Modified Export and Import Policy - 2002-2007*

In the context of the competitive and dynamic nature of international trade and evolving market conditions, the annual Export and Import (EXIM) Policy for the year 2003-04 was announced by the Government of India (Government) on March 31, 2003[1]. This policy carries out modifications to the EXIM Policy for the five-year period 2002-07, which was announced last year on March 31, 2002. Against the backdrop of India's objective of achieving 1 per cent of the world merchandise trade by the year 2007, the EXIM Policy for 2003-04 sets out the strategy and initiatives to sustain the present rate of export growth and to accelerate it further.

This article focuses on the need for an annual EXIM Policy, the approach of the new policy and the major policy initiatives contained in the policy as also a brief review of performance of some of the export promotion and market diversification schemes undertaken by the Government. This article is organised into four Sections. Section I outlines the need for annual policy, the approach of the annual EXIM Policy and the role envisaged for exports in the development strategy. Section II presents the major policy initiatives proposed in the EXIM Policy. Section III sets out the modifications in the export promotion schemes. A review of some of the schemes and initiatives for export promotion are presented in Section IV.

Section I
Annual Exim Policy – Rationale and Approach

The EXIM Policy for 2003-04 highlights the role of international trade in India's development strategy, the need for annual EXIM Policy and the approach of the policy.

(i) Role of Trade

The EXIM Policy for the five year period 2002-07, co-terminus with the Tenth Five year Plan, recognised that international trade is a vital part of development strategy in India and that it can be an effective instrument of economic growth, employment generation and poverty alleviation. In line with the Medium-Term Export Strategy (MTES) announced in January 2002, the policy adopted the goal for India to attain 1 per cent share of global merchandise trade by the year 2007, up from the level of 0.67 per cent. For this, Indian exports have to grow at a rate of 12 per cent per year in dollar terms and double from roughly US $ 40 billion per annum to US $ 80 billion over the five year period.

Against this background, the EXIM Policy for 2003-04 strives to sustain the present rate of growth and accelerate it further through various initiatives and strategy. Exports can act as the motive power of growth for a rapidly developing Indian economy and in making India a significant player in the world market. The Commerce Minister in his speech presenting the EXIM Policy for 2003-04 stated that exports have to be recognised as a national priority by all the agencies of Government of India and State Governments and the private sector. The need for a partnership between the Government machinery at all levels and all the stakeholders in the process of exports was also emphasised.

(ii) Rationale for Annual EXIM Policy

The five-year EXIM Policy is primarily announced with the objective of providing a stable policy environment to the exporters and also reflects the priorities for development of the economy as set out in the Tenth Five-Year Plan. However, international trade is highly competitive as well as dynamic and furthermore, market conditions change almost daily and require quick response and anticipation. The annual EXIM Policy has been formulated after assessment of the export performance and changes in the international market in the previous year and is also based on the Government's anticipation of market movements in the short-term. The annual EXIM Policy is, therefore, seen as a necessary adjunct to the five-year EXIM Policy.

(iii) Approach of the Annual EXIM Policy

The approach of the annual EXIM Policy for 2003-04 is on identification of engines of growth and provision of extra power to them and building on areas of India's core competence. Recognising the growing importance of services exports, for the first time, special focus has been given to services sector in the EXIM Policy. The policy aims to give an impetus to (i) services, (ii) agriculture and allied products and (iii) Special Economic Zones (SEZs) which have been identified as engines of growth. It is also proposed to give special focus to certain exports like textiles, particularly items of merchandise garments, auto components, gems and jewellery, drugs and pharmaceuticals and chemicals which hold the potential for accelerated growth. Status holders have been a pillar of strength in increasing exports.

Recognising that they would continue to play a significant and increasing role in boosting exports, particularly from the small scale sector, the EXIM Policy has announced certain incentives for fast growing status holders. In line with the Government's policy to do away with unnecessary restrictions which increase transaction costs, the EXIM Policy has announced further simpification of procedures to reduce such costs to the minimum.

