



FOREWORD

The Foreign Trade Policy for the period 2009-2014 was announced on 27th August 2009 at a time when the world was emerging from the shadow of a challenging economic period, the worst we have seen in the last 7 decades. Economies and markets across the world were in turmoil, causing sharp contraction in international trade, adversely impacting global investment flows, rendering over 50 million people jobless. The world trade witnessed an unprecedented contraction of over 12%.

In this backdrop, the key objective for the Foreign Trade Policy was to arrest the declining exports and reverse the trend. A multi-pronged strategy was adopted to provide stability of policy and giving additional support, especially to employment intensive sectors. Market diversification strategy under pinned our approach to reach out to non-traditional destinations in Africa, Latin America and Asia since our traditional markets in the developed world witnessed a sharp contraction in demand. We were also committed to encourage technological upgradation of exports and undertake an exercise of simplification of procedures for reducing transaction costs.

These constituted the key principles based on which the Policy was announced last year and we can look back with a sense of satisfaction that we were able to achieve the immediate objectives of our Policy. Exports which were steadily declining since October 2008 turned the corner in October 2009 and we ended last year with exports of US\$ 178.66 billion. In the first quarter of 2010-11, exports have grown by 32%, compared to last year.

In the last one year, we have undertaken significant measures in reaching out to the world and have been actively engaged in bilateral trade negotiations. As part of our Look East policy, we concluded Trade in Goods Agreement with ASEAN and Korea and are now currently engaged in negotiations with Malaysia, Japan and the EU.

We have been holding a continuous dialogue with all stakeholders including industry associations, Export Promotion Councils to obtain sectoral feedback to enable us to make mid-course corrections. This year, we are coming out with a Supplement to the Policy announced last year, building on experience which we have gained while maintaining continuity and stability in Policy and also providing benefit to those sectors which are still struggling. Labour intensive sectors are being given special attention and the policy parameters have been crafted to enhance the competitiveness of our exports by supporting upgradation in technologies. A Committee of Experts had been constituted to examine the whole gamut of transaction costs and the entire value chain of exports. The recommendations of the Committee are being finalized and will now be implemented over the next few months.

I am confident that with the Policy announcements which we have made this year, we are on course to achieve our export target of US\$ 200 billion in the fiscal year 2010-11 and over the remaining 3 years of Policy, we should be able to come back on the high export growth trajectory of 25% per annum and by 2014, we expect to double India's exports of goods and services.



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ANAND SHARMA
Minister of Commerce & Industry
Government of India

Highlights of the Annual Supplement 2010-11 to the Foreign Trade Policy 2009-14

Higher Support for Market and Product Diversification

1. Additional benefit of 2% bonus, over and above the existing benefits of 5% / 2% under Focus Product Scheme, allowed for about 135 existing products, which have suffered due to recession in exports. Major sectors include all Handicrafts items, Silk Carpets, Toys and Sports Goods (all of which were earlier eligible for 5% benefits); Leather Products and Leather Footwear, Handloom Products and Engineering Items including Bicycle parts and Grinding Media Balls (all of which were earlier eligible for 2% benefit).
2. 256 new products added under FPS (at 8 digit level), which shall be entitled for benefits @ 2% of FOB value of exports to all markets. Major Sectors / Product Groups are Engineering, Electronics, Rubber & Rubber Products, Other Oil Meals, Finished Leather, Packaged Coconut Water and Coconut Shell worked items.
3. Instant Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.
4. Nearly 300 products (at 8 digit level) from the readymade garment sector incentivised under MLFPS for further 6 months from October, 2010 to march, 2011 for exports to 27 EU countries.

Support for Technological up-gradation

5. Zero duty EPCG scheme, introduced in August 2009 and valid for only two years upto 31.3.2011, has been extended by one more year till 31.3.2012. In addition, to give a boost to technological up-gradation for additional sectors as well, the benefit of the scheme has been expanded to cover paper & paperboard and articles thereof, ceramic products, refractories,

glass & glassware, rubber & articles thereof, Plywood and allied products, marine products, sports goods and toys and additional engineering products.

6. Additional Towns of Export Excellence (TEEs) announced viz. Barmer (Rajasthan) for Handicrafts; Bhiwandi (Maharashtra) for Textiles; and Agra (Uttar Pradesh) for Leather Products.

Benefit and flexibility to Status Holders:

7. Status Holders contribute to a substantial part of our exports. To support them to upgrade their technology, 1% Status Holder Incentive Scheme (SHIS) introduced in August 2009 and valid for only two years upto 31.3.2011, has been extended by one more year for 2011-12 exports. In addition, to give a boost to technological up-gradation for additional sectors as well, the benefit of the scheme has been expanded to cover chemical & Allied products, paper, paperboard and articles thereof, ceramic products, refractories, glass & glassware, rubber & articles thereof, plywood and allied products, electronics products, sports goods and toys and additional engineering products.
8. Additional flexibility provided for transferability of Duty Credit Scrips being issued to Status Holders under paragraph 3.13.4 of FTP under VKGUY scheme by allowing transfer of scrip for import of cold chain equipments to unit(s) in the Food Park.

Stability / Continuity of the Foreign Trade Policy:

9. The popular and exporter friendly Duty Entitlement Passbook (DEPB) scheme has been extended beyond 31.12.2010 till 30.06.2011.
10. Availability of concessional Export Credit:

Interest subvention of 2% for pre-shipment credit for export sectors namely, Handloom, Handicraft, Carpet and SMEs for all export sectors, have been allowed till 31.3.2011 in the budget 2010-11. This facility has now been extended to a number of additional products pertaining to sectors like Engineering, leather, textiles, Jute.

