

Focus on T&C under Foreign Trade Policy (FTP) 2009-14 (Part-II)



By: Ajay Kumar

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Introduction

Under the third annual supplement announced on 5th June 12, the government has again broadened some of the ongoing policy supports.

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Diversification of Indian Exports with more products and markets

Foreign Trade Policy 2009-14, that is effective since 27th August 2009 and subsequent supplements have endeavoured to diversify products and markets through various incentive schemes. The enhancement of incentive rates have been notified in various annual supplements. The incentives structures have been based on the perceived long term competitive advantage of India in a particular product group and market. New emerging markets have been given a special focus to enable competitive exports. Additional resources have been made available under the Market Development Assistance Scheme and Market Access Initiative Scheme. Following are major schemes, helping the products and markets diversification objectives:

Focus Market Scheme (FMS) – FMS is to offset high freight cost and other externalities to selected (some) international markets with a view to enhance India's export competitiveness in these countries. Under FMS, there are categorizations of exports market into three categories. First category called '**Focus Market**' has 83 countries where majority are small and from Latin America and Africa. Second category is called '**New Focus Market (NFM)**'. There are now 36 countries under NFM. Third category is called "**Special Focus Market (SPF)**". SPF with 41 countries was first time notified in foreign trade policy on 13rd October 2011. In new supplement on 5th June 2012, seven (7) more countries have been added under SFP, that is, now under SFP have 48 countries. Exporters of all products to countries under '**Focus Market**' and '**New Focus Market**' that is, in all 119 countries are entitled for Duty Credit Scrip equivalent to 3% of FOB value of exports. Exports of products to countries under '**Special Focus Market**' are entitled for additional Duty Credit scrip @ 1% of FOB value of exports. The textiles and clothing exports to all 48 countries (though mostly from Latin American and African countries) shall be getting some respite with these effective 4% duty credit scrips as it incurs high freight cost and other external costs in these destinations.

Table 1: Focus Markets			Table 2: New Focus Markets		
					Belize
1	Albania	43	1	Puerto Rico	7
2	Angola	44	2	Costa Rica	8
					Cameroon
					Chile

3	Argentina	45	Liberia	3	Panama	9	Colombia	
4	Armenia	46	Libya	4	Bahamas	10	Congo D. Rep.	
5	Azerbaijan	47	Macedonia	5	Nicaragua	11	Congo P Rep	
6	Belarus	48	Madagascar	6	Haiti	12	Costa Rica	
7	Benin	49	Malawi	7	Barbados	13	Cote D' Ivoire	
8	Bolivia	50	Mali	8	Suriname	14	Cuba	
9	Bosnia-Hrzig	51	Mauritania	9	Belize	15	Ecuador	
10	Botswana	52	Mauritius	10	Antigua	16	El Salvador	
11	Burkina Faso	53	Moldova	11	St. Lucia	17	Ethiopia	
12	Burundi	54	Mongolia	12	Guyana	18	Gabon	
13	Cameroon	55	Morocco	13	Grenada	19	Gambia	
14	Canary Is	56	Mozambique	14	St. Kitts And Nevis	20	Ghana	
15	Cape Verde Is	57	Namibia	15	St. Vincent	21	Guatemala	
16	Central African Rp	58	Niger	16	Dominica	22	Haiti	
17	Chad	59	Paraguay	17	Fiji Is	23	Honduras	
18	Chile	60	Peru	18	Kiribati Rep	24	Kazakhstan	
19	Colombia	61	Reunion	19	Nauru Rp	25	Kyrgyz Republic	
20	Comoros	62	Rwanda	20	Papua New Guinea	26	Liberia	
21	Congo D. Rep.	63	Saharwi AD Rp	21	Solomon Island	27	Madagascar	
22	Congo P Rep	64	Sao Tome	22	Tonga	28	Malawi	
23	Cote D' Ivoire	65	Senegal	23	Tuvalu	29	Mali	
24	Croatia	66	Serbia	24	Vanuatu Rep	30	Mexico	
25	Djibouti	67	Seychelles	25	Samoa	31	Morocco	
26	Dominican Rep	68	Sierra Leone	26	Laos (Lao Pd Rep)	32	Namibia	
27	Ecuador	69	Somalia	27	Timor Leste	33	Nicaragua	
28	El Salvador	70	St Helena	28	Cuba	34	Panama	
29	Equatorial Guinea	71	Sudan	29	Mexico	35	Paraguay	
30	Eritrea	72	Swaziland	30	Algeria	36	Peru	
31	Ethiopia	73	Tajikistan	31	Aruba	37	Rwanda	
32	French South & Antartic Terr	74	Togo	32	Austria	38	Senegal	
33	Gabon	75	Trinidad And Tobago	33	Cambodia	39	Sierra Leone	
34	Gambia	76	Tunisia	34	Myanmar	40	Sudan	
35	Georgia	77	Turkmenistan	35	Netherland Antilles	41	Tajikistan	
36	Ghana	78	Uganda	36	Ukraine	42	Tunisia	
37	Guatemala	79	Uruguay	Table-3 Special Focus Market Scheme			43	Uganda
38	Guinea	80	Uzbekistan	1	Angola	44	Uruguay	
39	Guinea Bissau	81	Venezuela	2	Argentina	45	Uruguay	