Section II
Major Policy Initiatives

The EXIM Policy for 2003-04 has announced several policy initiatives which have been broadly grouped under three heads, *viz.*, new measures, modifications in the existing measures and procedural simplification and other measures.

(A) New Measures

With a view to boosting services and agricultural exports, specific measures have been announced in the EXIM Policy.

(i) Service Exports

India has emerged as a leading player in software exports. Apart from software, a large number of other services now provide opportunities in global trade. India is uniquely placed to take full advantage of the growing opportunities of services exports, because of its abundant skilled manpower. Recognising the importance of services exports, the EXIM Policy for 2003-04 has proposed introduction of a scheme for the promotion of services exports. India has not made any headway in promoting other services exports, like health, entertainment education and tourism. With a view to facilitating and promoting export of services, it has been proposed to allow duty free import facility to service providers having a minimum foreign exchange earning of Rs.10 lakh in the preceding three licensing years. The duty free import entitlement shall be 10 per cent of the average foreign exchange earned in the preceding three licensing years and would be for import of consumables, office and professional equipments, spares and furniture. As several sectors have not yet made a beginning in the direction of exports, it has been proposed to extend this facility even to new comers against Bank Guarantee to the extent of revenue sacrificed, subject to actual user condition. This measure is expected to particularly help the Health Sector. In the Union Budget for 2003-04, some measures have been taken to promote India as a global health destination.

In order to realise the full potential of the Tourism Sector, additional facilities announced are the benefits of advance licence which would be available to recognised hotels of three star category and above and other registered service providers in this sector and they would be allowed duty free import of consumables and spares up to 5 per cent of their average foreign exchange earnings of the previous three years, subject to actual user condition. This facility would not be available to certain sensitive items in a negative list which would be notified by the Government at a later date.

India has the potential for exports of some other services such as Entertainment and Education. However, each sector has its own specific problems such as lack of investment and inadequacy of laws relating to piracy. In order to leverage India's advantages in these sectors, the policy proposes to set up sector-specific Working Groups with representatives of Ministry of Finance, the administrative ministries concerned, the State Governments, financial institutions and the industry to work towards a common goal by framing Action Plans to achieve the potential to be implemented within a specified time schedule. For entertainment services, which is particularly handicapped by lack of investment, but has tremendous opportunities for exports, it has been proposed to promote, through suitable tax incentives, contributions to venture capital funds which will provide finance to this sector. This would, however, be done in consultation with the Ministry of Finance.

The definition of "Services" in the EXIM Policy includes all the 161 tradable services covered under the General Agreement on Trade in Services (GATS) where payment for such services is received in free foreign exchange. Service providers have also been defined in the EXIM Policy.

A major drawback with the services sector is that there is at present no system for collecting reliable statistics for export of services. A Group is being set up consisting of representatives of Department of Commerce, Central Statistical Organisation, Reserve Bank of India, Directorate General of Foreign Trade (DGFT) and Director General of Commercial Intelligence and Statistics (DGCI&S), Kolkata, to consider all aspects of this issue and recommend to the Government a system for collection and maintenance of data relating to export of services. Till such a system is finalised and put in operation, the implementation of the scheme of promotion of services exports would be based on free foreign exchange earned by any of the service providers listed in the Handbook.

(ii) Agriculture and Allied Products

Agriculture and allied products sector has been identified as an area of India's core competence given the large variety of crops, fruits, vegetables and flourishing dairy sector, and also the fact that India is among the world leaders in output of many products. With a view to accelerating further agricultural exports, the EXIM Policy has announced the following measures:

(a) Association of Corporates with Agri Export Zones (AEZs)

One of the factors limiting increase in agricultural productivity and quality has been the inadequate investment in critical infrastructure in this sector such as the latest technology and knowledge, water harvesting and soil management, better quality of seeds, optimal use of inputs, adoption of scientific pre and post harvest treatment and storage and establishment of linkages with international marketing. The availability of investible resources for creation of such critical infrastructure has been a constraint even in the case of AEZs. The EXIM Policy proposes to facilitate and promote association of corporates with proven credentials in the implementation of AEZs in order to boost productivity and quality of specified agro-products. The Ministry of Commerce and Industry, in consultation with Ministry of Finance, would provide appropriate incentives to enable investments by these corporates in infrastructure, agricultural extension, processing, packing, storage, Research and Development and other facilities relating to exports in the approved AEZs.

