

Indias foreign trade policy



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In the last five old ages India's exports witnessed robust growing to make a degree of US \$ 168 billion in 2008-09 from US \$ 63 billion in 2003-04. India's portion of planetary ware trade was 0. 83 % in 2003 ; it rose to 1. 45 % in 2008 as per WTO estimations. India's portion of planetary commercial services export was 1. 4 % in 2003 ; it rose to 2. 8 % in 2008. India's entire portion in goods and services trade was 0. 92 % in 2003 ; it increased to 1. 64 % in 2008. On the employment forepart. surveies have suggested that about 14 million occupations were created straight or indirectly as a consequence of augmented exports in the last five old ages. As the export sector has been a major casualty in this downswing the Indian Government has set in gesture schemes and policy steps which will catalyze the growing of exports. The short term aim of the Foreign Trade Policy (2009-14) is to collar and change by reversal the worsening tendency of exports and to supply extra support particularly to those sectors which have been hit severely by recession in the developed universe.

The Policy Aims are as follows:

a) Achieving an one-year export growing of 15 % with an one-year export mark of US \$ 200 billion by March 2011. B) In the staying three old ages of this Foreign Trade Policy i. e. upto 2014. the state should be able to come back on the high export growing way of around 25 % per annum. degree Celsius) By 2014. the policy aims to duplicate India's exports of goods and services. vitamin D) The long term policy aim for the Government is to duplicate India's portion in planetary trade by 2020.

HIGHLIGHTS OF FOREIGN Trade POLICY 2009-2014

Higher Support for Market and Product Diversification

1. Incentive strategies have been expanded by manner of add-on of new merchandises and markets. 2. 26 new markets have been added under Focus Market Scheme. These include 16 new markets in Latin America and 10 in Asia-Oceania. 3. The inducement available under Focus Market Scheme (FMS) has been raised from 2. 5 % to 3 % . 4. The inducement available under Focus Product Scheme (FPS) has been raised from 1. 25 % to 2 % . 5. A big figure of merchandises from assorted sectors have been included for benefits under FPS. 6. Market Linked Focus Product Scheme (MLFPS) has been greatly expanded. 7. MLFPS benefits besides extended for export to extra new markets for certain merchandises. 8. A common simplified application signifier has been introduced for taking benefits under FPS. FMS. MLFPS and VKGUY. 9. Higher allotment for Market Development Assistance (MDA) and Market Access Initiative (MAI) schemes is being provided.

Technological Upgradation

1. To help technological upgradation of our export sector. EPCG Scheme at Zero Duty has been introduced.

EPCG Scheme Relaxations

1. To increase the life of bing works and machinery. export duty on import of spares. molds etc. under EPCG Scheme has been reduced to 50 % of the normal specific export duty. 2. Taking into history the diminution in exports. the installation of Re-fixation of Annual Average Export Obligation for a

peculiar fiscal twelvemonth in which there is diminution in exports from the state. has been extended for the 5 twelvemonth Policy period 2009-14.

Stability/ continuity of the Foreign Trade Policy¹. To leave stableness to the Policy government. Duty Entitlement Passbook (DEPB) Scheme is extended beyond 31-12-2009 boulder clay 31. 12. 2010. 2. Interest subvention of 2 % for pre-shipment recognition for 7 specified sectors has been extended till 31. 3. 2010 in the Budget 2009-10. 3. Income Tax freedom to 100 % EOUs and to STPI units under Section 10B and 10A of Income Tax Act. has been extended for the fiscal twelvemonth 2010-11 in the Budget 2009-10. 4. The accommodation aid strategy initiated in December. 2008 to supply enhanced ECGC screen at 95 % . to the adversely affected sectors. is continued till March. 2010. Introduction

The treasures and jewelry sector is a major foreign exchange earner. Due to its importance in India's foreign trade. the authorities has taken many enterprises to hike the sector. The authorities. for case. has declared this sector as a thrust country for exports. During the planetary economic meltdown particularly the authorities has dealt out many enterprises for the badly-affected sector. This chapter focuses on the assorted policies and steps that were taken by the authorities for the treasures and jewelry sector.

