets. In 2004 the exports stood at US $ 63 billion and in 2007-08, it exceeded US $ 155 billion which was 2.5 times greater the exports at starting of the policy and the cumulative growth rate was 23%. The second objective of the policy was also achieved, as the total trade value of merchandise goods and services was almost 50% of the GDP. At the end of the policy tenure it was found that not only the exports had increased, but the employment also increased equally. It was seen that the value of rupee during this period appreciated between 10-12%, resulting in increased interest rates. However the policy lacked in some areas like which mainly included structural problems.
The second Foreign trade policy was amidst the slowdown of economy and crisis of 2009. As WTO stated a decline of world exports to 9%, it was not easy for India to build a highly ambitious policy. So a short term objective, ***"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" was chalked out to stabilise the exports, and to achieve at least an annual growth rate of 15%. After 2011, it reformed its policies to set a long term objective to double India's share by 2020. In order to meet these objectives, Government followed a mix of policy measures including fiscal incentives, institutional changes, procedural rationalization, and enhanced market access across the world with diversification of export markets. Improvement in infrastructure related to exports; bringing down transaction costs, and providing full refund of all indirect taxes and levies, were the three pillars, which supported the system to achieve their target.

From the above study it can be concluded that India is focusing on increasing its export value by providing possible assistance to the traders in the form of financial aid, initiatives, awards, promotional schemes, duty free schemes, etc. India has reached a point where its exports to developed economies cannot be increased so it has to focus on diversifying its market to less developed economies and remote areas. It is important for India to take an initiative to diversify the export markets to emerging markets of Africa, Latin America, Oceania and CIS countries and to offset the inherent disadvantage faced by exporters such as credit risks, higher trade costs etc., through appropriate policy instruments. It has to focus on improving its trade relations by diversifying the products and markets through rationalization of incentive schemes like the enhancement of incentive rates. New emerging markets should be given a special focus under the ***FOCUS PRODUCT and FOCUS MARKET SCHEME*** to enable competitive exports which can be possible only if adequate export assistance is provided. India should be focusing on improving its marketing skills to promote its "BRAND INDIA", on a global platform. India's trade policies are supportive for its traders and are complying with the international trade system. Now it should be focusing on increasing it exports by innovating new market techniques and by liberalising its policies so that exporters can be benefitted from them.

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