(b) Modification of norms for fixing DEPB Rates

Another major initiative to boost exports of agriculture and allied products is the modification of norms for fixing Duty Exemption Pass Book (DEPB) rates for export of agriculture, horticulture and allied products. For fixing DEPB rates for such products, inputs such as fertilisers, pesticides, certified seeds, *etc.*, used by the farmers prior to processing of the products for exports, would be taken into account. To begin with, this facility would be extended only to selected products on the basis of the recommendation of an Inter-Ministerial Committee.

(B) Modifications in the Recent Policy Initiatives

The EXIM Policy for 2003-04 has also proposed the following modifications in some of the recent policy initiatives of the Government to boost exports:

(a) Special Economic Zones

The SEZ scheme was announced in March 2000. The SEZ scheme seeks to attract foreign direct investment and increasing exports. SEZs are required to provide a trouble free congenial and investment friendly environment whereby units, both Indian and foreign, can manufacture their products at internationally competitive prices for exports or sale to domestic tariff area. To enable exporters to access funds at international rates, the Government is in consultation with the Reserve Bank of India and Finance Ministry to draw up a suitable fiscal package for off-shore banking units (OBUs) set up in SEZs.

With a view to providing facilities to Indian SEZs comparable to those obtaining elsewhere in the world, a series of facilities were announced in the EXIM Policy for 2002-2007. The policy for the year 2003-04 has further announced the following facilities:

(i) Sales from Domestic Tariff Area (DTA) to SEZs would be treated as exports. This would now entitle domestic suppliers to Drawback/DEPB benefits, central sales tax exemption and service tax exemption.
(ii) Agriculture/horticulture processing SEZ units would be allowed to provide inputs and equipments to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promoting SEZs specialising in agro exports.
(iii) Foreign bound passengers would be allowed to take goods from SEZs to promote trade, tourism and exports.
(iv) Domestic sales by SEZ units would be exempt from special additional duty (SAD).
(v) The restriction of one year period for remittance of export proceeds has been removed for SEZ units.
(vi) Netting of exports would be permitted for SEZ units, provided it is between the same exporter and importer over a period of 12 months.
(vii) SEZ units would be permitted to take job/work abroad and export goods from there.
(viii) SEZ units can capitalise import payables.
(ix) Wastage for subcontracting/ exchange by gems and jewellery units in transactions between SEZ and DTA would be allowed.
(x) Export/import of all products through post parcel/courier by SEZ units would be allowed.
(xi) The value of capital goods imported by SEZ units would be amortised uniformly over 10 years.
(xii) SEZ units would be allowed to sell all products including gems and jewellery through exhibitions and duty free shops or shops set up abroad.
(xiii) Imports of goods required for operation and maintenance of SEZ units would be allowed duty free.

(b) Towns of Export Excellence (Industrial/ Export Clusters)

The EXIM Policy for 2002-07 had recognised three major industrial clusters at Tirupur, Panipat and Ludhiana as Towns of Export Excellence with a view to maximising their export potential. It was also recognised that pro-active steps need to be taken to enhance the productivity, quality, cost effectiveness of Indian Industry by bridging the gap in critical physical infrastructure by providing back up support of common facilities such as design centres, training for essential skills in the workforce, testing facilities to upgrade quality and market linkages, *etc.* Accordingly, to enhance the overall competitiveness of the export clusters, the Department of Industrial Policy and Promotion (DIPP) as a nodal department has formulated the Industrial Infrastructure Upgradation Scheme, which is in the final stage of approval. This scheme envisages upgradation of infrastructure in existing clusters/industrial locations that have developed on account of local skills, market and resources. Efforts under the scheme would be supplemented by the Assistance to States for Infrastructural Development for Exports (ASIDE)

Scheme and similar schemes being implemented by other departments. To start with ten clusters/locations with high growth potential would be supported to bridge technology and productivity gaps. Areas of intervention in the selected clusters / locations would include, *inter alia*, technology and skill upgradation, physical infrastructure, environmental mitigation facilities, *etc.* The user industry would identify the needs and implementation would be based on a participatory approach.