40	Honduras	82	Zambia	3	Armenia	46	Uzbekistan
41	Jamaica	83	Zimbabwe	4	Azerbaijan	47	Zambia
42	Kazakhstan			5	Belarus	48	Zimbabwe

Focus Product Scheme (FPS) – FPS is to promote export of products which have high export intensity / employment potential. FPS also offset some of infrastructural inefficiencies and other associated costs involved in marketing of these products. There have been categorisations of various products/product groups under ‘**Focus Products**’, ‘**Special Focus Products**’, ‘**New Focus Products**’, ‘**New Special Focus Products**’ and ‘**Focus Products/Sectors-Bonus Benefits**’ categories. The products under all these categories are entitled for Duty Credit Scrip (DCS) equivalent to 2 % or 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards. Certain focus product(s)/sector(s) listed in these categories have been granted bonus benefit in the form of an additional DSC equivalent to 2% of FOB value of exports over and above the existing rate for that product/sector. There were five hundred forty nine (549) products/product groups under these categories and administered under FPS. One hundred and ten (110) products/product groups have been added to the FPS list through annual supplement of foreign trade policy on 5th June 2012. FPS list has now 653 products/product groups, whose exports to all countries are entitled for duty credit scrip of 2% or 5%. Those products that fall under bonus benefits of 2% along the FPS benefits shall have 4% or 7% duty credit scrip.

Textile and clothing (T&C) products fall under high export intensity/employment potential. Hence, maximum products/product groups from T&C sector could be benefited by FPS and would lead to increase in export share of Indian goods in global merchandise trade. However, only 97 products /product groups belonging from T&C have been selected out of 653, that is, 15% under FPS list of products. Disappointment is with chapter-51, that is, Wool, Fine or Coarse Animal Hair, Horsehair Yarn and Woven Fabric products as none of products from this chapter have been cover under FPS. Similar case is with chapter-55, that is, for man-made staple fibres.

T&C products/product groups under various Focus Products Schemes (FPS)				
Chpt	ITC (HS) Code	Description	Rate	Remark
	Handloom Products*	All Handloom Products covered under HS Codes 50079010, 51129050, 52083121, 52084121, 52084921, 52085920, 52091111, 52091112, 52091114, 52091119, 52095111, 57024230, 57050024, 57050042, 58021950, 62141030, 62160020, 63022110, 63025110, 63026010, 63029110, 63041940, 63049211, 63049221, 63049231, 63049241, 63049281, 63049291, 63049991, 63049992 and 63071030 will be entitled for benefit under the Scheme.	2%	
50	5001	Silk-Worm Cocoons Suitable For Reeling	2%	2% bonus
50	5002	Raw Silk (Not Thrown)	2%	2% bonus
50	5004	Silk Yarns (Other Than Yarn Spun From Silk Waste) Nt Put Up For Retail Sale	2%	2% bonus
50	5005	Yarn Spun From Silk Waste Nt Put Up Fr Retal Sle	2%	2% bonus

