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A Study of Foreign Trade Policy (FTP) - Comparison between FTP 2009-2014 & FTP 2015-2020

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ABSTRACT

Objective: This paper aims to analyze the changes in foreign trade policy from 2014-2020. It is basically a comparative analysis of two trade policies during this time period.

Method and statistical analysis: This paper is a descriptive study of the changes in Foreign Trade Policy (2009-14) and (2015-2020). It is the comparative analysis of Foreign Trade Policy 2009-2014 and 2015-2020 under taken by the researcher in order to highlight the various changes especially in the procedures which have been added to Foreign Trade Policy 2015–2020 but were not present in previous Foreign Trade Policy 2009-2014,

Findings: Study concluded that new provision in FTP (2015-2020) EDI (Electronic Data Interchange) smoothen the processes foreign trade because there is no manual feeding allowed.

Application/Improvements: Foreign trade policy play dynamic role in giving strength to economy. Moreover, it is the necessary instrument of government to regulate, prohibit, restrict, facilitate and control foreign trade.

Keywords: Foreign Trade Policy, Foreign Trade, Exports, Imports EDI (Electronic Data Interchange) System.

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INTRODUCTION

Foreign Trade Policy (also known as EXIM Policy) is a group of procedures and direction established by the DGFT (Directorate General of Foreign Trade) associated with the import and export of Goods & Services in India. The Foreign Trade of India is controlled by the EXIM (Export-Import) Policy of Government of India and is monitored by the Foreign Trade Development and Regulation Act, 1992.

DGFT is the apex body in matters related to Exim Policy. The main objective of setting up the Foreign Trade (Development and Regulation) Act is to assure the development and regulation of foreign trade by contracting imports into, and expanding exports from India. The Earlier known Imports and Exports (Control) Act 1947 is what today called as Foreign Trade Act.

The Export & Import (EXIM) Policy of India consists of various guiding principles in the Foreign Trade arena. For example; with respect to Imports into the country and Exports from the country as well, especially for export promotion methods, rules and procedures. In 1962, the Government of India formulated a special Import & Export Policy Committee to review the previous Export-import policies formulated by the government; later on that was approved by the Government of India. The then Commerce minister, Mr. V. P. Singh, had publicized the Exim Policy on the 12th April, 1985. Initially the EXIM Policy was presented for the time period of three years to enhance the export business in India as its main objective.

The comparison is essential because it highlights the new parameters and approach towards increment of global trade. The India's international trade had come into force from 1950-51. The standards of exports and imports have been refined several times over the period. And also the value of exports escalated from Rs.606 cr. (in 1950-51) to Rs.8, 45,534 cr. (in 2009-10). Moreover, the value of export reaches Rs.16, 34,319 cr. in 2012-13.

The five different phases in Foreign Trade Policy of India:

- **Phase I (1947-48 to 1951-52):** India's foreign trade was seized under various the restriction. At that time, India could have liberalized form restrictions placed by the United Kingdom.
- **Phase II (1952-53 to 1956-57):** India's trade policy introduced with major objective i.e. to adopt liberalization of foreign trade.
- **Phase III (1957-58 to 1966):** the trade policy was re-adjusted to meet the necessity of economic development.
- **Phase IV (1966 to 1975-76):** The fourth phase comprise of devaluation of the rupee in June 1966 to 1975-76.
- **Phase V (1975-1976):** the Government of India formulated a policy to liberalize import and encourage export promotion as well.

The tenure of EXIM policies have been changed from time to time as follows:-

| Year | Tenure of EXIM Policy |
|-------------------|-----------------------|
| Till 1966 to 1985 | Six monthly |
| 1985 to 1992 | Annual |
| 1992 till 2015 | Five yearly |
| 2015 onwards | Three yearly |

RESEARCH OBJECTIVE:

To highlight the various changes in policies and procedures of Foreign Trade Policy 2015–2020 which were not present in previous Foreign Trade Policy 2009-2014,

FOREIGN TRADE POLICY 2009-2014

The Foreign Trade Policy 2009-2014 (FTP), incorporated requirements related to Export and Import of Products (Goods and Services), was came into force on 27th August, 2009 and remained in power up to 31st March, 2014. All Exports and Imports up to 26th August, 2009 were governed by the FTP (2004-2009). The Trade Policy was announced by the Government of India at that time when the economies of all the countries were affected by the Global Financial Crisis (GFC) in 2009, which was the effort made to get the momentum back from Financial Crisis because, the economies of all the countries were slowdown in October, 2008.