Regulating Bodies

Gems & A ; Jewellery Export Promotion Council (GJEPC) : Established in 1966. the GJEPC is the apex organic structure of the Indian treasures and jewelry industry. and has about 6. 500 members across India. The primary end of the Council is to present the Indian treasures and jewelry to the

international market and to advance their exports. The Council provides market information to its members sing foreign trade enquiries. trade and tariff ordinances. rates of import responsibilities. and information about jewelry carnivals and exhibitions. The functions played by the GJPEC are loosely highlighted below: Trade Facilitator

The Council promotes the Indian treasures and jewelry industry in the international market. It organises international jewelry shows. hosts trade deputations. and undertakes image-building exercisings through advertizements. publications and audio-visual agencies. Advisory Role

The Council besides aids better interaction and apprehension between bargainers and authorities. The Council takes up relevant issues with the authorities and bureaus connected with exports. It besides submits paperss for consideration and inclusion in the Exim Policy. Nodal Agency for Kimberley Process Certification Scheme

GJEPC works closely with the Indian authorities and the bargainers to implement and supervise the Kimberley Process Certification Scheme ; in fact. the Council has been appointed as the nodal bureau in India under the Kimberley Process Certification Scheme. Training and Research

The GJEPC runs many institutes that provide developing in all facets offabrication and design in Mumbai. Delhi. Surat and Jaipur. Varied InterestsThe Council publishes many booklets. statistical brochures. trade directories and a bi-monthly magazine - Solitaire International. which is distributed internationally every bit good as to its members. Gem & A ; Jewellery Trade Council of India (GJTCI) : The GJTCI was founded in 2000.

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and is tasked with deciding any issue originating from trade in treasures and jewelry. It plays an of import function in showcasing the Indian treasures and jewelry to the international every bit good as the domestic market. Like the GJEPC. GJTCI besides provides information to its members through a monthly newssheet. assorted educative and trade-motivational events such as seminars. workshops. exhibitions. festivals etc. The Bureau of Indian Standards: The Bureau of Indian Standards (BIS) . the National Standards Body of India. is a statutory organic structure set up under the Bureau of Indian Standards Act. 1986 and is responsible for hallmarking gold jewelry in India. Deregulation of Gold in India

In the pre-liberalisation period (anterior to 1991) . terrible limitations on the export and import of gold from and into India were imposed. During that clip merely the State Bank of India (SBI) and the Metallic elements Trading Corporation of India (MMTC) were allowed to import gold. The grounds for enforcing these limitations were:

- * To cut down demand for. every bit good as handiness of gold
- * To change the nest eggs penchants of the population in favor of investings other than gold/silver
- * To halt smuggling of gold
- * To conserve foreign exchange resources
- * To forestall coevals of or to unearth black money. It was thought that since gold was one of the most obvious picks for maintaining undeclared/ill-gotten income and wealth. a policy to curtail supply of gold would be effectual in controlling black money. Several strategies that restricted the export and import of gold were launched in assorted signifiers between 1947 and 1963. but the control government eventually took form with the execution of the Gold Control Act 1968. This Act did non let

goldworkers to have more than 100 gms of standard gold for fabricating jewelry. Further, a certified goldworker was not allowed to possess a stock of more than 300gms of primary gold at any clip. The measure of primary gold possessed by an accredited trader was limited between 400 gms and 2 kilogram, depending on the figure of craftsmans employed. There was a legal prohibition on gilded dealing between traders. The authorities abolished the Gold Control Act when the balance of payment crisis occurred in 1990, after which the big export houses could import gold freely. Exporters in the export treating zones were allowed to sell 10 % of their green goods in the domestic market. In 1993, gold and diamond excavation were opened up for private investors and foreign investors were allowed to own half of the equity in excavation ventures. In 1997, abroad Banks and bullion providers were besides allowed to import gold into India. These steps led to the entry of foreign participants such as De Beers, Tiffany and Cartier into the Indian market. Foreign Direct Investing Policy

* At present, the Indian authorities allows 100 % foreign direct investing (FDI) in treasure and jewelry through the automatic path. * For geographic expedition and excavation of diamonds and cherished rocks FDI is allowed up to 74 % under the automatic path. * For geographic expedition and excavation of gold and Ag and minerals other than diamonds and cherished rocks, metallurgy and processing, FDI is allowed up to 100 % under the automatic path. Kimberley Process (KP)