50	5006	Silk Yarn & Yarn Spun From Silk Waste Put Up For Retail Sale, Silk-Worm Gut	2%	2% bonus
50	5007	Woven Fabrics Of Silk Or Silk Waste	2%	2% bonus
50	50072090	Items Othr Thn Sarees Contng >85% By Wt Of Slk Etc	2%	
52	5212	Woven Cotton Fabrics	2%	
52	520831	Cotn Fabrics Contng >=85%By Wt Of Cotn Dyed Plain Weave Weing<=100 G/M2	2%	
52	520832	Cotn Fabrics Contng>=85% By Wt Of Cotn Dyed,Plain Weave Weighng >=100 G/M2	2%	
52	520931	Dyed Plain Weave Cotton Fabrics Weghng More Than 200 Gm Per Sqm	2%	
52	520932	Dyed ¾ Thread Twill Includng Cross Twill Cotton Fabrics Weighng>200 Gm Per Sqm	2%	
53	53051110	Coir Bristle Fibre	2%	
53	53051120	Coir Mattressfibre	2%	
53	53051130	Curled / Machine Twisted Coir Fibre	2%	
53	53051140	Coir Ptih Processed In Value Forms Like Briquette / Coins / Neo Discs / Growbags Etc. And In Loose Form For Use As Nutritious Growing Medium And Horticulture And Agriculture.	2%	
53	53051190	Other: Fibre Produced From Coconut Husk By Mechanical / Manual Process	2%	
53	53081010	Coir Yarn – Baled	2%	
53	53081090	Coir Yarn – Other	2%	
53	53110029	Others: Woven Geotextiles Of Coir	2%	
53	53079010	Coir, Cordages & Ropes, Other Than Of Cotton	2%	
53	5309	Woven Fabrics Of Flax	2%	
53	53109020	Decorte Fbrcs Of Jute	2%	
53	53089090	Sisal Yarn (Other Yarn)	2%	
54	5407	Technical Textiles – Woven Fabrics Of Synthetic Filament Yarn	2%	
56	5603	Nonwovns,W/N Imprgntd,Coatd,Covrd/Lamintd	2%	
56	560410	Rubber Thread And Cord,Textile Covered	2%	
56	56090010	Products Of Coir, Not Elsewhere Specified Or Included – Coir Garden Articles, Braids, Bags, Pots Etc.	2%	
56	56071010	Cordage,Cable,Rope And Twine Of Jute	2%	
56	56072900	Othr Twine,Rope Etc Of Sisal Or Other Textile Fibres Of The Genus Agave	2%	
56	56073000	Manila Rope / Yarn/ Twine	2%	
56	560750	Twine,Cordage,Cables Of Other Synthetic Fiber	2%	
56	56079010	Coir, Cordage And Ropes Othr Than Cotton (Jute)	2%	
56	560811	Made Up Fishing Nets Of Man-Made Txtl Matrcls	2%	
56	56081900	All Types Of Nettings Including Fishing Nets Made Of Synthetic Rope/Twine	2%	
56	56090090	All Types Of Rope Articles Made Of Rope/Twine	2%	
57	57	All Handmade Carpets And Other Textile Floor Coverings, Covered Under Chapter 57 Of Itc (Hs) Code Book, Whether Or Not Made Ups. Note: The	5%	