The trade policy was prepared by estimation of annual export target of \$200 billion would be achievable by 2010-2011 and thereafter the expected growth around 25% per annum. By 2014, the aim was to double the India's Export of Goods & Services. The major three pillars were supporting the Government to achieve this targets, they were:

- Upgrading in Infrastructure related to Exports.
- Cutting down transaction cost.
- 100% refund of all indirect taxes.

FORIGN TRADE POLICY 2015-2020

The foreign trade policy 2015-2020 from 1st April 2015 to 31st March 2020, with the objective of encouraging exports of goods and services along with the generation of employment by introduction of new policy 'Make in India'. The focus of 'Make in India' is to support manufacturing and service sector as well. Furthermore, The Government is trying to cut down the transaction cost and time through newly introduced system called EDI (Electronic Data Interchange).

HIGHLIGHTS of FTP 2015-2020

A. UNIFYING DIFFERENT SCHEMES INTO ONE SCHME

○ Merchandise Exports from India Scheme (MEIS)

(a) In the previous policy, there were 5 different schemes for recognizing the merchandise exports with different kinds of duty scrip's with varying conditions (sector specific or actual user only) attached to their use.

○ Now all the previous schemes are subsumed into a single scheme, called as Merchandise Export from India Scheme (MEIS) with no conditions attached to the scrip's issued under the scheme.

○ Service Exports from India Scheme (SEIS)

(a) Earlier name as Served from India Scheme (SFIS), has been renamed as Service Exports from India Scheme (SEIS). Under the scheme 'Indian service providers' have been simplified to be called as 'Service Providers located in India'. This scheme provides

recognitions to all Service providers of earmarked services, who are providing services from India, regardless of the nature of constitution or profile of the service provider.

○ **Status Holders**

The criteria for unit of measurement of export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The new criteria as under:-

| Status Category | Export Performance FOB / FOR (as converted) Value (in US \$ million) during current and previous two years |
|-------------------------|--|
| 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 |

(source: www.exim-policy.com)

○ **Facility of Self certification by Status Holders**

The new FTP has allowed self certification of the goods manufactured by manufacturers of India, with a view to qualify for preferential treatment under different Preferential Trading Agreements [PTAs], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation Agreements [CECAs] and Comprehensive Economic Partnerships Agreements [CEPAs] which are in operation. They shall be permitted to self-certify the goods as manufactured as per their Industrial Entrepreneur Memorandum (IEM) / Industrial License (IL)/ Letter of Intent (LOI).

B. BOOST TO “MAKE IN INDIA”

Reduced Export Obligation for domestic procurement under EPCG scheme:

To promote domestic manufacturing industry, the Specific Export Obligation under EPCG scheme, which is currently 90% of the normal export obligation (6 times at the duty saved amount) has been reduced to 75%, incase capital goods are procured from indigenous manufacturers.

C. TRADE SIMPLIFICATION FOR EASY BUSINESS

○ **Emphasis on Paperless trade environment 24x7:**

(a) DGFT already provides facility of Online filing of application under FTP by the exporters/importers. To move forward in this direction further, significant documents like Certificates issued by CAs, / CS/ Cost which were filed in physical format only, have been given permission to be uploaded digitally. To develop paperless filing

system, an online procedure to upload digitally signed documents by the above mentioned signatories are given a provision too. Now, it will be easier to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D.

(b) Henceforth, there will no need to submit hardcopies of applications and specified documents physically, thus, saving paper as well as cost and time for the exporter.

(c) As a measure of ease of doing business, landing documents of export consignment as proofs for notified market can be digitally uploaded in the following manner:-

- (i) Scanned copy of Bill of Entry can be uploaded by the exporter under his own digital signature.

- (ii) Status holders falling in the category of Three Star, Four Star or Five Star Export House may upload scanned copies of documents.