The Kimberley Process came into force when the South African diamond bring forthing states met at Kimberley in South Africa in May 2000. The Kimberly Process was set up to discourse ways to halt the trade in ' conflict

diamonds' and to guarantee that diamond purchases did not fund force. As of November 2008, the KP had 49 members, spanning 75 states. The Kimberley Process Certification Scheme (KPCS) was implemented in India on January 1, 2003 to verify the legitimacy of the import / export of unsmooth diamonds as per the UN declaration and to control the entry of struggle diamonds into the planetary trade flow. The system of confirmation and issue of KPC is administered from the Mumbai and Surat offices of GJEPC. In India's Foreign Trade Policy 2009-14, the undermentioned steps related to the Kimberley Process Certification Scheme (KPCS) have been adopted: * No import or export of unsmooth diamonds shall be permitted unless accompanied by the KPC certification as specified by the GJEPC. * The export and import of unsmooth diamonds to and from Venezuela has been prohibited by the Indian authorities owing to the voluntary separation of Venezuela from the KPCS. Government Initiatives to Hike the Sector

Measures taken by the authorities in the Union Budget 2009-10: Customs Duty on Gold and Silver* Customs responsibility on serially numbered gold bars (other than tola bars) and gilded coins to be increased from Rs 100 per 10 gm to Rs 200 per 10 gm. Customs responsibility on other signifiers of gold to be increased from Rs 250 per 10 gm to Rs 500 per 10 gm. * Customs responsibility on Ag to be increased from Rs 500 per kilogram to Rs 1,000 per kilogram. These additions will besides be applicable when gold and Ag (including decorations) are imported as personal luggage Central Excise Duty

* Excise responsibility on branded articles of jewelry to be reduced from 2% to nil. * All classes within HS codification 71 except the 'diamonds whether or

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non worked but non mounted or set' (HS codification 7102) and certain sub-categories within HS codification 7104 and 7106 presently have an excise responsibility rate of 16 % . * The class ' diamonds whether or non worked but non mounted or set' (HS codification 7102) presently does non pull any excise responsibility. * Sub-category ' Piezo-electric quartz' (HS code 71041000) . Ag (including silver plated with gold or Pt) in powdery signifier (HS code 71061000) . unwrought (HS code 71069100) and other (HS code 71069290) do non pull any excise responsibility. Fiscal Stimulus Measures (December 2008)

The Reserve Bank of India announced certain financial stimulation steps in December 2008 to resuscitate the Indian economic system during the oncoming of the planetary fiscal crisis. The undermentioned steps were announced for the Indian treasures and jewelry sector: * Increasing the post-shipment Rupee export recognition period from 90 yearss to 180 yearss from November 28. 2008 * Increasing the pre-shipment rupee export recognition period from 180 yearss to 270 yearss from November 15. 2008 * Supplying an involvement subvention of 2 % up to March 31. 2009. capable to minimal rate of involvement of 7 % per annum. to do pre and post-shipment export recognition for treasures and jewelry more attractive *Leting exporters to avail refund of service revenue enhancement on foreign agent committees of up to 10 % of FOB value of exports. They will besides be allowed refund of service revenue enhancement on end product services while availing of benefits under Duty Drawback Scheme * Banks will bear down involvement rate non transcending Benchmark Prime Lending Rate (BPLR) minus 4. 5 % on pre-shipment recognition up to 270 yearss and post-shipment recognition

up to 180 years on the outstanding sum for the period December 1, 2008 to September 30, 2009. Export Facilitation Measures by the Ministry of Commerce and Industry Further. in February 2009. the treasures and jewelry sector got a particular encouragement from the Ministry of Commerce with the undermentioned proclamations: Gems and jewelry. diamonds and cherished metals were given a particular encouragement by the Ministry of Commerce and Industry. the Export Promotion Council for Gems and Jewellery and Star Trading Houses (in the treasures and jewelry sector) . Besides. the Diamond India Ltd. MSTC Ltd and STCL Ltd were added under the list of nominative bureaus notified under Para 4 A. 4 of foreign trade policy for the import of cherished metals. * Surat. Gujarat has been given the acknowledgment of a town of export excellence. because it is home to 1000s of diamond units that employ many diamond workers. * The authorized individuals of treasures and jewelry units in export-oriented units will be allowed to transport personal passenger car of gold in primary signifier up to 10 kilograms in a fiscal twelvemonth topic to the RBI and imposts guidelines. * Import limitations on worked corals have been removed to turn to the grudge of treasure and jewelry exporters. Foreign Trade Policy 2009-2014