A beginning has been made to consider industrial cluster towns such as Tirupur for hosiery, Panipat for woollen blanket, Ludhiana for woollen knitwear to be eligible for the following benefits:

(i) Common service providers in these areas would be entitled for facility of Export Promotion Capital Goods (EPCG) scheme.
(ii) The recognised associations of units would be able to access the funds under the Market Access Initiative scheme for creating focused technological services.
(iii) Such areas would receive priority for assistance for identified critical infrastructure gaps from the scheme on Central Assistance to States.
(iv) The units in these notified areas would be eligible for availing all the EXIM Policy schemes as per their choice.
(v) To upgrade the services of the existing industrial clusters and simplify procedures, it is proposed to bring about synergy and convergence of various schemes for development of cluster to improve the competitiveness of the units located there.
(vi) Selected towns producing goods of Rs.1000 crore or more would be notified as Towns of Exports Excellence on the basis of potential for growth in exports.
(i) Proposals for strengthening infrastructure, simplifying rules and procedures and developing production infrastructure relating to Design, Research and Development packaging, logistic support as well as to provide awareness and information about international marketing would be considered under the scheme.

(c) Special Strategic Package for Status Holders

Recognising the important role which the status holders have played in increasing exports, the EXIM Policy for 2003-04 has proposed the following additional facilities for them:

i) Duty free import entitlement for status holders having incremental growth of more than 25 per cent in f.o.b. value of exports (in free foreign exchange) subject to a minimum export turnover of Rs.25 crore (in free foreign exchange). The duty free entitlement would be 10 per cent of the incremental growth in exports. Such entitlement can be used for import of capital goods, office equipment and inputs for their own factory or the factory of the associate/supporting manufacturer/job worker. The entitlement/goods would not be transferable. This facility would be available on the exports made from April 1, 2003.
ii) Status holders in Software Technology Parks (STPs) would be permitted free movement of professional equipments like laptop/computer.
iii) As part of efforts towards reduction in transaction cost, the facility of annual advance license for status holders is being introduced in the EXIM Policy for 2003-04 so that they

can plan for their imports of raw material and components on an annual basis and take advantage of bulk purchases.

iv) Input-output norms to be fixed for status holders on a priority basis within a period of 60 days.

(d) Gems and Jewellery Sector

The concessions announced in the EXIM Policy for the gems and jewellery sector are:

(i) Diamond and Jewellery Dollar Account has been introduced for exporters dealing in purchase/sale of diamonds and diamond studded jewellery.

(ii) Nominated agencies to accept payment in dollars for cost of import of precious metals from Exchange Earners Foreign Currency (EEFC) account of exporter.

(iii) Gem and Jewellery units in SEZs and EOUs can receive precious metal, *i.e.*, gold/silver/platinum prior to exports or post exports equivalent to value of jewellery exported. This implies that they can bring export proceeds in kind against the present provision of bringing in cash only.

(e) Rehabilitation of Sick Units

For revival of sick units, extension of export obligation period would be allowed to such units based on Board for Industrial and Financial Reconstruction (BIFR) rehabilitation schemes. This facility would also be available to units outside the purview of BIFR, but operating under the State rehabilitation programme.

(f) Diversification of Markets

The EXIM Policy for 2003-04 has announced that in addition to the seven countries included in "Focus Africa",*viz.*, Nigeria, South Africa, Mauritius, Kenya, Ethiopia, Tanzania and Ghana, the Programme is being extended to the remaining 11 countries of the Region where India has diplomatic Missions. These are Angola, Botswana, Ivory-Coast, Zambia, Zimbabwe and six countries of North Africa namely Egypt, Sudan, Algeria, Libya, Morocco and Tunisia. The "Focus Africa" Programme will now cover 24 countries of the African continent with effect from April 1, 2003. In view of India's traditional ties with CIS countries, the "Focus CIS" Programme was launched with effect from April 1, 2003.

