

[54 weightage] Ch-5 Foreign Trade Policy [FTP]

Lec: 1 (26/10/25)

2023 ^{IMP} Highlights of FTP:-

↳ Process Reengineering and Automation

↳ Advances authentication is simplified.

↳ It has been made paperless

↳ Process for approval is recognised + Automated

↳ Fees has been reduced.

→ Towns of Export Excellence:

↳ 4 new

town along

with

existing 39 have

been recognised as

→ TEE

→ They would be given priority access to export promotion funds.

→ Recognition to exporters

↳ It has been recalibrated

→

to allow firms easily achieve

→ 4/5 star status

→ Promoting Exports from district

↳ FTP aims to partner with state govt.

→

to identify products services from districts which are export worthy.

↓

To help them with any situation & promote the same for export.

→ Merchanting Trade

↳

means export from 1 country to another without bringing it to India, where the Indian entity acts as an intermediary.

→ India now under its
FTP policy is
promoting it.

Trade facilitation and Ease of doing business:

FOUR PILLARS OF TFA :

- Transparency
- Technology
- Simplifications of procedure and Risk based Assessment
- Infrastructure Augmentation

~~NTFA~~
NTFA aims to achieve:-

Trade facilitation and ease of doing business.

Trade facilitation at customs.

- i) 24 x 7 custom clearance
- ii) Single window in custom
- iii) E - sanction
- iv) faceless - e - Assessment
- v) TURANT customs
- vi) electronic Messages Implementation
- vii) End-to-End Automated Procedure.

AEO (Authorised Economic Operator) Programme

AEO programme is made by Indian customs to enable business involved in international trades to following benefits:

(i) India has entered into mutual recognition agreement^{with} which has made enhanced border clearances.

(ii) If the parties faces ~~any~~ ^{any} unexpected issue with customs of country's with which India has MRA

then India provides assistance and advice to them.

- (iii) A more secure supply chain from export to import.
- (iv) Reduction in ~~direct~~ time and related costs.
- (v) Easier compliance system for importers or exporters.

FMP PRINCIPLES ON RESTRICTIONS

- DCFI may impose 'prohibition' or 'Restrictions':-
 - imports of fisheries product
 - imports to safeguard country's external financial position and ensure level of reserves
 - imports to promote establishment of a particular industry.
 - for protection of public morals or maintain public order.
 - for protection of animal, human, plants life, health.

* EXPORT | IMPORT OF RESTRICTED GOODS | SERVICES

i) Generally when imports | export of goods is free no approval or

However if it is restricted then it may be exported | imported in accordance with authorization.

ii) Those goods which are free to be imported by any person, however restricted goods can be imported only by actual user alone unless the DCFI exempts this conditions.

iii) who uses the imported goods in his premise and have a definite postal address

iv) further actual user can be industrial or non-industrial.

Here actual user (industrial) is a person who utilises the imported goods in his own industrial unit or any other establishment but for his own manufacturing purposes.

Actual user (non-industrial) means a person who utilises the imported goods for his own use in any commercial establishment to sale it or in any laboratory or education institutions to research upon it.

IMPORT | EXPORT THROUGH (STEs)