Foreign Trade Policy has identified the treasures and jewelry sector as a thrust country with chances for export enlargement and employment coevals. The high spots of the policy are: a. Import of gold of 8 carat and above allowed under replenishment strategy topic to import being accompanied by an Assay Certificate stipulating pureness. weight and metal content. B. Duty Free Import Entitlement (based on FOB value of exports

during the old fiscal twelvemonth) of consumables and tools. for: 1. Jewelry made out of:

1. Cherished metals (other than gold and Pt) - 2 % two. Gold and Pt - 1 %three. Rhodium finished silver - 3 %2. Cut and polished diamonds - 1 %3. Duty free import entitlement of consumables for metals other than gold. Pt will be 2 % of FOB value of exports during the old fiscal twelvemonth. c. Duty-free import entitlement of commercial samples shall be Rs 300. 000. d. Duty free re-import entitlement for jilted jewelry shall be 2 % of FOB value of exports. e. Import of diamonds on consignment footing for certification/ scaling and re-export by the authorized offices/agencies of Gemological Institute of America (GIA) in India or other sanctioned bureaus will be permitted. f. To advance export of treasures and jewelry merchandises. the value bounds of personal passenger car of treasures and jewelry merchandises in instance of holding/participating in abroad exhibitions increased to US \$ 5 manganese and to US \$ 1 manganese in instance of export publicity Tourss. Further. the bound in instance of personal passenger car. as samples. for export publicity Tourss. has been increased from US \$ 0. 1 manganese to US \$ 1 manganese. g. Extension in figure of yearss for re-import of unsold points in instance of engagement in an exhibition in the US increased to 90 yearss. h. In an enterprise to do India a diamond international trading hub. diamond Bourses will be planned. i. Gems and jewellery units may sell up to 10 % of FOB value of exports of the predating twelvemonth in Domestic Tariff Area (DTA) . capable to fulfillment of positive Net Foreign Exchange (NFE) . In regard of sale of apparent jewelry.

recipient shall pay concessional rate of responsibility as applicable to sale from nominative bureaus.

In order to hike the treasures and jewelry sector. the value add-on norms were reduced in the FTP 2009-14. Earlier. owing to abrupt fluctuation in gold monetary values. exporters were unable to follow with the old high value add-on norms. Under the strategy for export of jewelry. value add-on shall be calculated as per paragraph 4 A. 6 of FTP. Minimum value add-on shall be:

Particular Economic Zones (SEZ)In order to hike foreign trade and investing. the Indian authorities introduced the SEZ policy in April 2000 under the Export-Import (EXIM) policy. Under the policy. the authorities allowed companies to put up units in SEZ to fabricate goods or supply services that facilitated a hassle-free environment for exports. However. it was the SEZ Act 2005 - passed in February 2006 - that laid down regulative models and regulations for putting up and for the operation of SEZs. With drawn-out revenue enhancement holidays up to 15 old ages - from old revenue enhancement vacation of 10 old ages. the SEZ Act managed to bring forth considerable degree of involvement ; as a consequence. the figure of SEZs witnessed a crisp rise in a affair of few old ages. The Act envisages advancing exports of goods and services. advancing FDI. making employment. bring forth economic activity and most significantly. developing substructure. To advance the exports of treasures and jewelry. the authorities has set up assorted SEZs with specific inducements. Some of import authorities policies associating to SEZs in the treasures and jewelry sector are highlighted below: * No import or export of unsmooth diamonds will be permitted unless the cargo package is accompanied by the Kimberley

Process Certificate issued by the Development Commissioner. * Cut and polished diamonds and cherished and semi-precious rocks (except unsmooth diamonds. cherished or semiprecious rocks holding zero responsibility) shall non be allowed to be taken outside the SEZ for sub-contracting. * A treasure and jewelry unit may have field gold or Ag or Pt jewelry from the Domestic Tariff Area or from an EOU or from a unit in the same or another SEZ in exchange of tantamount content of gold or Ag or Pt contained in the said jewelry after seting allowable wastage or fabrication loss allowed under the commissariats of the Foreign Trade Policy read with the enchiridion of processs. * The DTA Unit set abouting sub-contracting or providing jewelry against exchange of gold or Ag or platinum shall non be entitled to export entitlements.