		Expression 'Handmade' Would Include Hand-Made, Hand-Knotted, Hand-Tufted And Hand-Woven.		
57	57	Silk Carpets Descriptions Covered By Sr No. 11 Of Table 2 Of Appendix 37D (I.E. Silk Carpets Covered By Codes 57023920, 57024920, 57025032, 57029920 and 57050011).	2%	2% bonus
57	57	All Handmade Carpets And Other Textile Floor Coverings Covered Under Chapter 57, Whether Or Not Made Ups.	2%	2% bonus
58	58079010	Labels Badges And Similar Articles Of Felt Or Non-Woven	2%	
58	58043000	Hand Made Lace	2%	
58	58050010	Hand Woven Tapestries Hand Made Or Needle Worked By Hand, Of Cotton – Embroidery	5%	
58	58081090	Braids, In Pcs Other Than Of Cotton	2%	
58	5810	Embroidery Fabrics	2%	
58	58101000	Embroidery In The Piece, In Strips Or In Motifs – Embroidery Without Visible Ground	5%	
58	58109210	Embroidery Badges, Motifs And The Like	5%	
58	58110010	Kantha – Embroidery	5%	
58	58110020	Quilt Wadding – Embroidery	5%	
59	59029010	Tyre Cord Fabric Of High Tenacity Yarn – Others: Impregnated With Rubber	2%	2% bonus
59	59029090	Tyre Cord Fabric Of High Tenacity Yarn – Other: Other	2%	2% bonus
59	5903	Textile Fabrics Imprgntd,Coatd, Cvrld/Lamntd Wth Plastics Excl Those Of Hdg No. 5902	2%	
59	59061000	Adhesive Tape Of A Width Not Excdg 20 Cm.	2%	
59	590699	Other Rubberised Textile Fabrics	2%	
59	5908	Txtl Wicks,Woven,Plaited/Knitted,For Lampsstoves,Lighters,Candles Etc;Incandescent Gas Mantles Etc,W/N Impregnated	2%	
59	5909	Textile Hosepiping & Smlr Txtl Tubing Wth/Without Lining Armor/Accsrs Of Othr Matrls	2%	
59	5910	Trnsmsn/Convyr Blts/Bltnng Of Txtl Matrl Wh/Nt Imprgntd Cotd,Covrd/Lamntd Wth Plstcor Rinfrcd Wth Mtl/Othr Matrl	2%	
60	60062400	100% Cotton Knitted Or Crocheted Fabrics	2%	
60	60063100	Knitted Or Crocheted Fabrics Of Synthetic Fibers Unbleched And Bleched	2%	
60	60063200	Knitted Or Crocheted Fabrics Of Syunthetic Fibers Dyed	2%	
60	60064100	Knitted Or Crocheted Fabrics Of Artificial Fibres Unbleched And Bleched	2%	
60	60064200	Knitted Or Crocheted Fabrics Of Artificial Fibres Dyed	2%	
60	60064300	Knitted Or Crocheted Fabrics Of Artificial Fibres Dyed	2%	
61	61043100	Ensambls Of Wool Or Fine Animal Hair – Crocheted	5%	
61	61171010	Shawls Of Silk	5%	
61	61171040	Shawls Of Manmade Fiber	5%	
61	61171020	Shawls Of Wool	5%	
62	62149060	Viscose Shawls	2%	

62	62141020	Shawls (Exceeding 60 Cm) And The Like-Handprinted	5%	
62	62142010	Shawls Of Wool Or Fine Animal Hair – Handprinted	5%	
63	63021010	Bed Linen, Kntd/Crchtd Of Cotton	2%	
63	63024030	Table Linen Of Cotn, Hand Kntd/Crochetd	2%	
63	63026000	Toilet linen and kitchen linen, of terry owelling or similar terry fabric, of cotton.	2%	
63	63026090		2%	
63	63029100	Toilet Linen And Kitchen Linen Of Cotton (Excl Of Terry Fabrics, Floor Cloths)	2%	
63	63029900	Toilet linen and kitchen linen, of other textiles materials.	2%	
63	63039100	Curtains And Interior Blinds Of Cotton Not Knitted Or Crocheted.	2%	
63	63039290	Curtains And Interior Blinds Of Synthetic Fibre Not Knitted Or Crocheted.	2%	
63	63039990	Curtains And Interior Blinds Not Of Cotton Or Synthetic Fibre Not Knitted Or Crocheted.	2%	
63	63041910	Bed Sheets & Bed Covers Of Cotton	2%	
63	63041940	Bed Sheets And Bed Covers Of Cotton Handloom	2%	
63	63049190	Hand Knitted/ Hand Crochtted/ Embroidered Articles Covered By Hs Code 63049190	2%	
63	63049200	Other : Furnishing Articles Of Cotton Not Knitted Or Crocheted.	2%	
63	63049200	Articles For Interior Furnishing Of Cotton	2%	
63	63049220	Napkins Of Cotn, Ntkntd/Crchtd	2%	
63	63049230	Pillow Case & Slip Of Cotn, Ntkntd/Crchtd	2%	
63	63049240	Table Cloth & Cover Of Cotn, Ntkntd/Crchtd	2%	
63	63049241	Table Cloth And Table Cover, Millmade	2%	
63	63049260	Towel Orht Than Terry Of Cotn, Ntknd/Crcht	2%	
63	63049280	Cushion Covers Of Cotn, Ntkntd/Crchtd	2%	
63	63049281	Cushion Covers, Handloom, Hand Printed	2%	
63	63061200	Tarpaulins, Awnings & Sunblinds Of Synthetic Fibres	2%	
63	63062200	Tents Of Synthetic Fibres	2%	
63	63063100	Sails Of Synthetic Fibres	2%	
63	63071010	Floor Cloth, Piece Cloths, Dusters	2%	
63	63071090	Floor Clothes And Similar Clearing Clothes Not Knitted Or Crocheted.	2%	
63	63071090	Floor Cloths, Dish Cloths, Dusters And Similar Cleaning Cloths, Of All Types Of Textile Material	2%	
63	63079020	Made Ups Artcls Of Cotton	2%	