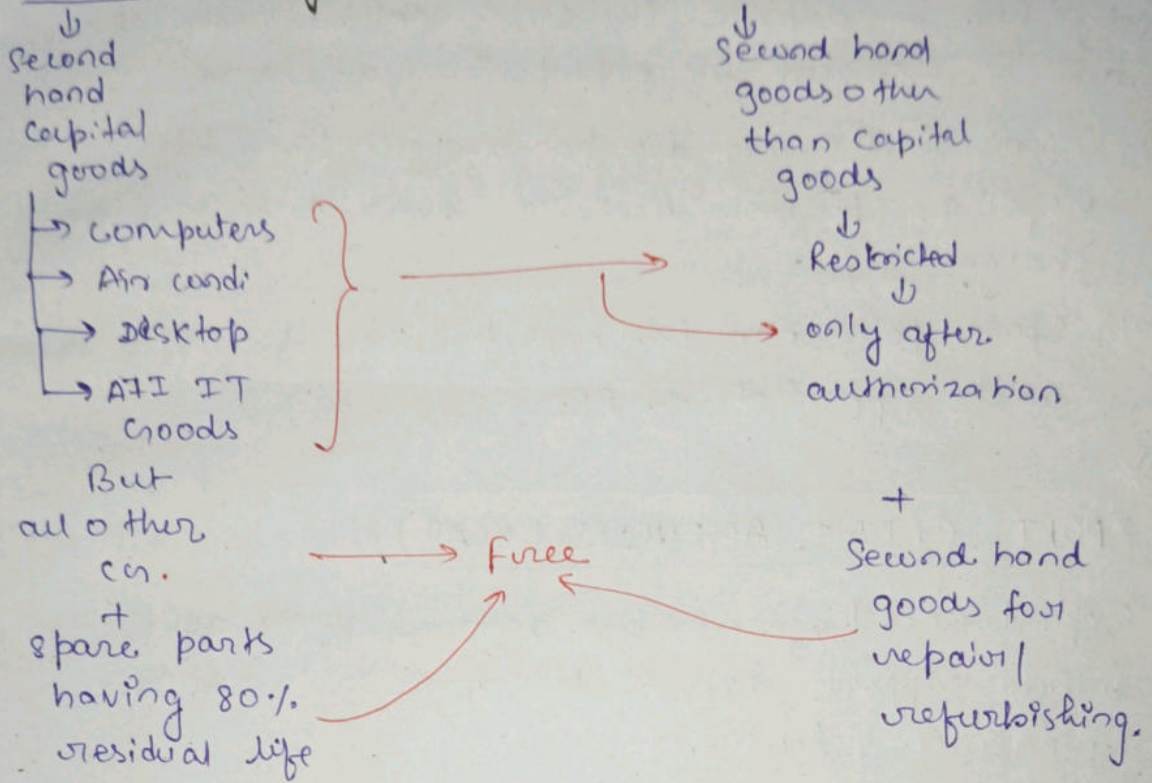
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Note: (i) The DGFT may reserves certain items for (STEs) and if the same is done then the import/export can only be done through (STEs).

(ii) So the import/export is considered free if it is not restricted/prohibited/reserve for STE's.

(iii) Sometime the DGFT may allow an authorization to any entity to import & export any goods notified for exclusive trading for STE's. ^{Defence, petroleum} ~~which~~ are certain examples which are ^{specifically reserved} ~~notified~~ for exclusive for STE's.

Import policy for second hand goods



IMPORT FOR EXPORT

- i) Those goods which are not restricted / prohibited are allowed to be imported for the purpose of export in some forms provided other conditions are complied.
- ii) Goods including capital goods may be imported for exports provided the importer has clearance for custom bonds.
- iii) The export should be against freely convertible currency.
- iv) Any goods which are freely importable are exportable prohibited and SCOMET list.
- v) Export of such goods to notified countries would be permitted against payment in Indian rupees with

Note:- If any goods which are exported turns out defective or damaged, the same can be re-exported back and be replaced for export free of charge.

(ii) Goods further can also be brought back for repairing purposes and be re-exported back free of charge.

(iii) Spare part can be exported free of charge during with approval of RBI.

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EXPORT CREDIT AGENCIES (ECAs)

(i) Export credit agencies are agencies of the govt which supports exports by providing insurance, guarantee, lending.

(ii) These agencies provides support to exporters and protects them against any losses because of any default by the buyer or due to any political risk or insolvency.

(iii) This also allows to exporters to diversify their market as the export credit agency support their medium and long-term exports.

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Developing district as exports hub

(i) India now aims to develop ^{the district of} its country to become export hub by recognising those products and services which have export potential.

(ii) Once the same is identified the next thing is addressing the bottlenecks which these people are facing in exporting the same.

(iii) The intention is to make the districts aware about the export potential and the benefits it carry.

(iv) This further empowers MSME's, farmers, small scale

industries to get more export opportunities in the overseas market.

- (v) For this level a district export promotion committee is set up at district level in various districts.
- (vi) The committee has a task to identify those products and services which have export potential and ^{warrant} takes further steps to promote the production and supply/exports of the same.
- (vii) This committee is headed by district and 'mayistake' and its primary purpose is to prepare for district specific export action plan.
- (viii) The district export plan ~~is~~ is prepared for each district 2-3 products/services may be prioritised for export and plan also ~~is~~ include support in boosting the manufacturing and exports.