(C) Procedural Simplification and Other Measures

The following measures have been announced in the EXIM Policy for 2003-04 for further simplification of procedures:

(a) Reduction in Transaction Costs

(i) In order to speed up the transactions, reduce physical interface and to bring about transparency in various activities relating to exports, electronic data interchange (EDI) would be encouraged. Applications received electronically would be cleared within 24 hours.

(ii) High priority is being accorded to the EDI implementation programme covering all major community partners in the export process in order to minimise transaction cost, time and discretion. The DGFT aims to provide on line approvals to exporters when exports have been effected from 23 EDI ports.

(iii) Online issuance of Importer-Exporter Code (IEC) number by linking the DGFT- EDI network with the Income Tax- Permanent Account Number (PAN) database is under progress.

(iv) Applications filed electronically would attract a 50 per cent lower processing fee as compared to manual applications.

(b) Codification of Special Economic Zones (SEZ)/ Export Oriented Units (EOU) Rules

In recognition of the importance of SEZs Scheme to the strategy for accelerated export growth and the contribution of 100 per cent EOUs to the export performance of the country, a major step is being taken towards the simplification and codification of rules, regulations and procedures applicable to SEZ and EOU units. To facilitate both potential investors as well as existing units in these sectors, all these rules and regulations are being put in one place.

(c) Quality control and Brand Promotion

(i) With a view to encouraging manufacturers and exporters to attain internationally accepted standards of quality for their products, the Central Government would extend support and assistance to trade and industry to launch a nationwide programme on quality awareness and promote the concept of total quality management. The Central Government would encourage and assist State Governments in launching similar programmes in their respective States, particularly for the small scale and handicraft sectors.

(ii) The Central Government would assist in the modernisation and upgradation of test houses and laboratories in order to bring them at par with international standards.

(iii) The Regional Sub-Committee on Quality Complaints (RSCQC) set up at the Regional Offices of the Directorate General of Foreign Trade would investigate quality complaints received from foreign buyers. The guidelines for settlement of quality complaints, in particular, and such other complaints, in general, have also been given in the EXIM Policy.

(iv) If it comes to the notice of the Director General of Foreign Trade or he has reason to believe that an export or import has been made in a manner gravely prejudicial to the trade relations of India with any foreign country; the interest of other persons engaged in exports or imports; has brought disrepute to the credit or the goods of the country; the Director General Foreign Trade has been empowered to take action against the concerned exporter or importer.

(d) Miscellaneous

(i) Actual user condition for import of second hand capital goods up to 10 years old has been dispensed with.

(ii) Penal interest rate reduced from 24 per cent to 15 per cent for all old cases of default under EXIM Policy.
(iii) Restriction on export of warranty spares has been removed.
(iv) IEC holder would need to furnish online return of imports/exports made on yearly basis.
(v) Export of free of cost goods for export promotion at the rate of 2 per cent of average annual exports in the preceding three years subject to ceiling of Rs.5 lakh would be permitted.

Section III
Modifications in the Traditional Export Promotion Schemes

The EXIM Policy for 2002-07 has continued the earlier schemes like Duty Entitlement Passbook (DEPB), Duty Free Replenishment Certificate (DFRC), Advance Licences, Export Promotion Capital Goods (EPCG), *etc* . The modifications to these schemes announced in the EXIM Policy are as follows:

(a) Duty Exemption Scheme

The Duty Exemption Scheme enables duty free import of inputs required for export production. An Advance Licence is issued under Duty Exemption Scheme to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). The following changes have been announced with respect to Advance Licence:

(i) Anti-dumping and safeguard duty exemption would be given for supplies to EOU/SEZ/EHTP/STP under the advance licence for deemed exports.
(ii) The Advance Licence for Annual Requirement, which was withdrawn in the policy announcement for 2002-2007, has been reintroduced. Advance licence can now also be issued on the basis of annual requirement for physical exports. Export House, Trading House, Star Trading Houses and Super Star Trading Houses shall be entitled for the Advance Licence for annual requirement.
(iii) In case the status holders were holding the certificate as merchant exporter, they are also entitled to the Advance Licence for Annual Requirement provided they agree to endorse the name(s) of the supporting manufacturer(s) on the relevant licence. The entitlement under this scheme would be up to 200 per cent of the free on board (f.o.b.) value of export in the preceding licensing year. Such licence would have positive value addition.