○ **Online inter-ministerial consultations:**

To prevent delays in processings due to time lag in approvals, It is proposed to have an online inter-ministerial consultations for approval of export of SCOMET items, fixation of norms, Import Authorizations, Export Authorization, in a phased manner. As a result, the physical copies of documents for these purposes will not be required to be submitted by the exporters.

○ **Digitization and e-governance**

(a) Under EPCG scheme, obtaining and submitting a certificate from an independent Chartered Engineer to confirm and sanction the use of spares, tools, refractory and catalysts imported for final redemption of EPCG authorizations has been done away with.

(b) At present, the EPCG Authorization holders are required to maintain records for 3 years after redemption of Authorizations. Now the EPCG Authorization Holders shall be required to maintain records for a period of 2 years only. Once they are completely digitized, Government's endeavor is to gradually phase out this requirement as the relevant records such as Shipping Bills, e-BRC are likely to be available in electronic mode which can be archived and retrieved whenever required.

(c) Facility has been created to upload documents in Exporter/Importer Profile. There will be no need to submit copies of permanent records/ documents (e.g. IEC, Manufacturing license, RCMC, PAN etc.) repeatedly with each application, once uploaded.

(d) Online message exchange with CBDT and MCA

(e) Online applications for refunds: Online filing of application for refund of TED is being introduced for which a new ANF has been created.

○ **E-Commerce Exports**

(a) Goods falling in the category of handloom products, leather, books / periodicals, toys, footwear and customized fashion garments, having FOB value up to Rs.25000 per consignment shall be eligible for benefits under new Foreign trade policy. Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.

(b) Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai under fast track mode.

○ **Duty Exemption**

(a) Imports against Advance Authorization shall also be eligible for exemption from Transitional Product Specific Safeguard Duty.

(b) In order to boost manufacturing of capital goods in India, import under EPCG Authorization Scheme shall not be eligible for exemption from payment of safeguard duty, anti-dumping duty and transitional product specific duty.

○ **Additional Ports earmarked for Export and import**

Two major ports i.e. Calicut Airport, Kerala and Arakonam, Tamil Nadu are earmarked and notified in the list registered ports for import and export.

○ **Duty Free Tariff Preference (DFTP) Scheme**

India has already extended duty free tariff preference to 33 Least Developed Countries (LDCs) across the globe.

○ **Trade Disputes and Complaint Redressal**

(a) In an endeavor to resolve disputes between exporters and importers, a new chapter, namely, 'Chapter on Quality Complaints and Trade Disputes' has been introduced as a part of Export Import policy.

(b) For redressing complaints at a faster pace, a Committee on Quality Complaints and Trade Disputes (CQCTD) is being constituted in 22 offices and its member constitution will be from EIC, FIE, EPCs etc. .

The following table shows the difference in the two policies can be better seen as follows:

| FTP 2009-2015 | FTP 2015-2020 |
|---|---|
| OBJECTIVES | OBJECTIVES |
| <ul style="list-style-type: none"> ○ Achieving an annual export growth of 15% with an annual export target of US\$ 200 billion by March 2011 | <ul style="list-style-type: none"> ○ Increase exports to \$900 billion by 2019-20, from \$466 billion in 2013-14 |
| <ul style="list-style-type: none"> ○ Returning back to high export growth path of around 25% per annum by 2014. | <ul style="list-style-type: none"> ○ Export obligation under EPCG scheme reduced to 75% to Promote domestic capital goods manufacturing. |
| <ul style="list-style-type: none"> ○ India's exports of goods and services by 2014 to be doubled as compared to the present level. | <ul style="list-style-type: none"> ○ Raise India's share in world exports from 2% to 3.5% by year 2020. |
| | <ul style="list-style-type: none"> ○ FTP to be aligned with 'Make in India', 'Digital India' and Skills India initiatives |
| | <ul style="list-style-type: none"> ○ Incentives extended to units located in SEZs |
| | <ul style="list-style-type: none"> ○ Unlike annual reviews, FTP will be reviewed after two-and-Half years. |
| FOCUS | FOCUS |
| <ul style="list-style-type: none"> • Market Diversification | <ul style="list-style-type: none"> • Export promotion measure |
| <ul style="list-style-type: none"> • Technological Up gradation | <ul style="list-style-type: none"> • Export promotion capital goods scheme |
| <ul style="list-style-type: none"> • Support to Status holders | <ul style="list-style-type: none"> • (EPCG) Benefits for export oriented units |
| <ul style="list-style-type: none"> • Green Products | <ul style="list-style-type: none"> • Trade facilitation and ease of doing business in India |
| <ul style="list-style-type: none"> • Export Products from North East | |
| | |
| SCHEMES | SCHEMES |
| <ul style="list-style-type: none"> • Focus Product Scheme | <ul style="list-style-type: none"> • Merchandise Exports from India Scheme (MEIS) |
| <ul style="list-style-type: none"> • Market Linked Focus Product Scheme | <ul style="list-style-type: none"> • Service Exports from India Scheme (SEIS) |
| <ul style="list-style-type: none"> • Focus Market Scheme | |
| <ul style="list-style-type: none"> • Agri. Infrastructure Incentive Scrip | |
| EXEMPTION | EXEMPTION |
| <ul style="list-style-type: none"> • Duty Entitlement Passbook (DEPB) Scheme | Imports against Advance Authorization shall also be eligible for exemption from |