11. Advance Authorization for Annual Requirement shall also be exempted from payment of anti-dumping & Safeguard duty in line with the underlying principle that goods and services should be exported and not the taxes and levies.

Procedural Simplification and Reduction of Transaction Cost:

12. Exporters shall now have the flexibility to get a high value EPCG authorisation by filing their EPCG application on Annual basis, without the need to file the application for individual capital goods from time to time. It will reduce transaction time and cost.
13. Exporters shall now have the flexibility to Club Advance authorisation with Advance Authorisation for Annual Requirement for the purpose of account closure.
14. To impart flexibility to exporters and to facilitate smooth clearance of consignments, a Single customs notification for the two variants of Advance Authorization scheme namely advance authorisation for physical exports & deemed exports shall be issued. It will also eliminate the ambiguity in clubbing of such exports.
15. Adhoc Norms ratified under Advance Authorisation scheme shall henceforth apply to all cases for the same export product upto one year not only prospectively but also retrospectively.
16. Clarification on the availability of 4% SAD refund benefit, as given by DOR in terms of customs Notification No. 102/2007, only to trader importers, to be also extended to manufacturers, who sell the imported items like traders.
17. Chartered Engineer Certificate for Advance Authorisation on self declared basis, has been dispensed with. This will reduce documentation and the transaction cost.

EDI Initiatives:

18. To reduce the transaction cost and time, the scope and domain of EDI is endeavoured to be continuously broadened. To remove redundancy of repeated submissions of RCMC, an

‘e-RCMC’ initiative has been commenced. Under this, the Export Promotion Councils would upload the RCMC data of their members on DGFT’s website only once, thus reducing the procedural burden of repeated submissions and associated cost and time.

19. Facility of a data preparation module for Advance Authorization and Export Promotion Capital Good (EPCG) has been provided on an offline mode, which would reduce the need of continuous online interaction for long and address the connectivity and server response issues significantly.
20. In order to provide wider choice to the users and enlarge access for online filing, additional licenced certifying authorities for digital signatures and banks for electronic fund transfer (EFT) operations have been included in the gamut of EDI operations.
21. The online message exchange for Annual Advance Authorization and Duty Free Import Authorization (DFIA) shall also be made operational with Customs w.e.f. 1.12.2010.

Leather Sector:

22. Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi-finished leather from Public bonded warehouses, without payment of any export duty. This will facilitate the logistics for establishment of such warehouses and easy access to raw material for the leather sector.
23. Finished Leather export shall be entitled for Duty Credit Scrip @ 2% under FPS.
24. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme would significantly benefit the Leather Sector.

Handloom sector:

25. Duty free import of specified trimmings, embellishments etc. shall be available on Handloom made-ups exports @ 5% of FOB value of exports.

26. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme would significantly benefit the Handloom Sector.

Textiles sector:

27. Duty free import of specified trimmings, embellishment etc shall be available @ 3% on exports of polyester made-ups in line with the facility available to sectors like Textiles & Leather. It will promote export of products such as micro cloth, which has become popular in home textiles.
28. Readymade Garment sector granted enhanced support under MLFPS for a period of further 6 months from October, 2010 to March, 2011 for exports to 27 EU countries.

Gems & Jewellery sector:

29. The list of items allowed for duty free import by Gems & Jewellery sector has been expanded by Inclusion of additional items such as *Tags and labels, Security censor on card, Staple wire, Poly bag*. This will reduce the cost of the product to some extent.

Handicraft Sector:

30. The facility of duty free import of tools under Duty Free Import scrips for Handicraft sector shall be made operational.
31. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme will significantly benefit the Handicrafts and Silk Carpets sectors.

Service sector:

32. Scrips issued under Served From India Scheme (SFIS) can now be used for payment of duty on import of Vehicles, which are in the nature of professional equipment.

Agriculture and Plantation:

33. Instant Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.

34. Oil Meals (Cotton, rape seed, groundnut), Castor Oil derivatives, Packed Coconut Water and Coconut Shell worked items shall be entitled for benefits @ 2% of FOB value of exports to all markets under FPS.

Engineering and Electronics:

35. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme will significantly benefit Bicycle parts and Grinding Media Balls exporters.
36. Additional items of Engineering, namely, Pipes & Tubes, Electric Generating Sets, Cast Articles of Iron & Steel, Ferro Manganese and Ferro Silicon shall now be entitled for benefit @ 2% under FPS.
37. A number of Engineering items namely, Machine Tools, Compressors, Iron & Steel Structures including Transmission Towers and Scaffolding, LPG Cylinders, Ductile Tubes & Pipes shall now be entitled for benefits @ 2% of FOB value of exports to all markets under FPS instead of their exports to specific markets under MLFPS earlier.
38. Telecom Equipments, Colour TVs, Audio Systems, Optical Media, Semi-conductors, Capacitors, Resistors, PCBs, LEDs, Conductors, Desktops and Notebooks shall now be entitled for benefits @ 2% of FOB value of exports to all markets under FPS instead of their exports to limited market under MLFPS earlier.

Toys and Sports goods:

39. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme will significantly benefit the Toys and Sports Goods Sector.
40. Benefits under Zero duty EPCG and SHIS schemes will significantly promote technological upgradation of Toys and Sports Goods sectors.