(b) Duty Remission Scheme

The Duty Remission Scheme enables post export replenishment/remission of duty on inputs used in the export product. Duty Remission scheme consists of Duty Free Replenishment Certificate (DFRC) and Duty Entitlement Passbook Scheme (DEPB). DFRC permits duty free replenishment of inputs used in the export product. The DEPB scheme allows drawback of import charges on inputs used in the export product. The changes announced with respect to DFRC and DEPB are as follows:

Duty Free Replenishment Certificate (DFRC)

(i) DFRC has been extended to deemed exports to provide a boost to domestic manufacturers.
(ii) Value addition under DFRC scheme has been reduced from 33 per cent to 25 per cent except for items in gems and jewellery sector.

Duty Entitlement Passbook (DEPB)

(i) Facility for provisional DEPB rate has been introduced to encourage diversification and promote export of new products.
(ii) DEPB rates have been rationalised in line with general reduction in customs duty.

(c) Export Promotion Capital Goods (EPCG) Scheme

The EPCG Scheme allows import of new capital goods for pre-production, production and post production (including completely knocked down (CKD)/semi knocked down (SKD) form thereof as well as computer software systems) at 5 per cent customs duty, subject to an export obligation equivalent to 8 times c.i.f. value of capital goods to be fulfilled over a period of 8 years, which is reckoned from the date of issuance of licence.

The following changes have been announced with respect to the EPCG Scheme.

(i) The scheme would now allow import of capital goods for preproduction and post-production facilities also.
(ii) The export obligation under the scheme would now be linked to the duty saved and would be eight times the duty saved instead of five times announced in the EXIM Policy for 2002-2007.
(iii) To facilitate upgradation of existing plant and machinery, import of spares would also be allowed under the scheme.
(iv) To promote higher value addition in exports, the existing condition of imposing an additional export obligation of 50 per cent for products in the higher product chain would be done away with.
(v) Greater flexibility would be given for fulfillment of export obligation under the scheme by allowing export of any other product manufactured by the exporter. This would take care of the dynamics of international market.
(vi) Imports of capital goods up to 10 years old would also be allowed under the scheme.
(vii) To facilitate diversification into the software sector, existing manufacturer exporters would be allowed to fulfill export obligation arising out of import of capital goods under the scheme for setting up of software units through export of manufactured goods of the same company.
(viii) Royalty payments received from abroad and testing charges received in free foreign exchange would be counted for discharge of export obligation under the EPCG scheme.

(d) Export Oriented Units (EOUs)/ Electronics Hardware Technology Parks (EHTPs) /Software Technology Parks (STPs)

Units undertaking to export their entire production of goods and services, except permissible sales in the domestic tariff area (DTA), can be set up under the EOU/EHTP/STP Schemes for manufacture of goods, including repair, remaking, reconditioning, re-engineering and rendering of services.

The EXIM Policy for 2003-04 has announced a series of benefits for units in the EOUs/ EHTPs/STPs, which are given below.

EOU Scheme

(i) Agriculture/horticulture processing EOUs would be allowed to provide inputs and equipments to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promoting agro exports.
(ii) EOUs are required to be only net positive foreign exchange earner and there would be no export performance requirement.
(iii) Foreign bound passengers would be allowed to take goods from EOUs to promote trade, tourism and exports.
(iv) The value of capital goods imported by EOUs would be amortised uniformly over 10 years.
(v) The time limit for utilisation of raw materials prescribed for EOUs has been increased from 1 year to 3 years.
(vi) Gems and jewellery EOUs would be permitted sub-contracting in DTA.
(vii) Wastage for subcontracting/ exchange by gems and jewellery units in transactions between EOUs and DTA would be allowed as per norms.
(viii) Export/import of all products through post parcel/courier by EOUs would be allowed.
(ix) EOUs would be allowed to sell all products including gems and jewellery through exhibitions and duty free shops or shops set up abroad
(x) Gems and jewellery EOUs would be entitled to advance domestic sales.