Duty Exemption/Remission scheme

A duty exemption scheme the export is allowed to import goods for export without paying import duty

There are primarily two schemes in this:

- (a) Advance Authorisation
- (b) DFIA (Duty free import Authorisation)

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Advance authorisation

- (i) Under advance authorisation the DFIA allows duty free imports of inputs that will be physically incorporated in any product made for export.
- (ii) Not only those products which are physically incorporated but also those which are consumed

in the process of production like fuel, oil, or any other catalyst also are exempt under advance authorisation.

(iii) Advance authorisation issued on the following bases-

(a) As per SION notified.

(b) If SION not available, then on the basis of self-declaration.

ELIGIBLE APPLICANT UNDER ADVANCE AUTHORISATION:-

Following are eligible applicant under advance authorisation:-

- (i) Advance authorisation is issued to manufacturer exporter and also who is tied to manufacturer exporter.
- (ii) In case of pharmaceutical products advance authorisation is only available to manufacturer.
- (iii) Advance authorisation is available for physical export i.e. goods to be supplied.
- (iv) Advance authorisation exempts - custom duty / additional custom duty / anti-dumping duty / IEST.

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Advance authorisation for annual reqd. & Eligibility condition

- (i) Advance authorisation for annual reqd. is only be issued if SION is issued for that product, which means it is not available for Ad-hoc norms.
- (ii) Those exporters which have past export performance of at least 20 yrs shall be entitled for advance authorisation for annual reqd.
- (iii) Entitlement shall be upto 300% of the value of physical exports.

(ii) Value addition = $\frac{\text{value of exports} - \text{value of import}}{\text{Value of IMPORT}} \times 100$

Minimum value addition in case of advance authorisation

- (i) Minimum value addition under advance authorisation is 15%
- (ii) In case of tea, minimum value addition is 10%.
- (iii) In case of spices " " " " is 25%.

Ineligible categories of import on self declaration

Imports of following products shall not be permissible on self-declaration basis:

- (i) All vegetables
- (ii) edible oils
- (iii) cereals
- (iv) All spices other than light black peppers
- (v) Honey
- (vi) Granite

DUTY FREE IMPORT AUTHORISATION (DFIA) → IMP

- i) DFIA is given on a post export basis which allows duty free imports of input.
- ii) In DFIA only basic customs duty is exempted.
- iii) DFIA can only be issued for those products for which STON has been notified.
- iv) Minimum value addition in DFIA is 20%.
- v) The applicant first has to apply the authority for DFIA.
- vi) The export must be filed within 12 months from the date of filing of application.
- vii) Exports under DFIA shall be made from any port

(vii) If the regional authority is satisfied then shall issue transferable DFIA for validity of 12 month which can be used by
 • exporter or can also be transferred to any other person.

SCHEMES FOR EXPORTERS OF GEMS AND JEWELLERY

- i) In case of gold jewellery / any partly processed jewellery / coins whether plain or studded, containing gold of 8 carats and above upto maximum of 22 carats.
- ii) In case of gold religious idols b/w 8 carats to 24 carats.

NOTE:-

- (a) Exports would be subjected to ^{100%} approved govt. values
- (b) Realization of money ~~and~~ must realized within a period of 3 months from the date of export.
- (c) In case of lock push back buttons, the permissible limit is 3 carat and max up to 22 carats.
- (d) In case of silver jewellery including coins containing more than 50% silver by weight.
- (e) In case of platinum jewellery including coins containing more than 50% platinum by weight.

Quality ← Imp
complaint
 &
Trade Dispute

objective
 ↓
 In order to project good image of the country abroad to promote exports.

- (i) Maintaining a good relationship with foreign buyers and fear that any trade dispute or complaint shall be settled as soon as possible.
- (ii) Further importer to may have complaint against foreign entities and the same shall be settled...

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(iii) For this purpose a committee on quality complaint on Trade dispute is set up in the regional authorities to deal with the increasing no. of complaints and disputes.

Following type of complaints may be considered:

- (a) complaints from foreign buyers regarding the quality of the goods supplied.
- (b) complaints from importers regarding the quality of goods received from foreign suppliers.
- (c) complaints from unethical commercial dealings like non-supply of goods or non-adherence to delivery schedule.

