

# [It the policy aimed at providing a](https://assignbuster.com/it-the-policy-aimed-at-providing-a/)

It aimed at ushering in a trade environment free of controls and restrictions. It formed a part of the country’s long term strategy to gain in competitiveness and realise its potential in global markets.

The salient features of this Policy included the following: 1. Special Economic Zones: The Policy aimed at strengthening the SEZ scheme and helping SEZ units in becoming internationally competitive by various measures. These measures included the following: 1.

SEZs were granted the permission to (i) Set up offshore banking units, (ii) Hedge commodity price risks, and (iii) Procure short-term external commercial borrowings (ECB). 2. The deemed offshore banking units (OBUs) were to be treated like foreign branches of the Indian banks and were to be exempt from Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements. They were expected to help units in SEZ to access international finance. 3.

Domestic suppliers to SEZs were entitled to avail of benefits of Duty Entitlement Passbook Scheme. 4. The policy also contained procedural simplification in the process of subcontracting carried out by the SEZ units. 5. For improving the power situation in and around SEZs, units for generation and distribution of power were permitted to be set up in the SEZs. 6. A further set of measures for helping and strengthening SEZs were announced in January 2004.

2. Agricultural Exports: The policy aimed at providing a major thrust to agricultural exports by removing export restrictions on designated items. It contained measures for promoting exports of agro and agro-based products in the floriculture and horticulture sector.

Non-actionable subsidies such as transport subsidy were provided for the export of fruits, vegetables, floriculture, poultry and dairy products. All quantitative restrictions on exports (with the exception of a few sensitive items) were removed, with only a few items being retained for export through State Trading Enterprises. 3. Cottage and Small Scale Industries and Handicrafts: To improve the productivity and competitiveness of small scale, cottage and handicraft sector, the Policy provided a package of incentives, including exemption from maintaining the average export obligation under the Export Promotion of Capital Goods (EPCG) Scheme, permission to achieve a lower threshold level for achieving the Export House status, preferential access to Market Access initiative funds, and duty free access to trimming and embellishment for achieving value added exports. It was intended that the towns of export excellence such as Tirupur for honey, Panipat for woolen blankets and Ludhiana for woolen knitwear, should become regional rural motors of economic development for the small scale sector. To achieve this goal, the Policy focused on unclogging critical infrastructural bottlenecks and enhancing quality of support services for industrial development. 4. Star Achievers: To provide necessary impetus to star achievers in exports, EXIM Policy provided a strategic package of incentives comprising several new or special facilities.

The Policy also operationalised the procedure for duty-free import of fuel under the Advance Licensing Scheme, provided the license holder had a captive power plant. 5. Textiles and Clothing: In view of the expected phasing out of all import restrictions (by importers like USA) on textile products by 2005 under the Agreement on Textile and Clothing (ATC), the EXIM Policy focused on measures to encourage value added exports by the garment sector. The quota-free regime of textile imports came into effect on 1st January, 2005. 6. Electronic Hardware Technology Parks (EHTP) Scheme: This scheme was modified to create for the hardware sector a zero-duty regime under Information and Technology Agreement (1TA-1). It mandated the export criterion of only a positive net foreign exchange as a percentage of exports and removed all other export obligations for units in Electronic Hardware Technology Parks.

The Policy also allowed duty-free project imports of equipment and other goods used abroad for more than one year. 7. Gems and Jewellery: The changes carried out in the gems and jewellery scheme included abolition of the licensing regime for the import of rough diamonds, reduction in the value addition norms for export of jewellery and permitting personal carriage of jewellery.

8. Growth Orientation: The Policy had several growth-oriented features including the following: (i) It retained all the existing duty exemption/remission schemes, along with provision of not having any value ceilings. (ii) It introduced several procedural simplifications for reducing transaction costs and delays, such as (a) the abolition of DEEC Book, (b) withdrawal of Annual Advance License under the Advance License Scheme, (c) exemption from disclosure of technical characteristics for audit purposes under various schemes, (d) adoption of 8-digit classification for imports for eliminating the classification disputes, (e) introduction of ‘ same day’ licensing, (f) new norms for reduction in percentage of physical examination of export cargo, (g) introduction of the simplified brand rate of drawback scheme and (h) permitting direct negotiation of export documents. 9. Other Salient Features: Other salient features of the EXIM Policy (2002-07) included: (i) Widening of the scope of the Market Access initiative scheme by including activities considered necessary for a focused market promotion of exports, (ii) Setting up of “ Business Centre” in Indian Missions abroad for the use of visiting Indian exporters/businessmen, (iii) Transport subsidy for exports to units located in North East, Sikkim and J & K, and, (iv) Introduction of ‘ Focus Africa’ (with Focus CIS to follow) programme, for diversifying markets.