EHTP/STP Scheme

(i) To give a boost to electronic hardware industry, supplies of all 217 ITA-1 items from EHTP units to DTA would qualify for fulfillment of export obligation.
(ii) To promote growth of exports in embedded software, hardware would be admissible for duty free import for testing and development purposes. Hardware up to a value of US $ 10,000 would be allowed to be disposed off, subject to Software Technology Park India (STPI) certification.
(iii) 100 per cent depreciation would be available over a period of 3 years to computer and computer peripherals for units in EOU/ EHTP/STP/SEZ.

Section IV
Performance of Export Promotion Schemes

Performance of some of the export promotion and market diversification schemes introduced by the Government from time to time, are briefly reviewed below.[2]

(i) EOUs Scheme

The EOUs Scheme was introduced in early 1981 and is complementary to the EPZs scheme. The scheme offers a wider option in location with reference to factors like sources of raw materials, ports of exports, hinterland facilities, availability of technological skills, existence of an industrial base, and the need for a large area of land for the project.

Over the last decade, EOUs have had an increasing role in the country's export efforts. As of March 31, 2002 there were 1,624 functional EOUs. The EOUs have grown consistently at double digit level, and recorded a growth of about 18 per cent during the year 2001-02. Their share in the manufactured exports of the country have almost doubled from 5 per cent in 1991-92 to 11 per cent in 2001-02. Exports have grown from Rs.8,729 crore in 1996-97 to Rs.15, 912 crore in 2000-01 posting double digit growth rates for all the years. Sector-wise analysis of performance reveals that of the total EOU export contribution of Rs.15,912 crore in 2000-01, the highest share was from units engaged in textiles, garments and yarn (41.1 per cent) followed by electronics and software (15.9 per cent), foods, agriculture and forest products (13.5 per cent) and chemicals, plastic and allied products (8.1 per cent).

(ii) Special Economic Zones

The SEZs scheme was introduced in March 2000. As on September 30 2002, there were 666 units in operation in the 8 functional SEZs. The SEZ units provide employment to about 86,646 persons out of which 32,135 are females. The exports of the eight SEZs have increased from Rs.8,552 crore in 2000-01 to Rs.9,190 crore in 2001-02 and Rs.7,449 crore in 2002-03 (up to December 2002). The largest share in exports through SEZs is through the SEEPZ-SEZ (64 per cent in April-December 2002). The existing 8 EPZs were converted into SEZs and 17 more SEZs have been approved. The SEZ at Indore is expected to be commissioned shortly.

Although the SEZ scheme was announced in March 2000, the scheme has not taken off to the extent expected. As yet not a single new SEZ has been commissioned. Most of the areas where the SEZs are to be set up suffer from lack of proper infrastructure facilities. Hence, the EXIM Policy for this year has announced that concerted efforts would be taken to provide facilities which would be at par with those available internationally.

(iii)Focus Latin American Countries (LAC) Programme

The "Focus LAC" programme was launched in November 1997 by the Government of India, in order to significantly enhance India's trade with the Latin American region. The programme has been extended up to March 2003. The main objective is to increase interaction between the two regions by identifying areas of bilateral trade and investments. The programme aims to focus on the Latin American region with added emphasis on eight major trading partners, *viz.,* Argentina, Brazil, Chile, Colombia, Mexico, Peru, Trinidad and Tabago and Venezuela.