*Note: This benefit can be availed by exporters registered with Handlooms Export Promotion Council (HEPC).
Source: Author's tabulation from various notifications and Tables 1 to 7 of Appendix 37D of FTP 2009-14.

Market Linked Focus Products Scrip (MLFPS) is additional category under FPS where export of product/sectors of high export intensity/ employment potential (which are not covered under present FPS List) are being incentivized at the rate of 2 % of FOB value of exports under FPS when exported to the Linked Markets (countries), which are

not covered in the present FMS list. Forty Six (46) new items have been added to MLFPS list under new supplement of foreign trade policy. Hence, there are now 181 products/product groups under this list. Out of 181, there are 13 products/product groups from T&C. Cotton woven fabrics, Synthetic textiles fabrics, all kind of knitted or crocheted fabrics (from chapter-60), made-ups (of chapter-63), knitted garments (of chapter-61) and woven garments (of chapter-62) are group products from T&C that have been covered under MLFPS. Notably, MLFPS has been extended till 31st March 2013 for export to USA and EU-27 in respect of items falling in knitted garments (Chapter 61) and woven garments (Chapter 62). The extension of MLFPS for apparel exports to the US and the EU would help to increase the competitiveness of exporters in these regions. The induction of woven cotton fabrics (corresponding to HS code- 5208 to 5212) for Bangladesh, Sri Lanka and Turkey could provide some competitiveness over China's imports of same in these countries. The loss to Zero duty access for garment exports guaranteed to Sri Lanka and Bangladesh by India could be offset by increasing the exports of fabrics to some extent.

T&C products /product groups under Market Linked Focus Products (MLFPS)		
Description	ITC Code (HS)	Countries
Cotton Woven Fabrics	5208 to 5212	Algeria, Egypt, Kenya, Nigeria, Tanzania, South Africa, Ukraine, Mexico, Brazil, Australia, New Zealand, Cambodia, Vietnam, China and Japan
Cotton Woven Fabrics	5208 to 5212	Bangladesh, Sri Lanka, Turkey
Synthetic Textiles Fabrics	5512 to 5516	Algeria, Brazil, Egypt, Kenya, Mexico, Nigeria, South Africa, Tanzania, Ukraine, Australia, New Zealand, Cambodia and Vietnam
Other Woven Fabrics	58062000	Algeria, Egypt, Kenya, Nigeria, Tanzania, South Africa, Ukraine, Mexico, Brazil, Australia, New Zealand, Cambodia, Vietnam, China and Japan
All Items covered under Chapter 60	60	Algeria, Brazil, Egypt, Kenya, Mexico, Nigeria, South Africa, Tanzania, Ukraine, Japan, Australia, New Zealand, Cambodia and Vietnam
All products under Chapter 61	61	Algeria, Australia, Brazil, Egypt, Kenya, Japan, Mexico, Nigeria, South, Africa, Tanzania, Ukraine, New Zealand, Cambodia and Vietnam
All products under Chapter 62	62	Algeria, Australia, Brazil, Egypt, Kenya, Japan, Mexico, Nigeria, South, Africa, Tanzania, Ukraine, New Zealand, Cambodia and Vietnam
Apparels Readymade Garments) (i.e.)	61 & 62	USA till 31.03.2013
Apparels Readymade Garments) (i.e.)	61 & 62	EU-27 till 31.03.2013
All Items covered under Chapter 63	63	Algeria, Brazil, Egypt, EU-27 , Kenya, Mexico, Nigeria, South Africa, Tanzania, Ukraine, Japan, Australia, New Zealand, Cambodia and