| | |
|--|---|
| | Transitional Product Specific Safeguard Duty. |
| <ul style="list-style-type: none"> • Advance Authorization Scheme • Gems & Jewellery • Exemption from Service tax on services linked to exports | Imports under EPCG Authorisation Scheme not to be eligible for exemption from payment of duties like safeguard duty, transitional product specific safeguard duty and anti-dumping duty. |
| INITIATIVES | |
| <ul style="list-style-type: none"> • National Export Insurance Account (NEIA) Scheme | |
| <ul style="list-style-type: none"> • Market Access Initiative (MAI) | <ul style="list-style-type: none"> • Export Oriented Units (EOUs), Special Trade Zones (STZs) allowed to share and exchange infrastructural set up among themselves. |
| <ul style="list-style-type: none"> • Marketing Development Assistance (MDA) Scheme | <ul style="list-style-type: none"> • Inter unit transfer of goods and services allowed among BTPs, EHTPs, EOUs, and STPs, • Facilitating & Encouraging Export of dual use items (SCOMET). |
| | <ul style="list-style-type: none"> • E-Commerce Exports |

Conclusion:

In this research work, the empirical review on the Foreign Trade Policies 2009–2014 and Foreign Trade Policy 2015–2020 of India with respect to highlight various changes introduced in current Foreign Trade Policy 2015–2020 by the government of India. The Foreign Trade Policy 2015–2020 therefore, is accomplished to build synergies among such initiatives as “Whole-of-Government” methodology to Foreign Trade Policy.

Clearly, objectives of [FTP 2015-2020](#) are more elaborated, farsighted and inclusive. The new FTP, besides just focusing on exports, has embraced initiatives of Digital India and Skill India. The objectives of the new FTP are more precise and clear when it comes to targeting numbers. SEZs have been given a place of consideration in the policy and, a new trend of reviewing the policy after two and half year has been proposed the policy

The study depicts that, the Foreign Trade Policy 2015–2020 includes various new initiatives to encourage E-Commerce trade i.e. EDI (Electronic Data Interchange) System which was not present in Foreign Trade Policy 2009-2014, it also provides facilities and schemes to make better plan and procedure to improve our foreign trade.

The Electronic Data Interchange System gives emphasis to automation of internal processes for quick response to the processing of trade requests by Importers/Exporters. That will lead to transparency in the system because it reduces the interface of traders with Government activities.

The Electronic Data Interchange provides for following key services:

- (i) e-delivery of services / clearances by community partners like Customs and Custodians at Sea ports, Airports and ICD/CFSs. These services are extended to exporter, importer, agents etc.
- (ii) E-filing of export / import documents by exporter, importer, agents etc to Customs and Custodians at Sea Ports, Airports and ICD / CFSs.
- (iii) Electronic exchange of documents between communal partners i.e. Customs and Custodians at Sea Ports, Airports, ICD/CFSs.
- (iv) e-Payment by exporter, importer, agents for Custom duties; DGFT's application and other fee and Charges (handling/freight, many more.) of Custodians at Sea Ports, Airports, ICD/CFSs.

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