India's exports to the region, which was insignificant in the earlier years, have grown at a rapid pace during the 1990s. India's exports to the region have increased nearly twelve times in ten years from 1991-92 to 2001-02 from US $ 124 million to US $ 1,456 million. The percentage share of India's exports to this region has also shown an increasing trend from 0.7 per cent in 1991-92 to 2.0 per cent in 1997-98 and further to 3.3 per cent in 2001-02. Despite these developments, India's exports constitute a minuscule share (0.25 per cent) of the total imports of more than US $ 388 billion of the Latin American region.

Within the LAC region, Mexico, Brazil, Argentina, Chile, Colombia, Peru, Venezuela and Trinidad and Tobago are the major trading partners constituting around 90 per cent of the India's total trade with the region. India's important items of export to this region are textiles and readymade garments, engineering goods such as bicycles and components thereof, mopeds, diesel engines, automotive components, hand tools, chemical and allied items like fine chemicals, dye and dye intermediates, tyres and tubes and rubber gloves. The main focus for enhancing India's exports to the Latin American region is on:

(i) Textiles including readymade garments, carpets & handicrafts;
(ii) Engineering products including computer software; and
(iii) Chemical products including drugs/pharmaceuticals.

Imports from LAC, on an average, accounted for around 1.7 per cent of India's total imports during 1991-92 to 2001-02, with not much fluctuation over the period. India has considerable scope for further increasing imports of items like metaliferrous ores and metal scraps, non-ferrous metals, other crude minerals, chemicals, plastic materials and project goods from the Latin American countries.

(iv) Focus Africa Programme

As a part of the market diversification efforts, "Focus Africa" scheme was launched with effect from March 31,2002 to tap the potential for trade with Sub-Saharan African region. The first phase of the scheme covered seven countries. As mentioned in Section II, the EXIM Policy for 2003-04 has announced that the scheme is being extended to the remaining 11 countries of the Region where India has diplomatic Missions.

The trade between India and Sub-Saharan Africa has grown from US $ 893 million during 1991-92 to US $ 3,390 million during 2000-2001, registering an increase of more than 280 per cent in nine years.

India's exports to Sub-Saharan African countries have grown at a rapid pace during the 1990s. The percentage share of this region in India's total exports has shown an increasing trend, from 2.4 per cent during 1991-92 to 4.1 per cent during 2000-01. The important items of export to this region are: cotton yarn, fabrics, made ups etc; drugs, pharmaceuticals and fine chemicals; machinery and instruments; manufactures of metals; RMG cotton including accessories; transport equipment; rice (other than basmati); primary and semi finished iron and steel. The programme aims to focus on the following major product groups for enhancing India's exports to the Sub Saharan African Region:

(i) Cotton yarn, Fabrics and other textile items;

(ii) Drugs & Pharmaceuticals;
(iii) Machinery & Instruments;
(iv) Transport equipment; and
(v) Telecom and Information Technology.

India's imports from Sub-Saharan African region have increased from US $ 458 million during 1991-92 to US $ 5,517 million during 1999-2000, but declined thereafter to US $ 1,581 million during 2000-01. India's major imports from the region are: petroleum, crude and products; gold and silver; pearls, precious and semi-precious stones; inorganic chemicals; coal, coke and briquettes, *etc.*; wood and wood products; cotton raw and waste; cashew nuts; iron and steel and fertilisers crude.

Special emphasis is given to the major trading partners, *viz,*. Nigeria, South Africa, Mauritius, Kenya, Ethiopia, Tanzania and Ghana which constitute around 69 per cent of India's total bilateral trade with the Sub-Saharan Africa during 2000-01. Despite the high export growth rates and increasing share of the region in India's total exports, India's exports constitute only a miniscule share in the total imports of the region.

*** Prepared in the Division of International Trade of the Department of Economic Analysis and Policy.**

[1] For details please refer to: (1) Export and Import Policy 2003-2004 and (2) Handbook of Procedures (Volume I) – 2003-04, published by the Ministry of Commerce and Industry, Department of Commerce, Government of India. In addition, reference may be made to the Article on Export and Import Policy: 2002-2007 published in RBI Bulletin, August 2002.

[2] The information given here is culled from various press releases and the web-sites of the Department of Commerce and Industry.