

REVISED EXPORT AND IMPORT POLICY 1997-2002*

The revised Export and Import (EXIM) Policy 1997-2002 was announced by the Government of India on April 13, 1998 and the changes have come into effect from the same day. The revised EXIM Policy is in the context of the recent slowdown in India's export performance, and has accordingly focused on improvement of export competitiveness.

The revised EXIM Policy 1997-2002 aims at furthering India's move towards a liberalised trade regime. Nearly 340 restricted import items have been shifted from the Restricted List to the Open General List. There are also proposals to shift certain items from the Restricted List to the Special Import Licence List. Quantitative restrictions and licensing requirements for some of the export items have also been relaxed.

In order to neutralise the effects of indirect tax on exports, the Duty Exemption Pass Book (DEPB) rates would now include special customs duty over and above the basic customs duty. The emphasis of the current policy revision has been to move towards a trust-based system whereby issuance of advance licences to all status holders have been made automatic on the basis of information furnished by them. Exporters of agricultural and allied products, gems and jewellery, electronics and software, project goods, pharmaceutical products

and holders of internationally recognised quality standards have received special incentives in various forms. The threshold limit for Export Promotion Capital Goods (EPCG), export and various trading houses have been reduced.

The EXIM Policy 1997-2002 has tried to simplify the rules and procedures governing India's foreign trade. To this end, various measures have been initiated to delegate powers to the decentralised authorities in issuing and modifying licences and other incentive schemes. Exporters and importers have also been given greater autonomies in complying with operational requirements and procedures.

Steps have been taken in the Policy to improve infrastructural facilities as well. Special incentives have been extended for the setting up and functioning of private bonded warehouses for both imports and exports. Time bound programmes have been framed for computerisation of Directorate General of Foreign Trade (DGFT) offices and interlinking of major offices of DGFT with the customs. This would facilitate Electronic Data Interchange (EDI).

Major features of the revised EXIM Policy 1997-2002 and its differences with the earlier policy framework have been presented in the following table.

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

Major Features of the Revised EXIM Policy 1997-2002

Scheme/Procedure	Features Prior to the Current Revision	Features Effected through the Current Revision
Duty Exemption Scheme		
Credit Rates under Duty Exemption Pass Book (DEPB) Scheme	DEPB rates were calculated on the basic customs duties only.	Special custom duty would also be taken into account for calculating these rates.
Advance Licences with Actual User Condition	Required minimum value addition of 33 per cent.	Value addition has to be positive.
Duty Exemption under Advance Licences with Actual User Condition	Such licences issued to manufacturer / merchant exporters were exempted from payment of customs duty.	Such licences issued to manufacturer / merchant exporters have been exempted from payment of customs duty and anti dumping duty.
Advance Licences to Export Houses and Different forms of Trading Houses	Issuance of such licenses were not automatic.	Issuance of such licenses have been made automatic and deficiencies, if any, would be required to be complied with after issuance of the licence.
Limits for Import of Mandatory Spare	Not exceeding 5 per cent of the cif value of the licence.	Not exceeding 10 per cent of the cif value of the licence.
Limits Related to DEPB Scheme	Time limit for filing DEPB claim was 90 days.	Time limit for filing DEPB claim raised to 180 days.
	A maximum of 10 shipping bills could be submitted per application for post-export DEPB Scheme.	The maximum number of shipping bills per application for post-export DEPB Scheme raised to 25.
Export Promotion Capital Goods (EPCG) Scheme		
Threshold Limit for Zero Duty Scheme	Rs. 20 crore or more for electronics, garments, leather, gems and jewellery,	Rs. 1 crore or more.

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Major Features of the Revised EXIM Policy 1997-2002 (Continued)

Scheme/Procedure	Features Prior to the Current Revision	Features Effected through the Current Revision
Threshold Limit for Zero Duty Scheme (continued)	sports goods and food processing sectors.	
	Rs. 5 crore or more for agriculture and allied sectors.	Rs. 1 crore or more.
	Rs. 20 crore or more for software sector.	Rs. 10 lakh or more.
Fulfilment of Obligation under EPCG Licence	Such obligations could be fulfilled only by export of goods manufactured or processed by the use of the capital goods imported under the Scheme.	Over and above the earlier Scheme, exporters can fulfill the obligation through the export of goods produced through further processing to add value on the goods so manufactured. However, in such cases the export obligation would stand enhanced by 50 per cent.
Import of Jigs, Fixtures, Dies and Moulds under EPCG Scheme	Such imports had to be either exported back or could be retained on payment of duty.	Such goods imported under EPCG Scheme can be retained by exporters without paying the duty.
Fluctuation of CIF Value of Goods imported under Zero Duty EPCG Scheme	For any variation in the value of such imports from the licenced amount, exporters had to approach the DGFT for corresponding change in export obligation.	There would be automatic approval with corresponding change in export obligation if such fluctuations are up to 10 per cent of the licenced value.
Export Oriented Units (EOUs) / Export Processing Zones (EPZs)		
Net Foreign Exchange Earning for Agricultural and Allied Sector EOU / EPZ Units	Minimum net foreign exchange earning had to be 20 per cent.	Minimum net foreign exchange earning has to be positive.