Vietnam

Note: EU-27 (27 Countries i.e. AUSTRIA, BELGIUM, BULGARIA, CYPRUS, CZECH REPUBLIC, DENMARK, ESTONIA, FINLAND, FRANCE, GERMANY, GREECE, HUNGARY, IRELAND, ITALY, LATVIA, LITHUANIA, LUXEMBOURG, MALTA, NETHERLAND, POLAND, PORTUGAL, ROMANIA, SLOVAK REP, SLOVENIA, SPAIN, SWEDEN and U K).

Source: Author's tabulation from various notifications and from Tables 3 & 6 of Appendix 37D of FTP 2009-14.

For up gradation of export sector infrastructure, '**Towns of Export Excellence (TEE)**' have been supported under FTP 2009-14. The units located under TEE have been granted additional focused support and incentives that are very helpful to manufacture and export goods. So far, 30 TEE have been installed out of which 12 are for textiles and its allied products. Addition of Ahmadabad (Gujarat) and Kolhapur (Maharashtra) for textiles through 2012 supplement in FTP 2009-14 would augment the exportable textile products surplus and hence Indian textiles export share in global trade.

List of Towns Of Export Excellence (TEE) for Textiles			
S.No	Town of Export Excellence	State	Product Category
1	Ahmadabad	Gujarat	Textiles
2	Alleppey	Kerala	Coir Products
3	Bhilwara	Rajasthan	Textiles
4	Bhiwandi	Maharashtra	Textiles
5	Kanoor	Kerala	Handlooms
6	Karur	Tamil Nadu	Handlooms
7	Kekhra	Uttar Pradesh	Handlooms
8	Kolhapur	Maharashtra	Textiles
9	Ludhiana	Punjab	Woollen Knitwear
10	Madurai	Tamil Nadu	Handlooms
11	Panipat	Haryana	Woollen Blanket
12	Tirupur	Tamil Nadu	Hosiery

Important highlights from the FTP supplements are certainly the continuation and expansion of the two percent interest subvention scheme and zero duty EPCG scheme. In addition, enhanced focus on export diversification through expansion of schemes like FMS, Special FMS, FPS, MLFPS, and thrust for manufacturing by enlarging the scope of tax benefits on imported inputs to include goods sourced locally – all these moves are better than whatever expected. However emerging competition from smaller countries such as Bangladesh moving up with the value chain in apparel exports draws more attention T&C exports promotion. For example- recent decline in garment exports are mainly due to contraction in demand from EU and US where around 62% of garments export take place. Despite the fact that India has second largest capacity for producing all products in textiles value chain, country is realizing the exports value realization with

substantially low number of products than all tradable textile products. There is still a case of high dependence on traditional export market. However, focus on emerging markets including ASEAN countries, from where major competitors for textiles exports exist, could also augur well for T&C exports growth. For example- MLFPS for Bangladesh and Sri Lanka with 2% duty credit script incentives for woven cotton fabrics can be a path breaking policy directions. Similar is needed for more of products in value chain of textiles like for yarns and made-ups also. Already exports of T&C have increased from US\$ 22 billion in 2009-10 to US\$ 34 billion in 2011-12. Remaining two years can have at least incremental of US \$ 11 billion of T&C exports to touch US\$ 45 billion exports figure, if this sector guaranteed all deserving and proactive supports.