

## Trade Policy

6.29 Trade policy reforms have aimed at creating an environment for achieving rapid increase in exports, raise India's share in world exports and make exports an engine for achieving higher economic growth. Over the years, significant changes in the EXIM policy have been effected towards liberalisation; country-specific and commodity-specific measures have been taken to promote exports; and efforts have been made to reorient institutional infrastructure towards creating an export friendly environment. Congruent with this, during the past year, the following trade promotion measures were announced :

### I. Measures announced in the Union Budget, 1999-00

- Reduction in the existing 7 major ad valorem rates of customs to 5 basic rates and rationalisation of both import duty and excise duty structures.
- Significant reduction in duty rates for critical inputs for the Information Technology sector, which is an important export sector. Also, the pharmaceutical and textile industries were provided incentives such as higher equity participation under FDI through the automatic route, reducing rigours of price controls, higher R&D incentives and establishment of a Technology Upgradation Fund scheme.
- Extension of facilities and tax benefits available to exporters of goods and merchandise under section 80 HHC to the entertainment industry to facilitate its development and exports.
- Announcement of a new Gold Deposit scheme under which selected banks will be permitted to accept gold deposits and issue interest bearing certificates/bonds, which on maturity can be reclaimed in gold.
- Revamping of the scheme of export credit in foreign currency to revitalize exports and to make available pre-shipment and post-shipment credit at internationally competitive rates and to bring about a major simplification of procedures.

- Setting up of a High Powered Committee to investigate the issue of high transaction costs for exporters and to make concrete recommendations for reduction of such costs.

### II. Measures announced in the annual EXIM Policy

- Removal of Quantitative restrictions. Import of 894 items made licence free and another 414 items can be imported against Special Import Licence .
- Incorporation of a new chapter on policy to boost export of services.
- Free Trade Zones (FTZ) to replace export processing zones and these are to be treated as outside the country's customs territory.
- Duty Exemption Scheme has been made more flexible. Annual Advance Licence system introduced to take care of the entire import needs of exporters. Other facilities include issuance of licence, where norms are not fixed, on the basis of self certification.
- Zero Duty export promotion capital goods scheme (EPCG) with lower threshold limit of Rs one crore extended to chemicals and textiles.
- Institution of Ombudsman for faster resolution of exporters' problems.
- Green card for exporters exporting 50 percent of their production. Green card will entitle them to various facilities announced by the Government from time to time.
- No additional customs duty on import of capital goods under zero duty EPCG scheme in marine and software sectors.
- Duty free import of consumables up to certain limits for gems and jewellery, handicrafts and leather sectors.
- Value addition for rupee exports to Russia reduced from 100 percent to 33 percent.
- Extension of the period for fulfillment of past export obligations in respect of advance licence and EPCG schemes.

- Entitlement of domestic tariff area sales for Export Oriented Units (EOUs) and EPZs increased to 50% of f.o.b. value of previous year.
- Net foreign exchange earnings as a percentage of exports made uniform at 20% for both EOUs and EPZs.
- Golden status certificate for Export and Trading Houses, which means that an exporter who has been a status holder for three terms, will acquire this status permanently.
- Pre-export Duty Entitlement Pass Book Scheme (DEPB) credit entitlement increased from 5 to 10 per cent of previous year's performance.
- New thrust for jewellery and studded jewellery sector through various relaxations like permission for import of jewellery for re-export after repairs/remaking, export of jewellery through courier, personal carriage of jewellery and incorporation of a new concept of diamond imprest licence.
- Import of second hand goods of all kinds have been restricted and import of second hand capital goods under the EPCG scheme disallowed with the objective to provide level playing field to the domestic

capital goods industry in light of the recent slowdown.

### III. Other Measures

- Fresh Duty drawback rates announced w.e.f. 1 June , 1999. The new rates, which incorporate changes in customs duty and inclusion of surcharge, imply a rate hike for 155 items, rationalisation of rates for 489 items and maintenance of existing rates on 193 items.
- The facility for prepayment of external commercial borrowings up to 10 percent of the outstanding and a doubling of the eligibility to borrow for exporters (and long term borrowers) from \$100 million to \$ 200 million has been restored.
- To encourage trade with SAARC countries, wide ranging concessions on preferential basis in customs duties on imports from these countries have been effected by the Ministry of Finance.
- In order to reduce financing cost of imports and to provide credit at reasonable terms, the monetary and credit policy announced by the RBI in October, 1999, has withdrawn the interest rate surcharge of 30% on import finance. Also, the maximum interest rate of 20 percent on overdue export bills has been withdrawn.