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Major Features of the Revised EXIM Policy 1997-2002 (Continued)

Scheme/Procedure	Features Prior to the Current Revision	Features Effected through the Current Revision
Permissible Sale in the Domestic Tariff Area (DTA)	If net foreign exchange earnings as a percentage of exports was less than 15 per cent then DTA sale was not allowed.	If net foreign exchange earnings as a percentage of exports becomes less than 10 per cent then DTA sale would not be allowed.
Depreciation Limit	70 per cent.	90 per cent over a period of 5 years for electronic goods and 8 years in other goods.
Export House (EH)/ Trading House (TH)/ Star Trading House (STH) / Super Star Trading House (SSTH)		
Threshold Limits	Such limits on the basis of average FOB value of exports made during preceding three licensing years were as follows:	These limits have been revised downwards in the following way:
	EH - 20 crore TH - 100 crore STH - 500 crore SSTH - 1,500 crore	EH - 12.5 crore TH - 62.5 crore STH - 312.5 crore SSTH - 925 crore.
		There have been reductions in threshold limits defined by other criterion as well.
Exports Made in Indian Rupees	No specific provision.	These exports along with exports in free foreign exchange would be taken into account for the purpose of recognition.
Double Weightage for Project Exports	No such scheme.	Double weightage in terms of value would be given to project exports.

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Major Features of the Revised EXIM Policy 1997-2002 (Continued)

Scheme/Procedure	Features Prior to the Current Revision	Features Effected through the Current Revision
Import Procedures		
Import of Trimming and Embellishments in Passenger's Baggage by Exporters	This was not allowed earlier without a licence.	Exporters can import trimming and embellishments in passenger baggage without a licence.
Re-import of Goods Repaired Abroad	This was subject to the satisfaction of the customs authority.	Such clauses have been removed.
Import of Machinery and Equipments Used in Projects Abroad	Such items and accessories up to 15 percent of their cif value could be imported without a licence by the project contractors after the completion of the project.	The limit has been increased to 20 per cent of their cif value.
Gems and Jewellery		
Wastage Norms	These were linked to value addition norms.	Wastage norms have been delinked from value addition norms.
Replenishment Licensing Scheme	These Schemes were confined to gold jewellery.	Such Schemes have been extended to silver and platinum jewellery as well.
Eligibility for Bulk Licences for Overseas Companies with Branch Offices in India	No such provision.	Any overseas company with its branch office in India whose annual average turnover in diamonds during the preceding three licensing years is not less than Rs. 150 crore are eligible for such licences.

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Major Features of the Revised EXIM Policy 1997-2002 (Continued)

Scheme/Procedure	Features Prior to the Current Revision	Features Effected through the Current Revision
Value Addition Norms	Minimum value addition for different categories ranged between 10 per cent to 25 per cent.	Value addition norms have been revised on the basis of input output analysis and minimum value addition for different categories would range between 3 per cent to 15 per cent.
Electronic Sector		
SIL entitlement to the Licence Holders under DEPB	15 per cent of net foreign exchange earnings.	25 per cent of net foreign exchange earnings.
Setting up of Private Bonded Warehouses		
For Imports	Permitted to import goods which were importable either freely or under SILs for supply against SIL, whenever required.	Permitted to import even certain Negative List items for supply against specific licences, whenever required.
For Exports	No such scheme.	The supplies made by domestic suppliers to these bonded warehouses against payments in foreign exchange would be treated as physical exports.
Movement of Export Consignments		
	No specific provision.	Consignments of items allowed for exports would not be withheld/delayed by any agency of the central/state government. In case of any doubt, the authorities concerned may ask for an undertaking from the exporter.

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Major Features of the Revised EXIM Policy 1997-2002 (Concluded)

Scheme/Procedure	Features Prior to the Current Revision	Features Effected through the Current Revision
Authority to Issue and Modify Terms of Licences	The power to issue licences and modify their terms were in many cases confined to the centralised authorities.	The power to issue almost all types of export / import licences and authority to modify their terms have been decentralised.
Quality Standards	SIL were rewarded to manufacturers/processors who acquired ISO 9000 (series) or IS/ISO 9000 (series) quality standards. This, however, did not include on-site consultancy services.	Such rewards have been extended to the holders of WHO-GMP, HACCP and ISO-14000 certificate holders. These Schemes would also cover on-site consultancy services.