(iv) The function of CQCTD is:

- (a) to enquire and investigate in all quality related complaints.
 - (b) take prompt and effective steps to redress these grievances preferably within a period of 3 months
- (v) The proceeding are always conciliatory in nature and the aggrieved party has the rights to take up any legal recourse against the erring party.
- (vi) The CQCTD can authorize the export inspections agency to assess whether there has been any failure ~~and~~ on the part of Indian exporter.

vii) If the complaint is against any foreign entity then it can be taken up by Foreign Trade division through Indian Mission Abroad who will take up the complaint against those foreign entities in front of the respective authorities.

Promoting cross border trade in digital economy:-

(i) The objective of this is to promote cross border trade in the digital economy thereby promoting export of goods / services through e-commerce.

Note:- Export through a registered courier or post is restricted to 10 Lakh per consignment, and the import shall be regulated as per FTP and ITC (HS).

E-commerce Export Hubs (ECHs)

- (i) The objective of ECHs is to develop a favorable infrastructure to facilitate cross border e-commerce.
- (ii) The ECEH will provide benefits to e-commerce exporters and also provide services like storage, packaging, certification and testing services.
- (iii) It also provides dedicated logistics services.
- (iv) It may also provide financial assistance for e-commerce export promotion projects.

SCOMET → Special chemicals, organisms, material, equipment & Technologies

- (i) SCOMET are dual use items and nuclear related items and also includes software and technology.
- (ii) following All those items which have dual use include software and technologies which can be used in weapons of mass destruction is regulated.
- (iii) The SCOMET is divided into 9 categories and both its import / exports are regulated

DEEMED EXPORTS → Imp

Deemed export means those transactions in which goods supplied do not leave the country and the payment may be received in Indian rupees or foreign currency.

Categories of supply

- (a) Supply by a manufacturer to Export oriented Unit (EOU)
- (b) Supply of capital goods against EPCU Authorisation.
- (c) Supply of goods against Advanced Authorisation.

Benefits of deemed exports:

- (i) Deemed exports shall be eligible for all the benefits which are available to exporters subject to the terms and conditions as given under their respected scheme.
- (ii) The common conditions for deemed exports ^{benefits} are:
 - (a) supply should only be made to the listed entity.
 - (b) supply should only be made directly to the

designated project or designated agencies.

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STATUS HOLDER CERTIFICATION

- i) A new certification has been introduced to acknowledge certain exporters who have shown their excellence in contributing towards countries foreign trade performance.
- ii) The status holders are expected to boost India's exports as well as guide new entrepreneurs.
- iii) To qualify to become a status holder all exporters of goods / services having (IEC) Import-Export code if they meet the export performance criteria are eligible for recognition.
- iv) To qualify for status exporters must demonstrate export performance in the three preceding F.Y. (two for gems and jewellery in F.Y.)

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STATUS HOLDER CATEGORIES

Status Category	Export performance Threshold in USD million
1 Star Export house	3
2 Star Export house	15
3 Star Export house	50
4 Star Export house	200
5 Star Export house	800

GRANT OF DOUBLE WEIGHTAGE

Double Weightage shall only be granted for one star

- (i) Export House in order to admissible for status recognition.
- (ii) The Exports by (IEC) under this category shall be granted double weightage:
 - (a) Micro and small Enterprises
 - (b) Manufacturing Units having ISO/BIS certification.
 - (c) Units located in North Eastern states
 - (d) Exports of fruits and Vegetables.

A shipment can get double weightage only once in any of the above categories:

- (iii) Exports performance of IEC holder shall not permitted to another IEC holder.
- (iv) Export of item under SCOMET would be calculation of export performance.
- (v) Exports made on re-export basis shall not be counted for recognition.

PRIVILEGES OF STATUS HOLDER

- (a) All the status holder can get custom clearance for both Import / Export can be done through self-declaration.
- (b) The norms committee will prioritize for status holder and issuing within 60 days.
- (c) No Bank Guarantee reqd. however, competition compulsory negotiation through bank should be done.
- (d) For status holder with 2 star and above, stating can establish export warehouses.
- (e) Status holder can freely exports items upto an annual limit of 1 cr. or 2% of annual exporters realization.
- (f) In the past 3 years whichever is lower, further for pharmaceutical the limit is 2% of the avg. annual exports

In the preceding 3 years and in case of international health programs upto 8%.

(f) Status holder have been made partners in providing mentoring and training in International Trade and they are reqd. to provide training to the following no. of trainees per year.

<u>Status</u>	<u>No. of Trainees per year</u>
2 Star export house	5
3 Star export house	10
4 Star export house	20
5 Star export house	50