Sector Overview India has important militias of gold. diamond. ruby and other gemstones. Key states with gemstone militias and excavation potency are Maharashtra. Madhya Pradesh. Orissa. Chattisgarh. Bihar and Andhra Pradesh. Orissa has sedimentations of ruby and has approximately 20 assortments of assorted gemstones such as rhodoline. garnet. aquamarine. etc. Andhra Pradesh has gold and diamondbearing countries. every bit good as happenings of semi-precious and scratchy rocks spread over different territories. Diamonds are mined merely at Panna in Madhya Pradesh by the National Mining Development Corporation. The two major sections of the sector in India are gilded jewelry and diamonds. The state is the largest consumer of gold. accounting for more than 20 % of the entire universe gold ingestion. Gold jewelry signifiers around 80 % of the Indian jewelry market.

with the balance comprising fabricated studded jewelry that includes diamond and gemstone studded jewelry. A prevailing part of the gold jewelry manufactured in India is consumed in the domestic market. India is world's largest film editing and smoothing Centre for diamonds ; the film editing and smoothing industry is good supported by authorities policies and the banking sector with around 50 Bankss supplying about USD 3 billion of recognition to the Indian diamond industry. It is considered to be diamond shining and treating capital of the universe as its craftsmans are skilled in treating small-sized diamonds. At present. India exports 95 % of the world's diamonds. harmonizing to statistics released by the Gems and Jewellery Export publicity Council (GJEPC) . A major part of the rough. untrimmed diamonds processed in India is exported. either in the signifier of polished diamonds or finished diamond jewelry. The size of the Indian treasures and jewelry market is was USD 30. 1 billion in 2011 and is expected to be USD 45 billion by 2015 on the dorsum of increasing domestic demand. The state is one of the largest exporters of treasures and jewelry and the industry is considered to play a critical function in the Indian economic system as it is a taking foreign exchange earner. The sector is expected to bring forth up to USD 35 billion of gross from exports by the twelvemonth 2015. The states where demand is increasing for Indian jewelry include the UAE. the US. Russia. Singapore. Hong Kong. Latin America and China. The sector provides employment to around 1. 8 million people. In the following five old ages. the sector is expected to make extra employment for around 1. 1 million people. FDI into the diamond and gold decorations sector was USD 302 million from April 2000 to April 2011. as per statistics released by the Department of Industrial Policy and Promotion (DIPP) . which is portion of the Ministry of Commerce

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and Industry. and is charged with the framing of the country's FDI policy. The hub of India's jewelry industry is Mumbai that receives the bulk of the country's gold and unsmooth diamond imports. Mumbai has a considerable figure of modern, semi-automatic mills and laser-cutting units, the bulk of which are located in the particular economic zone. Most of the diamond processing, though, is undertaken in Gujarat. (chiefly in Surat, Bhavnagar, Ahmadabad and Bhuj) and in Rajasthan (Jaipur) . Policy and Promotion

The authorities has announced several steps for the publicity of the treasures and jewelry sector in the New Foreign Trade Policy (2009-2014) . some of the of import 1s being: ? To neutralize responsibility incidence on gold jewelry exports, responsibility drawback on such exports is now allowed. ? Import of diamonds on consignment footing for certification/grading and re-export by the authorised offices/agencies of Gemological Institute of America (GIA) in India or other sanctioned bureaus to be permitted. ? To advance exports of treasures and jewelry merchandises, the value bound of personal passenger car has been increased from USD 2 million to USD 5 million in instance of engagement in abroad exhibitions. The bound in instance of personal passenger car as samples for export publicity Tours has besides been increased from USD 0. 1 million to USD 1 million. ? The figure of yearss for re-import of unsold points in the instance of engagement in an exhibition in the US has been increased to 90 yearss. The authorities programs to set up diamond Bourses in an enterprise to do India an international diamond trading hub. ? 100 % FDI is permitted in the treasures and jewelry sector through the automatic path. ? Gems and jewelry SEZs have been set up to advance investings in the sector. The names of operational SEZs in the

sector are SEEPZ Special Economic Zone. Mumbai ; Manikanchan SEZ. West Bengal ; Jaipur SEZ ; and Hyderabad Gems SEZ Ltd. Further. formal blessing has been given to 13 SEZs in the sector — three have got in-principal blessing and seven have been notified. as per the SEZ Board of Approval statistics. Major Players

The treasures and jewelry market basically comprises sourcing. processing. fabrication and merchandising of cherished metals and gemstones such as gold. Pt. Ag. diamond. ruby. sapphire. among others. This industry is extremely unorganized and fragmented with 96 % of the entire participants being family-owned concerns. Presently there are more than 500. 000 treasures and jewelry participants across the state. with the bulk being little participants. Modern retail participants have merely 4 % to 6 % portion. which is possibly one of the lowest when compared to other sectors such as dress. footwear. books and music. At the same clip. India is deriving prominence as an international sourcing finish for high-quality interior decorator jewelry. Global companies such as Walmart and JC Penney procure jewelry from India. Some of the major trade names in the Indian jewelry section are Gili. Tanishq. Carbon. Oyzterbay and Trendsmith. The major participants in the Indian treasures and jewelry retail sector are Reliance Retail. Damas Jewellery. Gitanjali Gems Ltd. . Swarovski. Diamond Trading Company. Vardhaman Developers. Dubai-based Joy Alukkas. Viswa and Devji Diamonds and Gold Souk India. Sector Outlook

A FICCI-Technopak study estimations that treasures and jewelry exports will turn to USD 58 billion by 2015. It besides estimates that the domestic market for treasures and jewelry will touch USD 35 billion to USD 40 billion by 2015.

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India has several strengths that have made it an important force in the planetary treasure and jewelry concern. These are: ? Highly skilled, yet low-priced labor.

? Established fabricating excellence in jewelry and diamond shining. ? India is the most technologically advanced diamond cutting Centre in the universe. ? Opportunity to turn to one of the world's largest and fastest-growing treasures and jewelry markets. ? Opportunity to leverage India's strengths to turn to the planetary market. One of the most encouraging tendencies seeable in the Indian treasures and jewelry market is that the state is now getting downing to travel towards branded jewelry and consumers are progressively accepting modern retail formats. Harmonizing to the FICCI-Technopak study, this would move as an accelerator for alteration and may impact traditional participants, who would necessitate to upgrade to maintain gait with altering market tendencies. It is expected that, traveling frontward, traditional participants will coexist with modern participants — this is, in fact, the tendency in international markets where independent jewelry makers still hold important market portion.

(B) Gems and Jewellery sector? Export of Gems & A ; Jewellery by Personal passenger car through Mumbai and Jaipur Airports: Export of diamonds, gemstones and gold jewelry through personal passenger car through Mumbai and Airports stopped though it is allowed in other airdromes. Customs governments have stopped the installation of personal passenger car of treasures and jewelry both for export and import at Mumbai and Jaipur.

> Mumbai Customs Commissionerate opines that the installation can be started merely if the safe sedimentation vault is installed by the Bharat Diamond Bourse (BDB). BDB has requested Mumbai International Airport Private Limited for apportioning infinite of 200 sq foot for building the safe sedimentation vault for detention of personal passenger car of import and export of cherished lading. Exporters want this to get down instantly by utilizing the available vault of imposts at Airport. Recently, export by personal passenger car was allowed in Mumbai Airport. However, imposts governments need to screen this out for smooth and uninterrupted operation of this installation.

> Jaipur has limited international flights and there is no job in personal passenger car of these installations for such flights. When Gateway ports other than Jaipur (like Delhi) are used the job arises. Customs governments in these airdromes do non accept the waterproofing of goods done in Jaipur. Exporters feel that treasures and jewelry packages may be allowed to be appraised by Jaipur imposts and the Gateway airdromes may be instructed to accept the paperss signed by Jaipur imposts appraiser. This is a procedural issue and imposts need to decide it.